

**CULTURAL DIMENSIONS OF CHINA-INDIA
ECONOMIC RELATIONS, 2000-2016**

*Thesis submitted to Jawaharlal Nehru University
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DOCTOR OF PHILOSOPHY

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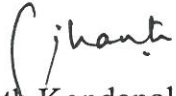
DECLARATION

I declare that the thesis entitled “Cultural Dimensions of China-India Economic Relations, 2000-2016” submitted by me for the award of the degree of Doctor of Philosophy of Jawaharlal Nehru University is my own work. The thesis has not been submitted for any other degree of this University or any other university.

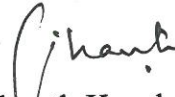
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CERTIFICATE

We recommend that this thesis be placed before the examiners for evaluation.


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Abbreviations

BRI	Belt and Road Initiative
BGEI	Bilateral Goods Export and Import
BCIM-EC	Bangladesh-China-India-Myanmar Economic Corridor
CCCI	Chindia Chamber of Commerce and Industry
CPEC	China Pakistan Economic Corridor
CSR	Corporate Social Responsibility
DIPP	Department of Industrial Policy & Promotion, Ministry of Commerce and Industry, Government of India
EOI	Embassy of India, Beijing, China
FDI	Foreign Direct Investment
FICCI	Federation of Indian Chambers of Commerce and Industry
GOI	Government of India
GLOBE	Global Leadership & Organizational Behavior Effectiveness
HCP	Hiralaxmi Craft Park
HZSTEEL	Hangzhou Iron & Steel Group Co., Ltd
ICBCMB	Industrial and Commercial Bank of China Limited, Mumbai Branch
JSPL	Jindal Steel & Power Limited
MFAPRC	Ministry of Foreign Affairs of the People's Republic of China
MOCPRC	Ministry of Commerce of the People's Republic of China
MTPA	Million tons per annum
MHL	Metallon Holding Limited
NBS	National Bureau of Statistics (China)
NCERT	National Council of Educational Research and Training of India
NBSPRC	National Bureau of Statistics of the People's Republic of China
PSH	Psycho-Social Homeostasis
RSS	Rashtriya Swayamsevak Sangh
SJM	Swadeshi Jagaran Manch
SDSTEEL	Shandong Iron & Steel Group Co., Ltd
TNN	The Times News Network
UNCTAD	United Nations Conference on Trade and Development

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Chapter I Introduction

1.1 Introduction

The fundamental concern of research on the impact of culture on economic relations is the misunderstanding caused by cultural differences and the resulting conflicts which hinder the economic relations between China and India. The question of inquiry is the characteristics of the culture of the two countries and its influence on behaviour and thinking. This research examines the manifestation of the above factors in the economic field, specifically the impact of culture on the economies of the two countries, and the misunderstandings caused by cultural differences and the impact of the cultural conflicts on China-India economic relations.

In the history of India, it was once the British colonists who did not respect the local culture, ignoring the willingness of Indian soldiers to refuse to use bullets coated with lard or beef tallow, but instead suppressed the soldiers who refused to use such bullets, which eventually led to a national resistance uprising (Ren and Li 2016: 89). Common misunderstanding or bullying might not awaken this kind of opposing force, but because of crossing the most fundamental cultural redline. Disrespect for culture could lead to catastrophic damage, but a deep understanding of cultural differences accompanied with respect towards each other's culture can help avoid conflicts. In view of this, an understanding of the culture of others becomes an essential requirement for survival in a foreign country.

This research looked into how culture, which includes “customary and dominant beliefs, values [and ideas] that ethnic, religious, and social groups transmit fairly unchanged from generation to generation” (Guiso, Sapienza and Zingales 2006:23), help to explain economic relations between China and India. Cultural similarities are always highlighted in the bilateral talks between China and India, even as the differences in the cultural front remain prominent. Cultural differences are the leading cause of misunderstanding between the two nations, which led to a different degree of cultural conflicts. This is not quite China-India specific and has been found to be a factor elsewhere as well. Samuel P. Huntington predicted that “the great divisions

among humankind and the dominating source of conflict will be cultural” instead of “primarily ideological and primarily economic” (Huntington 1993: 22).

Although the idea of the clash of civilisations is controversial since it was introduced, it has recurred to the government officials of the United States (US) recently. It is considered that the competition between China and the US “ [...] is a fight with a really different civilization and a different ideology and the United States hasn’t had that before”(Gehrke 2019). It is reported that Chinese President Xi Jinping refuted the “clash of civilisations” theory (Jia 2019) and pointed out that “Civilizations don’t have to clash with each other; what is needed are eyes to see the beauty in all civilizations.”(Xi 2019). The debate between China and the US showed the importance of civilisation and provided a reference for China and India. This research agrees that “[v]arious civilisations are not destined to clash” (Aneja 2019), but considers that culture has differences and the differences could cause different degrees of uneasiness and form different degrees of cultural conflicts and further affects the bilateral relations, though it is not necessarily lead to a violent confrontation.

The above cultural constraints remain despite the fact that historically, there are instances of strong interaction in the field of culture and economy in China-India relations. For instance, in ancient times, via the Silk Road, goods and culture circulation greatly improved between these two civilisations. Buddhism was the primary catalyst for China-India trade (Sen 2005). Even now, Buddhism is the primary linkage when it comes to cultural and people-to-people exchanges between China and India (Zhang 2015). The Chinese fishing nets (Cheena vala) were introduced by Chinese explorer Zheng He, and are still an attractive spot for tourism in Kochi, Kerala, South India (Tansen Sen 2004:243 and Ge 2014:792). Indian tea was introduced from China by the British, and later Indians got into the habit of having tea. Moreover, now, Indian tea such as Darjeeling tea and Assam tea are becoming popular in China. More recently, the reopening of Nathu La in 2006 after 1962 also can be seen as an evidence of the cultural and economic interaction between China and India.

As mentioned above, modern China and India have many cultural linkages but mostly because of Buddhism (Zhang 2015). Yet, domestically, Confucian culture has been more influential than Buddhism in China as like Hinduism in India. It is, therefore, crucial to understand that while the ties between these two nations are not limited to Buddhism, it is necessary to understand the dominant beliefs and values that influence their economic behaviour in the contemporary period.

In 2000, the government of China officially initiated the "Go Global" strategy to encourage its enterprises to invest abroad. After joining the World Trade Organization (WTO) on 11 December 2001, China soon displaced the US to become India's biggest trade partner in 2007. Clearly, along with the fast growth of economy over the last few decades, the bilateral economic relations have grown as well. India is China's biggest trading partner in South Asia and a crucial partner at the international stage, mainly while representing the interests of developing countries. Nevertheless, being the two emerging economic powers in the world, the current level of economic cooperation between the two is still not at the level it is supposed to be. Except politics has a strong bearing on the China-India relations, to which the cultural misunderstanding and disrespect are also significantly affecting the images of each other, thereby, influencing the deepening of economic relations.

Not that there has been no progress. Moderately without a doubt, the perceptions in China and India towards each other are taking a positive turn. Still, compared to their traditional ties and dramatic economic development, it falls far short of realising the full potential of the two ancient civilisations. In other words, it is not yet easy, especially for the common people of these two different civilisations, to understand the values of each other, which were developed to deal within their society. It is crucial for them to decipher the cultural values since there is the influence of those values on how China and India behave on the stage of globalisation. In brief, it is inalienable to their own identity and characteristics and has bearings on their negotiations, interactions and economic behaviour. In this regard, the study examines the ignored impacts of culture on China-India economic relations in order to promote the smooth development of relations and accelerate the process of cooperation.

1.2 Theory: Psycho-Culturology and Moral Realism

1.2.1 Psycho-Culturology: Psycho-social homeostasis (PSH) and Human Constant

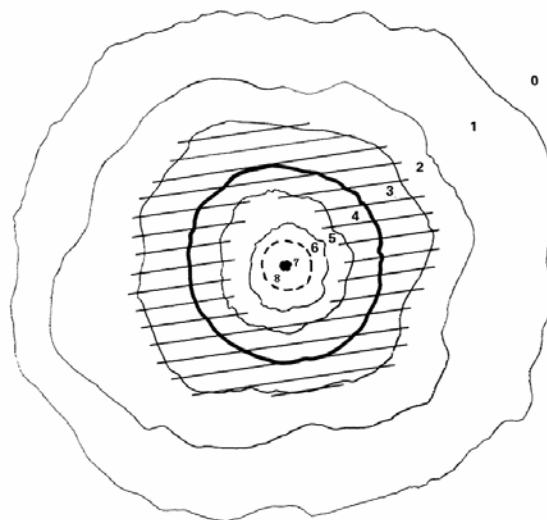
In the academic circle of International Relations (IR), there is a debate about the establishment of non-Western theories given Western international relations theory is not sufficient to analyse all non-Western countries. As a result, many IR theories from non-Western countries have emerged. Among them, several Chinese and Indian scholars have developed certain theoretical formulations, such as Yan Xuetong, who is working on Chinese historical thought on IR and constructs the theory of Moral Realism, Qin Yaqing who focuses on the exploration of Chinese cultural and philosophical traditions for developing IR theory and has established *Guanxi* theory (a relational theory of world politics), and Amitav Acharya, who is one of the leading scholars to explore the non-western international relations theory. Apart from these, Shang Huipeng (2013: 3) coined the Psycho-Culturology based on Francis L.K. Hsu's doctrine, which is about the comparative study of literate civilisations. This theory is conducive to explain the different levels of economic behaviour in the cultural dimensions of China and India.

This research draws on Psycho-Culturology as the primary theoretical interpretation tool. Psycho-Culturology analyses Chinese and Indians from the psychological and cultural perspective and different levels (individuals, groups, etc.). The individuals under the influence of Confucianism and Hinduism are respectively as the subject of analysis in Psycho-Culturology, and the *Lun-ren (lun-jen)* and the Homo Hierarchicus (Dumont 1980) are used as the scientific name of Chinese and Indian (Shang 2013: 70,71,78).

“*Lun*” literally means match, ethics, and order. *Wu-lun* (five human relationships in ethics) is the most critical relationships in the ethics of Confucianism those are between ruler and subject, father and son, husband and wife, brothers, and friends. The relationship of father and son, which reflect the concept of *xiao* (filial piety), is at the apex in the order of Confucianism tradition (*Mencius*) that shows the importance of the family further the kinship. The ethics and order of *Lun-ren* could reflect the awareness of human and the orientation of the understanding on interpersonal relationships as well as the particular sequence of people in relation in the Chinese

traditional culture (Shang 2013:71). The *lun-ren*, which is dominant in traditional China, is the embodiment of the Confucian values system, and Chinese civilisation is considered as the most splendid fruit of the human being, basing on this *lun-ren* human constant (Shang and You 2010: 334) (Shang 2013: 72). Homo Hierarchicus is “referring to the integration and division of the Indian society according to the hierarchy principle, the existential state of the people characterised by strong interdependence” (Shang 2013: 78). The commercial behaviour, organisational culture, and national policies are embodied in the behaviours of the *Lun-ren* and the Homo Hierarchicus at different levels (individual, organisational, national). There are similarities and differences in the two cultures, and the influence of cultural differences on economic relations is the primary analysis object of this study.

There are two main essential parts in Psycho-Culturology - Psycho-Social Homeostasis (PSH) theory and human constant (Shang 2013:53-55). Psycho-Social Homeostasis (PSH) is a theoretical model for understanding the relationship among human psychology, behaviour and culture proposed by Hsu Francis L. K. This theory holds that “human is in a ‘field’ (*chang*) where human and human, human and object, and human and cultural norms interact with each other. It is a dynamic homeostatic system between psychology and society; this homeostatic system is divided into eight layers from the inside to outside” (7 layer to 0 layer), and these eight layers include (Ibid 2013:54-56),



Source: Psycho-Social Homeostasis (PSH) Model (Shang 2013:60)

8. Superconscious, 7. Unconscious, 6. Preconscious, 5. Unexpressed conscious, 4. Expressed conscious, 3. Intimate society and culture, 2. Operative society and culture, 1. Wider society and culture, 0. Outer world

Psycho-Social Homeostasis (PSH) Model (Shang 2013:60)

7. Unconscious, 6. Preconscious, these two layers refer to the deep level of human consciousness and are the main psychoanalytic content of Sigmund Freud; 5. Unexpressed conscious, it relates to the hidden consciousness that is hidden in the heart of the person, only the one his/her own could realise it, but the expression is restricted ; 4. Expressed conscious, it includes idea, feelings, emotions, as well as thoughts and beliefs, “it could be interacted with each other, being easily understood, accepted, or responded to”, this layer is the most common sense of daily use. 3. Intimate society and culture, this layer includes “peoples who are strongly attached, items (the things of love) and the cultural norms (the obsession, including the religious belief, the ideals and the norms to be followed etc.)”, this layer has also become a “life pack”. 2. Operative society and culture, including “useful” people, things and cultural norms, [people] generally do not bet on their emotions on this layer, it is role-based rather than emotional, such as teachers and students, manufacturers and customers. 1. Wider society and culture (Hsu 1973:4-14) refer to the people, goods and cultural norms are far away from life. Those are limited to just knowing and the impact is relatively weak. 0. Outer world refers to the foreign culture, foreign countries, alien planet, alien galaxies.

The individual’s psychology contains these levels. Individuals follow certain principles and interact with people, things and cultural norms in each layer to maintain a dynamic balance. Different cultures have different homeostatic models. The analysis of different models is conducive to understand the psychological and behavioural characteristics of different cultures (Shang 2013:57). Indian scholar Age Handa Bharat suggested that a point, which is called “*atman*”(soul, self) in Hinduism, should be added in the PSH model centre to explain Hindus better. This layer (8) is called superconscious (Ibid: 54, 58-60).

Human Constant

The fourth and third layers and the fifth and second layers constitute the “Human Constant”, which is a “human system” and a general term for the mutual recognition and communication system between people (Ibid 2013: 60-61). The human constant of Chinese is called *lun-ren* (or *lun-jen*), *ren* (*jen*) means people and the meaning of *lun* include “relationship between people, “orderliness”, “order” (Ibid: 71). For *Lun-ren*, the kinship members are the main content and comparatively stable in the 3rd

layer of Psych-Social Homeostasis (PSH) (Ibid: 72, 313). The human constant of Hindu is Homo Hierarchicus (Ibid: 78). For Homo Hierarchicus, the gods and priests are the critical content in the third layer of PSH (Ibid: 311).

The Human constant is divided into four dimensions: group dimension, exchange dimension, emotional dimension, self-cognition dimension (Ibid 2013: 64-66),

(1) The group dimension, which expresses the “method of human association”, is the external image of human constant, it includes the third and second layers in the PSH model, and also relates to the first layer (Ibid: 65). It is used to analyse organisational culture and national policies in this research.

(2) The exchange dimension shows "how the individual interacts with others in a particular social and cultural context", and its content mainly belongs to the third and second layers in the PSH, and some of it involves the fourth and first layers (Ibid: 65). It is used in this research to analyse commercial behaviour. The exchange dimension outwards constitutes the group dimension, so it has an impact on the group dimension, and the group dimension also affects the way people exchange (Ibid: 67)

(3) The self-cognition dimension refers to how the individual define the self. It will be used to show how individual especially the national leader realise self and the influence of their way to interact with others. It is an essential factor as it influences the leader’s mindset of policy-making.

Human is the carrier of culture, the subject of the group and the nation. The human constant is the basic system of human existence, representing the characteristics of “human”, and the comparative study of human constant as the basic operational unit can solve the psychological and cultural characteristics and behaviour patterns of Chinese and Indian (Ibid: 70). The Human constant is the status of human beings, a “probabilistic description”. It describes the dynamic homeostatic process; “the possibility of a certain psychosocial dynamic homeostatic state tending to emerge in a particular cultural context”; Psycho-Culturology, which take PSH and human constant as the two main research tools, could be considered as the new version of the national character studies (Ibid: 71).

1.2.2 Moral Realism (national behaviour: not only for profit)

The first deduction of Moral Realism is that “seeking profit is the first primary but not the entire motive force of national behaviour” (Yan 2016). Moral Realism supports the idea that not all the national behaviour is motivated by profit. The non-seeking profit values are influencing national behaviour. The economic values of the

Confucianism and the Hinduism include the seeking-profit value like *ren*, *zhi* and *manthan* (See Chapter III). Meanwhile, the non-seeking-profit value could also play a role in the national behaviour, for instance, *yi*, *xin*, *karma* and *jugaad*. Thus, all those values whether seeking for profit or not need to be analysed in the national behaviour of China and India, here on the aspect of their economic behaviour.

Table 1.1 Classic Values and Profits

Economic Thought	Seeking profit	Not for Profit	Neutral (Norm)
Confucianism	<i>Ren, Zhi</i>	<i>Yi, Xin</i>	<i>Li</i>
Hinduism	<i>Artha, Manthan</i>	<i>Karma, Jugaad,</i>	<i>Dharma</i>

The core logic of Moral Realism is that the ideology (thought and ideas) of way to achieve interest is one of the two factors to decide the external strategic choice of a nation (The other factor is the objective national strategic interests of nations) (Yan 2016). Taking the “ideology of way to achieve interest” as a reference, this research considers it is an essential factor influenced by traditional culture and plays a role on the people's thought and behaviour in the aspect of the economy.

1.3 Early and Current Research in Culture and Economy

Culture and Conflict

One of the major concerns of this research is the negative influence, namely conflict that may be caused by culture. In this regard, the argument of Samuel P. Huntington is relevant to a certain extent. In his article “The Clash of Civilizations?” (Huntington 1993:22) and his work *The Clash of Civilizations and the Remaking of World Order* (1996), Huntington first predicted that “the great divisions among humankind and the dominating source of conflict will be cultural” instead of “primarily ideological or primarily economic”. He considers that “[...] the principal conflicts of global politics will occur between nations and groups of different civilisations. The clash of civilisations will dominate global politics”, and suggested that there were eight major

diverse groups including “Confucian, Hindu and Islamic etc., and ‘international cooperation between them is the best safeguard against war” (Ibid 1993, 1996).

Jonathan H. Turner (2005:87) in the book *Sociology* argues that “ [a] conflict caused by ‘differences in cultural values and beliefs that place people at odds with one another”. Alexander Grewe’s (2005) explanation posits that conflict “occurs when people’s expectations of a certain behaviour coming from their cultural backgrounds are not met, as others have different cultural backgrounds and different expectations”. In the article “Culture and Conflict”, Michelle LeBaron (2003) had described culture mentioning its causation with conflict. He describes different cultures as “underground rivers that run through our lives and relationships, giving us messages that shape our perceptions, attributions, judgments, and ideas of self and other” (Ibid.). LeBaron stated, “though cultures are powerful, they are often unconscious, influencing conflict and attempts to resolve conflict in imperceptible ways” (Ibid.).

In order to understand the cultural conflict in economic relations, one of the evidences can be found in academic work saying that the analysis of the clash between different cultures should not be taken lightly. Wu Changqi pointed out in his work *The Internationalisation Strategy of Chinese Enterprises* (2014) that cross-border/international Mergers and Acquisitions (M&A) has become one of the primary methods for the Foreign Direct Investment (FDI) of Chinese enterprises to enter the market abroad (Wu 2014:7). When he analyses the influence of national culture and organisational culture on the strategic choice and performance of cross-border/international M&A, he quoted scholars like Nahavandi and Malekzadeh (1988) that the cultural clash between the two sides of M&A may prompt demission by major managers and core staffs and group boycott (Wu 2014:145). John W. Berry (2005) pointed out that “during acculturation, groups of people and their individual members engage in intercultural contact, producing a potential for conflict, and the need for negotiation in order to achieve outcomes that are adaptive for both parties.”

Culture and Economy

It is to consider that the economic life could not be divorced from cultural life. In a study of the interconnectedness of economic life with cultural life, Francis Fukuyama (1995) pointed out the culture linked with the central issue of international

competition, politics and economy, and the economy bears the direct influence of culture towards the internal peace and international order in *Trust: the social virtues and the creation of prosperity*. Jerry Z. Muller (1992) mentioned in the work *Adam Smith His Time and Ours* that the culture, including moral value and social customs, is considered a necessary part for understanding economic behaviour:

... economic life is deeply embedded in social life, and it cannot be understood apart from the customs, morals, and habits of the society in which it occurs. In short, it cannot be divorced from culture (Fukuyama 1995:13).

Moreover, Adam Smith pointed out in his work *The Theory of Moral Sentiments* that “economic motivation as highly complex and embedded in broader social habits and mores (Fukuyama 1995:18). Inevitably, the “social habits” are created by culture. Although some of the humanity transcends cultural borders, for instance, "rational self-interested calculation" (Fukuyama 1995:18-19)¹, this research focuses on summarising the cultural dimensions “inside the border” which influenced the economic relations.

In the book *The Wealth and Poverty of Nations: Why Some are So Rich and Some are So Poor*, David Landes (1998) has pointed out the cultural influence on economic development from a historical perspective: “if we learn anything from the history of economic development, it is that culture makes all the difference (Here Max Weber was right on)”. He explained the “expatriate minorities - the Chinese in East and Southeast Asia, Indians in East Africa, Lebanese in West Africa, Jews and Calvinists throughout much of Europe, and on and on”- as the “coming from outsiders” would have to make cultural changes, which he believes is better than “deploring changes”. (Landes 1998: 516-517). Landes considers “criticisms of culture cut close to the ego, injure identity and self-esteem” (Ibid.). The opinion is conducive to understand the competition between the local enterprise and the outside enterprise; the “outsiders” sometimes are more successful than the local brand in the market when they can seriously and acuminously deal with the “criticism” and adapt the local (consumer) culture for surviving with more challenges. Jan Truszczyński (2010), the Director-

¹ It is considered that “The power of neoclassical theory rests on the fact that its model of humanity is accurate a good deal of the time: people can indeed be relied on to pursue their own selfish interests more often than they pursue some kind of common good. Rational self-interested calculation transcends cultural borders” (Fukuyama 1995:18-19).

General for Education and Culture, European Commission pointed out the impact of culture on economy from European Union perspective. He argued that in the challenging time of the economic and financial crises, the capacity of culture had proven contribution to combat social exclusion and promote the economic development, and culture would play a crucial role in the implementation of the Europe 2020 strategy for an economically strong and socially inclusive European Union.

For analysing the effect of culture towards the economy, it is necessary to enhance the understanding of one branch of economics: cultural economics, which studies the relations of culture to economic. The categories of cultural economics include the following three, firstly, “cultural dimensions of economic activity (the design or marketing of any product or service)”. Secondly, “a particular subsection of economic activity which concerned with cultural products and activities (such as music, film, and fine art such as music, film and fine art)” (Pratt 2007). Thirdly, the culture influences on the economic outcomes, which is one of the main concerns of this research,

Economic discourse here is not simply matter of beliefs, values and symbols but rather a form of representational and technological (i.e. ‘cultural’) practice that constitutes the spaces within which economic action is formatted and framed. (Gay and Pryke 2002:2)

These aspects are helpful to understand the policy making of the national leaders such as the Belt and Road initiative (BRI) of China and Act East Policy of India.

Meanwhile, business negotiation, cross-cultural management, organisation behaviour and business communication etc. were respectively analysed regarding the cultural influence on the economy in the academic field. Guiso, Sapienza and Zingales (2006) defined culture as “those customary beliefs and values that ethnic, religious, and social groups transmit fairly unchanged from generation to generation” and restricted “the potential channels of influence to two standard ones-prior beliefs, and values or preferences-this definition provides an approach that can identify a causal effect from culture to economic outcomes” and “enhance our understanding of economic behaviour”. It was pointed out after “better techniques and expanded data have made it possible to identify systematic differences in people’s preferences”,

economists began to “apply their analytical frameworks and empirical tools to the issue of culture and economic outcomes” (Guiso et al. 2006:23). Besides, the relations between culture and economy was examined through the perspectives of the economic performance (Casson 2006), economic development (Streeten 2006), economic behaviour (Henrich et al. 2005), market and economic institutions (Bowles 1998).

In the book *The Religion of India: The Sociology of Hinduism and Buddhism*, German economist and sociologist, Max Weber (1916) has examined the influence of Hinduism and Buddhism on the social activities and their impact on the economy. Weber argued the economic development is slowed because of the influence of traditionalism of the Varna system (social classes, author’s note) supported by the *dharma* and the ‘spirit’ of the Varna system worked against the development of capitalism (Weber 1916, Bendix 1997). In his work, *The Religion of China: Confucianism and Taoism*, Weber (1915) analysed how the value of Confucianism and Taoism influenced its economic pattern. Sriya Iyer (2018) in her book *The Economics of Religion in India* has explored the history of religious conflict in India from 1955-2006, how religious organisations in India provide their services and the links between income inequality, demographic characteristics, socioeconomic status, and religion in India.

In the book *Guanxi (The art of relationships): Microsoft, China, and Bill Gate’s Plan to Win the Road Ahead*, the author Robert Buderer and Gregory T. Huang mentioned, “In China, there’s no such thing as a purely business relationship. Instead, to be successful in business, you must blend formal relationships with personal ones. *Guanxi* refers to the delicate art of building and nurturing such ties”. They further pointed out “Its [good *guanxi*] four basic principles can be roughly translated as trust (respect and knowledge of others), favor (loyalty and obligation), dependence (harmony and reciprocity, mutual benefit), and adaptation (patience and cultivation)”. (Buderer and Huang 2006:6-7) Besides, there are also scholars who have different views on the relation between culture and economy. Teresa L. Cyrus (2015) considers “cultural distance does not affect trade, while trade reduces cultural distance”.

How culture works in Economy

It was pointed out “[a]s to economic development, culture may act as a brake or filter but is seldom likely to be the original source of change” (Jones 2006:270-271; Zoninsein 2007:135-136). Wherein,

... culture as a determinant of economic life...[but] culture is contingent, intrinsically labile, inherited, unstable, barely conscious, related to personal matters, lacking in permanent foundations, and is not derived from explicit choices by those making economic decisions... culture is shaped as a residue of past decisions subjected to slow and gradual change and is impacted by current material incentives, priorities and choices. [...] Custom, traditions, beliefs, and values combine with economic choice to produce existing culture (Zoninsein 2007:135-136).

Eric L. Jones defines “pure culture”, in his *Cultures Merging: A Historical and Economic Critique of Culture*, “as an unconsciously assimilated pattern of beliefs, habits, expectations, values, ideals, and preferences absorbed mainly from families and the surrounding society’s influences” (Ibid.).

Culture and economic development

Samuel Huntington has emphasised the influence of culture on the economic development...

[Yet] the major differences in political and economic development among civilizations are clearly rooted in their different cultures" and "The predominant patterns of political and economic development differ from civilization to civilization. The key issues on the international agenda involve differences among civilizations. (Huntington 1996:29)

Different beliefs in India have resulted in the performance of economic activities. According to Pritam Singh, the ancient Brahman caste of Hinduism has always had a tradition of contempt for physical labour, but Sikhism advocates labour and encourages believers to become self-reliant. The Sikhs have thus become a model for a new generation of Indian peasants. (Singh, Pritam 2016: 375).

By giving the example of the fastest-growing countries and regions during 1991-2001, such as China [including Hong Kong and Taiwan], Japan, Singapore and South Korea, it was argued “Chinese may be the most economically successful ethnic group in the world” as the above countries and regions “either have a large Chinese population or have been heavily influenced by Chinese culture” (Kristoff and Wudunn 1994: 392). Moreover, it could also support the idea that Chinese ethnic have great

contribution to the economic growth by considering the situation in Philippine and Indonesia where Chinese constituted 1.5 per cent and 2 per cent of the population respectively and were responsible for 35 per cent of the sales of locally owned firms and 70 per cent of private domestic capital (Ibid.).

Culture and Negotiation

In addition to this, James K. Sebenius and Cheng (Jason) Qian from Harvard Business School believe culture plays a very crucial role in the negotiation. In the paper “Cultural Notes on Chinese Negotiating Behavior”, Sebenius and Qian (2008) argued “better understand the key elements of Chinese culture to which Chinese negotiators attune their business mentality and manners” would “decipher the Chinese negotiating style and bring about mutually beneficial results”. They pointed out “unique Chinese cultural elements such as complicated local etiquette, obscured decision-making process, and (heavy) reliance on interpersonal relationships (instead of legal instruments) all add to the complexities of Sino-foreign business negotiations, and can make the process tiresome and protracted”. They believe “over the past two thousand years, Confucianism and Taoism have shaped the design of China’s political, educational, and economic systems, and influenced the behavioural and thinking patterns of the Chinese people” which has ingrained among Chinese the following characteristics:

- a) the focus on relationships (*guanxi*. Author’s note, similarly hereinafter),
- b) reliance on moral (*daoyi*) influence over the legal practice,
- c) respect for hierarchy and expectation of reciprocity,
- d) face-saving (*mianzi*),
- e) (different understanding of) trust and ethics.

Besides, *Guoqing* (national conditions) was also analysed as they believe “it is the milieu in which Chinese business culture evolved” which show up:

- a) A centrally controlled political system with “Socialistic” market economy,
- b) Multilayered governance of business,
- c) The dominance of state-owned enterprises.

In their conclusion, they suggested reform of Chinese Business Culture to adopt international best practices:

- a) Efficiency-oriented control,
- b) Materialistic world view,
- c) Awareness of international business rules and cultural differences.

Culture influence on organisational behaviour and attracting FDI

The “Global Leadership and Organizational Behavior Effectiveness” (GLOBE) Research Program was conceived in 1991 by Robert J. House of the Wharton School of Business, University of Pennsylvania (Hoppe 2007). Two volumes were published: *Culture, Leadership, and Organizations: The GLOBE Study of 62 Societies* (2004) and *Culture and Leadership across the World: The GLOBE Book of In-Depth Studies of 25 Societies* (2007). The scholars of GLOBE research program empirically established nine cultural dimensions, which are:

1. Power Distance,
2. In-Group Collectivism,
3. Institutional Collectivism,
4. Uncertainty Avoidance,
5. Future Orientation,
6. Gender Egalitarianism,
7. Assertiveness,
8. Humane Orientation,
9. Performance Orientation,

The above dimensions were “to capture the similarities and/or differences in norms, values, beliefs - and practices - among societies” (Hoppe 2007). They build on findings by Hofstede (1980), Schwartz (1994), Smith (1995), Inglehart (1997), and others (Ibid). The definition of culture used by the GLOBE research project is “shared understandings made manifest in act and artifact” defined by anthropologist Redfield (1948), “which examines culture as practices (acts or ‘the way things are done in this culture’) and values (artifacts because they are human made and, in this specific case, are judgments about ‘the way things should be done’)” (House et al 2004:XV). It is examined by the GLOBE researchers as “how is culture related to societal, organizational, and leadership effectiveness”. House (2004) pointed out “all experts in international business agree that to succeed in global business, managers need the

flexibility to respond positively and effectively to practices and values that may be drastically different from what they are accustomed to”.

Some scholars used the data from the GLOBE research program to analyse the effect of cultural difference on economy. Chinese scholar who was in Tsinghua University (Beijing) Jiang Lu (2008) and her colleagues analysed "the Cultural Difference of China and India and its Influence on Attracting FDI”.

Importance of the Culture towards Nations' Relations

Beyond those, there are other academic works regarding the relations of culture with international relations and international order, which could be helpful in understanding the role of culture towards the economy and politics. The cultural factor could be a double-edged sword. Obviously, it would benefit the nations' relations and economic cooperation if others' culture is understood and respected well. According to Patricia M. Goff (2013), “good relations can take rest in the fertile ground of understanding and respect” and “the assumption that art, language and education are among the most significant entry points into a culture”. In the *How Does Culture Affect Foreign Policy: A Case Study of U.S.A*, Xing Yue (2011) argued that the nations choose cooperation with each other because of common threat and interests, however in order to establish stable and everlasting relations, it is necessary to understand and respect others' culture. She illustrated the reason of the “unique relations” between some present great powers like the United States of America (USA) and the United Kingdom, USA and Canada, the nations among European Union, is due to the relatively profound cultural basis.

Yan Xuetong (2016) argued that China should establish an international order for its rise with the idea of *gōngpíng* (equity), *zhèngyì* (righteousness) and *wénmíng* (civilised) based on the thought of Confucianism: *rén* (Benevolence), *yì* (Righteousness), *lǐ* (Rites) which he believes it could surpass the USA idea of international order, i.e. equality, democracy, liberty. In Jayant Sinha and Sanjeev Sanyal's article (2016) in which they illustrated that “it is possible to build an intellectual framework for policy and governance based on our [Indian] civilisational values” as they considered “an Indian state rooted in our [Indian] cultural matrix will be able to better harness the energies of the Indian people”.

Cultural Comparison between China and India

Summing up the above, the aspects of the cultural effect were stated from different perspectives. Among those aspects, the cultural difference could be one of the most important points in economic cooperation, which might create misunderstanding, distrust and even conflict. When considering the cultural difference between China and India, lots of works have been done in this area. The representative works will be exhibited as below. In Shang Huipeng's works *Chinese and Hindus, A Comparative Study of Cultural Traditions* (2015) and *An Outline of Psychoculturology, the Comparative Study of Literate Civilizations* (2013), the difference between Chinese and Indian (Hindus) Culture was systematically examined including the different values towards relationships, supernature, politics etc. Jay Taylor (1987) broadly compared "the Indian and Chinese societies and the factors that have shaped their approaches to modernization" and examined "Chinese and Indian attitudes towards religion, art, authority, science and so on". Lokesh Chandra and Daisaku Ikeda (2011) summarised the difference of the spiritual tradition between China and India in different dimensions such as Chinese attach importance to "ethics in society" while India pays more attention to "transcendence of being". Those differences systemically analysed by the scholars could be a significant foundation to be cited for understanding each other's behaviour.

Some scholars have summarised Confucianism's shaping of contemporary Chinese values into ten characteristics, including: "Morality is more important than law, community is more important than individual, spirit is more important than material, responsibility is more important than rights. Besides, people's livelihood is more important than democracy, order is more important than freedom, this life is more valuable than the afterlife, harmony is more worthy than struggle, civilisation is more valuable than poverty, family is more important than class (Chen 2015).

China-India Economic relations

It is essential to know China-India economic relations from a historical perspective. In Tansen Sen's book, *Buddhism, Diplomacy and Trade-The Realignment of Sino-Indian Relations, 600-1400* (2004), the role of culture and trade in China-India relations were systematically analysed. Sen notes that, "the transformation of Sino-Indian relations

from a Buddhist-dominated phenomenon to trade-centered exchanges over the course of the centuries under study”. In the book, *Indians in China 1800-1949*, Madhavi Thampi (2005) shows that there already existed a commercial intercourse with China in Mumbai. Due to this intercourse with China, Mumbai gradually formed a commerce community and became a trade centre. Of course, opium had catalysed the process.

Due to the economic interests, the positive options are the mainstream towards the economic relations of these two most prominent emerging economies. In the book of *Making Sense of Chindia: Reflections on China and India*, Jairam Ramesh (2005), coined the term “Chindia”. He focuses on the economic cooperation between China and India. He mentions the spiritual affinity shared through Buddhism and appeals to sideline the border issue for the sake of economic cooperation. Rodrik and Subramanian (2004) argued that “Some of the motivation for this is plain silly, rooted in a martial conception of economics, and portraying India and China as in some zero-sum game rivalry. Economic growth in China and India and increasing trade by and between them will, of course, be mutually beneficial and positively reinforcing.” The Chinese scholar Liu Zongyi from the Shanghai Institute for International Studies stressed that “geo-economics rather than geopolitics,” should rule China-India ties. He pointed out “with India resolving the General Sales Tax (GST) issue, Chinese companies will now have more opportunities to invest. We cherish these opportunities” (Aneja 2016).

In Ahmed Rashid’s book *Pakistan on the Brink: The Future of America, Pakistan and Afghanistan*, Rashid argued that China no longer treats India as its enemy owing to the \$74 billion worth of bilateral trade between the two (Chaulia 2012). Although “Beijing was an ‘all-weather ally’ of Islamabad, the Sino-Pakistani trade is only \$9-billion (Ibid). It made the author’s recall of the idea of Cordell Hull, the US Secretary of State during World War-II and a champion of commercial liberalism “if goods do not cross borders, then armies will” (Ibid). The economic cooperation between China and India could ease their tension caused by political disputes in this sense.

Just because of these mentioned above, the bright prospect of China and India economic relations means that these two nations are going to have growing

interaction. So it is still further necessary to analyse their economic relations through a “more cautious analytical approach” which is a difference of cultural economy with the mainstream finance and political economy (Gay 2007:346).

Literature Gap

There are two main gaps in the literature. First, lack of understanding of the impact of culture on economic relations between China and India. Although the existing literature have done the analysis of Chinese and Indian culture, meanwhile on the issue of cultural influence on the economy, there is hardly any systematic and detailed research that entails the cultural impact on China-India economic relations. This study attempts to analyse the impact of culture on the economy, to find the roots of ideas from the traditional classics such as the *Analects of Confucius* and *Bhagavad Gita*. Given not all cultural factors affect the economy or could influence this economic relations, this thesis screens out the cultural factors that impact the economic relations between the two countries.

Secondly, the other gap in the literature is not taking into account of cultural conflicts in the economic interaction between China and India. There is already an analysis of the cultural differences between the two countries in the literature, but there are few interpretations of the differences that cause cultural conflicts, and less is the study of cultural conflicts, which impact the economic interaction between the two countries. The “Clash of Civilizations” proposes that Chinese Confucian culture and Indian Hindu culture are two cultures that are more likely to cause conflicts. It can be said that the influence of culture is not negligible while examining the reasons behind the bilateral economic relations. The control of military conflicts is common in today’s international relations. Especially, between China and India, the border conflict between the two countries is still within the control of the diplomacy. The cultural conflicts are more diverse and recurrent. Among military, political and cultural conflicts, the conflicts caused by culture, compared with “structural contradictions”, are more challenging to be discovered or considered to be tough to solve. At the same time, it can be avoided by perfecting or increasing mutual understanding through effective communication, thus, reducing the possibility of misunderstanding. Therefore, this study attempts to discover the cultural conflicts in

economic interaction, and then aims to establish a basis for enhancing mutual understanding and promoting better economic relations at different levels between the two countries.

1.4 Definition, Rationale and Scope of the study

The definition of culture in this research will mainly be drawn from the ideas of previous research, that views culture as “ordinary, in every society and in every mind”, it meant both ‘a whole way of life’ (culture in the anthropological sense, synonymous with everyday life)” (Williams 1958), “the shared way of life of a group of people” (Berry et al. 2002: 2), and “those customary beliefs and values that ethnic, religious, and social groups transmit fairly unchanged from generation to generation” (Guiso, Sapienza and Zingales 2006:23). Further, given the religious beliefs and values (Hinduism) are also considered as most important part of culture in this research, the views of Gunnar Myrdal (1968:103) on religion “the institutional arrangements and modes of living to which sacred status has been given by a complex of beliefs and values” and the latter which “give legitimacy to the models of behaviour shaping social life” (Harriss-White 2003:133) will be focused on.

In short, culture will be studied as the ‘thought, value and idea’, which was developed to deal with issues within a region, group or society. In other words, some aspects of one's culture are difficult to understand by outsiders, without knowing the history, geography and so on. The cultural difference could cause misunderstanding, distrust and conflict. In this research, culture means the dominant beliefs and values of ethnic, religious, and social groups including Chinese and Indian mainly influenced by Confucianism and Hinduism, yet it is mainly about the core values and hardly related with the religious rites (Hinduism).

Culture and Civilisation

Two views are helpful to understand the difference between cultures and civilisations. Anthropologists believe cultures are “characteristic of primitive, unchanging, nonurban societies” and civilisations is “more complex, developed, urban, and dynamic societies” (Huntington 1996:41). It is helpful to understand the level of cultures and civilisations located. From this perspective, civilisations are more

developed than cultures and it is at a higher level. Differently, the nineteenth-century German thinkers consider civilisation involved “mechanics, technology, and material factors” and culture involved “values, ideals, and the higher intellectual artistic, moral qualities of a society” (Ibid.). This research agrees with the latter’s view on culture and considers culture is part of civilisation.

Conflict

In the theory of International Studies, the term “conflict” is usually considered to refer to “a condition in which one identifiable group of human beings (whether tribal, ethnic, linguistic, cultural, religious, socioeconomic, political, or other) is engaged in conscious opposition to one or more other identifiable human groups because these groups are pursuing what are or appear to be incompatible goals.” (Dougherty and Pfaltzgraff 2000:189). Conflict does not necessarily manifest as a force confrontation, but rather a different form of expression. As pointed out by Dougherty and Pfaltzgraff (2000:189), “[c]onflict may be violent or nonviolent (i.e., in terms of physical force), dominant or recessive, controllable or uncontrollable, and resolvable or insoluble under various sets of circumstances.”

Culture conflict in this research means the conflict caused by using one’s own culture to understand others when the expectations of certain behaviours are not met (Grewe 2005). It probably could result in negative perceptions, passive cooperation and cancellation of cooperation as well. Researching on conflicts is aimed at the objective to avoid or reduce conflicts, and are more conducive to cooperation. This is also the significance of the IR discipline.

Economic relations, Commercial behaviour, Organisational culture and Trade policy

Economic relations are defined as “Internal and external relations that influence economic stability and growth” (Marques 2014). In this research, it mainly includes trade, investment and economic cooperation and the relevant economic activities. Commercial behaviour refers to the economic, behavioural tendency of the individual. In the Business Dictionary, the definition of organisational culture (also called corporate culture) is “the values and behaviors that contribute to the unique social and psychological environment of an organization”(Business Dictionary 2018). It includes

...an organization's expectations, experiences, philosophy, and values that hold it together, and is expressed in its self-image, inner workings, interactions with the outside world, and future expectations. It is based on shared attitudes, beliefs, customs, and written and unwritten rules that have been developed over time and are considered valid. [...] it's shown in (1) the ways the organization conducts its business, treats its employees, customers, and the wider community [...] (4) how committed employees are towards collective objectives. It affects the organization's productivity and performance, and provides guidelines on customer care and service, product quality and safety, attendance and punctuality, and concern for the environment. (Ibid.)

Organisational culture is considered as a product of factors such as,

...history, product, market, [...], type of employees, national culture; [and] culture includes "the organization's vision, values, norms, [...] language, assumptions, environment, locations, beliefs and habits (Needle 2004:239).

In this research, the linkage between culture (Confucianism and Hinduism) and organisational culture including organisation's expectation, philosophy, values and future expectations will be examined by analysing the relevant information from the official website of the companies in terms of the introduction of the founder, the vision and values of the companies. The definition of "trade policy" is "Laws related to the exchange of goods or services involved in international trade including taxes, subsidies, and import/export regulations" (Business Dictionary 2018b). It is also defined as "a government policy that directly influences the quantity of goods and services that a country imports or exports" (Mankiw 1991:690). In this research, national policy mainly refers to the trade policy and the related policy in economic relations. The analysis of the relationship among culture, behavioural patterns, organisational culture and policies is to understand the behavioural patterns and cultural principles of the two countries in order to facilitate exchanges and achieve less or non-conflict in trade, more efficient in organisation management and rational in economic exchanges.

Rationale

In economic development, groups with different cultures have different performances. Cultural economy helps understand the relations of culture and economic outcomes. It displays "a more cautious analytical approach than mainstream finance and political economy" (Gay and Pryke 2007). In economic relations beyond groups, culture is still an influential factor because of the influence, it wields on interaction. Thus, in

economic activities of all sorts including inter-country ones, it has a reflection on commercial negotiations, cross culture management, business communication and so on.

Further, in case of a conflict caused by cultural differences, it could be an unavoidable obstacle in cross-culture interactions. It may happen frequently and profoundly influence perceptions towards each other. Moreover, yet, it is almost always ignored and evaded thus, often causing the change of the entire business strategy and even the process of investment, cross-cultural management, and so on. Most critically, it imperceptibly causes problems and makes people from different culture bear with it helplessly and generates negative perceptions towards each other.

Along with the rise of China and India, the prospect of economic relations would set to speed up, and so would the engagement between China and India. Alongside, the confidence is growing both in China and India and both governments want to revive their culture. Somehow, thus, when it comes to these two civilisational nations, if the mechanism of contact to understand each other is not established rationally and their culture insufficiently understood mutually, the bilateral disputes would increase.

This research will try to assess how far the China-India economic relations could have picked up if cultural issues were managed well. It will focus on how culture affects economy, what are the main cultural differences between China and India, how the cultural differences cause conflict and what are its influences on the China-India economic relations. The aim is to enhance the mutual understanding, trust and improve economic relations.

Scope of the Study

This thesis covers the time period from 2000 to 2017. In 2000, China's government officially initiated the "Go Global" strategy [*zǒu chū-qù zhàn-lüè*] to encourage its enterprises to invest in abroad. China's oversea investment since then increased dramatically from \$3 billion (1991) to \$35 billion (2003) (*People's Daily* 2004). The China-India trade volume also witnessed a considerable improvement which was \$2.91 billion in 2000 (MOCPRC 2011:472) and reached \$84.54 billion in 2017 (MOCPRC 2018).

The research is focused on the impact of culture on economic relations of China and India as reflected in the economic activities mainly in Beijing, Shanghai and New Delhi, Gurugram (Haryana) where the author has conducted interviews and with concern of the entire economic interaction in term of the trade, investment and economic cooperation of the two nations. The cultural analysis of China and India is mainly focused on the dominant traditional culture (Confucianism and Hinduism) and the core values of these two cultures have emphasized to as mentioned below.

Table 1.2 The Core Values of Confucianism and Hinduism

	China	India	
	Confucianism	Hinduism	
	<i>Lun-ren</i>	Homo Hierarchicus	
1	<i>Rén</i> (Benevolence)	<i>Dharma</i>	<i>Artha</i> (View on wealth)
2	<i>Yì</i> (Righteousness)	<i>Karma</i>	<i>Dama</i> (Self-control)
3	<i>Lǐ</i> (Rites)	<i>Manthan</i>	<i>Jugaad</i>
4	<i>Zhì</i> (Wisdom)	<i>Jnana</i>	
5	<i>Xìn</i> (Trust)	<i>Satya</i> (Truthfulness)	

This research is based on two hypotheses. The first hypothesis is that economic relations between China and India are affected by their culture as it influences their commercial behaviour, organisational culture and national policy. The second hypothesis is that the cultural differences between China and India have caused cultural conflicts and in turn, hindered their economic cooperation. This research is an empirical study drawn from both primary and secondary sources. The primary sources include government's documents, white papers and statistics, interviews, archival materials, the documents of ministry and embassy etc. Online interview and face to face interaction will be carried out in India and China. The secondary sources are

various academic works, journals, documentaries, literature, websites, online sources, newspapers, magazines, articles and data from relevant institutions etc. The research is based on the works of the scholars from China, India and West and mainly uses qualitative research.

It is based on the inductive method. The study is descriptive, applied and analytical. The aim is to analyse how culture influence China-India economic relations in contemporary time (2000-2017). It includes the proper examination of the effect of culture on the economy, the cultural differences of China and India, the economic relations between these two nations, the cultural conflicts caused by cultural differences and the impact on China-India economic relations. The two main parts of the research are the culture and economic relations. For this study, the independent variable is the culture of China and India with an emphasis on Confucianism and Hinduism respectively. The dependent variable is China-India economic relations, and the intervening variables are commercial behaviour, organisational culture and national policy. This research looks into Psycho-Culturology and the data and outcomes of GLOBE research projects are used to assess this study.

This research is not a pure economics study but an interdisciplinary study. In this research, cultural industry is not included, which is defined as “industries which produce tangible or intangible artistic and creative outputs, and which have a potential for wealth creation and income generation through the utilisation of cultural assets and production of knowledge-based goods and services (both traditional and contemporary)”(Tenkayala et al. 2014). Parts of the views in this study are based on observations. Some interviews with business people, diplomats, scholars have conducted. Yet, the fieldwork is not extensive, and the samples are not widely selected due to the difficulties such as the time limitation for research work, limitation of research skill and the unwillingness of the relevant participants in the economic interaction between both countries to share their views. This research also uses surveys’ data and tries to be objective, but as an individual from China, some of the views might be subjective, namely from a Chinese perspective. Language difficulties are also a factor to restrict the expression of the understanding of the subject. The perception of this subject could always be improved.

This research is organised as follows. Chapter II explains the aspects that culture influences on the economy in China and India and describes how culture influences commercial behaviour, organisational culture and national policy. Chapter III analyses the core values of Confucianism and Hinduism and their impact on economic thoughts and behaviours, identifies the cultural differences between China and India. Chapter IV explores the fields of trade, investment and economic cooperation between China and India and examines the cultural influences on these fields. Chapter V assesses the cultural influence on economic relations in seven dimensions at three levels and the impact of cultural conflicts caused by cultural differences on their economic relations. Chapter VI concludes the research by bringing together the findings from all of the other chapters with discussions that conflict is good or bad; the aspects of cultural differences that could be conducive for economic relations. It also contains some reflections on how mutual cultural understanding could promote economic exchanges.

Chapter II Cultural Factor and its Impact on Economy

2.1 Introduction

2.1.1 The Importance of Confucianism in China and Hinduism in India

Culture influences people's way of thinking and behaviour, thereby influencing economic performances. By examining the cultures of various ethnic groups, its connections with their different levels of economic development gets highlighted. Culture is "accorded a privileged position" as "it is seen to play a crucial role in structuring the way people think, feel and act [...]" (Gay and Pryke 2002:1), and "change the way they do things and how they see the world" (Mulgan 1997).

Culture is "those customary beliefs and values that ethnic, religious, and social groups transmit fairly unchanged from generation to generation (Guiso et al. 2006). In China, Confucian values are an essential foundation of Chinese civilisation (Shang 2013: 72). In India, customary beliefs and values of religion are a significant part of its culture while Hindus account for 79.8 per cent of the population (GoI 2011). This paper will analyse the influence of Confucian culture and Hindu culture on economic development of China and India respectively, and use the research findings of Psycho-Culturology (Shang and You 2010; Shang 2013) to analyse the behavioural characteristics of these two civilisations. The economic performance at three levels will be examined, i.e. (1) individual (commercial behaviour), (2) organisational (organisational culture), and (3) national (trade policy). As a theory of interpreting behaviour, Psycho-Culturology analyses the behavioural characteristics of different civilisations (China, India, the United States and Japan) in four different dimensions, including group, exchange, emotional and self-cognition (Shang 2013:64-67). These four dimensions will help assessing the behavioural characteristics of these two civilisations in the three levels mentioned above. From the perspective of Psycho-Culturology, by considering the relationship among individual needs, social norms and cultural ideals, the cultural trends, individual behaviours and organisational characteristics of larger societies could be predicted and generalised (Hsu 1963), which is conducive to assess the impact of Chinese and Indian culture on the economy.

The Communist Party of China values Chinese traditional culture in the current period,² and Confucian culture is an integral part of it. It was considered that “China’s dynamism is as much a function of its burgeoning economy as of following Confucian ethics” and the traditional Confucian values such as harmony, hard work, austerity and peaceful development are emphasised in the official discourse (Nuri 2017). The Hindu culture in India is either strongly enforced by the current ruling party Bharatiya Janata Party (BJP), which has a image “as a rabid Hindutva party” (Banerjee 2005: 3116), or the other major, nationwide, secular, political party Indian National Congress (Congress) needs to balance their pluralism approach and the reality that the Hinduism as a majority (Sivaswamy 2018). For Congress, which emphasises secularisation, it was believed that “[...]in the Indian context, secularism just means pluralism”, “absence of religion [...] would never work” (Ibid.) The specific position of Hinduism in India was pointed out as:

India and other developing countries cannot afford to have social structures impeding their potential for growth and development. While Hinduism’s emphasis on higher concerns is admirable and like has many positive social consequences, its effect on people’s propensity for entrepreneurialism should be considered. (Audretsch and Meyer 2009)

The influence of mainstream beliefs on the country has a unique performance in India, and this influence is difficult to eliminate,

While it is not feasible to diminish the influence of Hinduism in Indian society, it may be possible to implement policies and programs that can counteract the specific effects it may have on economic decision-making. (Ibid.)

Therefore, the respective influences of these two cultures in the two countries are necessary to be examined.

² It was summarised that, “Under the revolutionary thinking and action the Chinese Communist Party has experienced from the intensive opposition, fundamental denial to the rational view and high approval with the thinking as a ruling party in the new century” towards the traditional culture (Yang Fengcheng 2014: 78). After the reform and opening-up policy, the attitude towards traditional culture gradually attributed to rationality and objectivity in China, especially since the 18th National Congress of the Communist Party of China (2012), Confucius and Chinese excellent traditional culture were highly praised (Li and Le 2014: 9).

2.1.2 The Reviving of Traditional Culture and its Impact on the Economy

Traditional culture is witnessing a revival in contemporary China. The Belt and Road Initiative (BRI) is the signal of China's rising confidence. Silk road was the commercial pathway to export China's product in ancient time while the new initiative is a promotional factor to export China's technology and capitals in the modern period. It could also be seen as the influence of Chinese value "*Tian-xia da-tong*"(world-state) (CCTV News 2018). *Tian-xia da-tong* is originally from Confucianism mentioned in its classic work *Li Ji (Book of Rites)*. Moreover, in the Confucian classic book *Mencius*, Mencius, "the Chinese philosopher and sage, and one of the principal interpreters of Confucianism", also emphasised that "be disciplined when poor, and be generous to the people in the world when rich" [*qiong-ze du-shan qi-shen, fu-ze jian-ji tian-xia*].

For India, it can be seen that the Modi government of India is increasingly promoting the Hindu culture in domestic politics and diplomacy through Yoga promotion and Khadi cloth initiative (Dutta and Dave 2017). It is a soft power promotion as well as a culture based economic behaviour. It will influence the international image of India and its export. The development of cultural factor could help the government receive popular support by creating the identity of the individual citizens, such that it aligns with the goals and objectives of the nation for which they live (Gay and Pryke 2002:1). Given the backdrop of a rising China and an emerging India, it is politically sensible to emphasise their own cultural identity. As mentioned above, culture does influence people's thinking and behaviour. Therefore, economic developments of these two nations will unavoidably be influenced by their traditional culture.

2.2 The Influence of Confucianism on China's Economic Development

2.2.1 Introduction

In this paper, the Chinese influenced by Confucianism—using the concept of Psycho-Culturology—are classified as the "*lun-ren*"(*lun-jen*), which is the "human constant" of Chinese (Shang 2013:71). Confucian influence survives through the concepts of

interpersonal relationship, differential pattern in the relationship, exchange mode, which in turn are also reflected in commercial behaviour of the Chinese.

2.2.2 Individual Level: the Influence of Confucianism on Commercial Behaviour

2.2.2.1 *Guanxi*: interpersonal relationship

Guanxi (interpersonal relationships) is considered to be a critical factor in understanding China. It is believed that “*Guanxi* is one of the major dynamics in Chinese society. *Guanxi* has been a pervasive part of the Chinese business world for the last few centuries” (Luo Yadong 2007:1). Especially the later 1980s, with the rise of the East Asian Chinese economic circle, [...] *guanxi* became the core concept of understanding Chinese social behaviour (Shang and You 2010: 325). It was believed that “the relational orientation”, which is different with Westerners, capture the most essential of Chinese people’s behaviour and social psychology” (He Youhui et al. 1989:49-66). Psycho-Culturology believes that the psycho-cultural orientation of *lun-ren* is based on the “Ren-centred” (*Jen*-centred), and consider “the interpersonal relationship is the most meaningful and valuable to pursue [among the relationships of human and human, human and nature, human and supernatural, individual and outer world]”, so more psychological energy is put into it (Shang 2013: 274).

Guanxi (or interpersonal relationship) is considered to be a value that has a significant influence on China. It is a product of Confucian cultural entity (*wenhua ti*) and practical entity (*shijian ti*), and a cultural element and background knowledge accumulated in long-term historical practice (Qin 2012: 6). It is a concept that pursues the harmony between human.

The *Guanxi* factor plays a role that cannot be ignored in the development of China’s economy. *Guanxi* means power, connection, and resources (Huang 1987: 5-6) (March and Wu 2007: 127). Due to China’s top-down approach of resource allocation, “some people will use tactics such as ‘*zou hou-men*’ [entering through the back door], ‘*la guanxi*’ [establish underhand connections and exploit for personal gain] and ‘*gao guanxi*’ [engage in relationship] to seek some favours from organisational leaders who control scarce resources” (Huang 1987: 3).

This situation is not static. Along with the influence of Western individualism on the code of conduct and motivation of daily life, and the expansion of market functions, which is providing many resources that are not controlled by the top-down, people can have more opportunities to establish a valid or fair relationship with strangers (Huang 1987:32). “The adoption of universal management rules” makes “people tend to build relationships with others on the basis of instrumentality or fairness”; the influence of “*renqing*”[favour] and “*mianzi*” [face], which two are related with *guanxi*, began to weaken in some occasions (Ibid.). Besides, the development of *guanxi* has also evolved into something, which is rooted in Confucianism, but different from Confucianism. This has been pointed out by scholars like Zhai Xuwei (2011: 4), who believes that:

Western sociology, psychology and anthropology have extracted “*guanxi zhuyi*”[relationshipism] and “*rujia guanxi zhuyi*” [Confucian relationshipism], *guanxi* is a feature of Chinese and Chinese society, neither the Confucian statement nor expression of people and Chinese culture under the Confucian influence. *Guanxi* can be connected with Confucianism, but it can also be combined with the so-called ‘*Guanxi Xue*’ [*Guanxi Study*] (referring to the art of cultivating good personal relations) of Chinese people. The practice of *guanxi* means that the routine is very snobbish and utilitarian; there is no directly affected by Confucianism. On the contrary, the orthodox Confucian defenders cannot be *chi de kai* [popular] in the officialdom.

The influence of *guanxi* is complicated in Modern China. The contemporary concept of *guanxi* is influenced by the thought of Confucianism, while presenting factors which are not entirely consistent with tradition. What is certain is that Confucianism is to pay attention to the interpersonal relationship. It was pointed out that “Confucianism’s emphasis is on the relationship among people rather than the relationship between people and supernatural.” (Tang Zongli 1995:270). This suggests “a strong relationship between Confucianism and China’s large population”(Ibid: 269).

The Chinese value relationship. The famous argument of Fei Xiaotong (1988: 359) describes the feature of Chinese society:

...the structure of Chinese society is like the ripple of a circle that occurs when a stone is thrown on the water. Everyone is the centre of the circle that his social influence has launched. The relationship is established when the ripples of the circle affected.

This connection creates relationships. This relationship is at “the core concept of understanding Chinese social behaviour”; this characteristic, which Fei Xiaotong has described, is considered as the central part of the essence of Chinese and Chinese society (Shang and You 2010: 324-325). *Guanxi* (relationship) has positive factors that promote social harmony by connecting individuals and also has the potential negative impact of making the individual behaviour irregular and unlawful.

2.2.2.2 Mianzi (Face) and Li (Gift giving)

Mianzi (face) is another factor that is related to the thought of Confucianism, representing the dignity and a need to be respected (Cheng 1986). It is defined as “the social status or prestige gained by an individual in social achievement” (Hu 1944). In China, *mianzi* is often used and valued. *Mianzi* is also connected with power.

In Chinese society, ‘*Zuo mianzi*’ (make face, paint job) is a means for individuals to show off their power; ‘*mianzi gongfu*’ (face work) is to influence the resource distributors to change the way resources are allocated according to their intention, it is a kind of power game that Chinese people often play (Huang 1987: 24).

Mianzi could be relevant to power, and the impact of power on the Chinese economy cannot be ignored. There are examples to show that ‘*ai mianzi*’ (saving face) behaviour is often reflected in Chinese society, such as “*mianzi gong-cheng*” [face-saving project] of government, which attaches importance to the external form, which could cause a certain amount of extravagance and waste. As a result, individuals pay more attention to the packaging of products they purchase for gifting to others. Consequently, the price of such commodities gets inflated only because of its extravagant packaging. Moreover, Chinese people like to express their enthusiasm and attach importance to their guests by ordering more than enough food at the dining table, often resulting in waste. This behaviour has its logic in the thinking that ‘*you yu*’ (surplus) which represents abundance of life. Although this situation is changing, along with the proposal of the social organisation and government such as ‘Clear your plate’ campaign (*guang-pan’er xing-dong*). This is in complete contrast from Indians, who pay firm attention to ensuring that food served isn’t wasted. The Chinese may feel that the Indians are “stingy” and have a misperception of the saving spirit of Indian.

Besides, *mianzi* is also associated with gift giving, such as for ‘*zheng mianzi*’ (seeking for *mianzi*) and sending more significant gifts to overpower others; rejecting other people’s gifts is also a ‘*diu mianzi*’ (face loss) (Gransow 1993: 9). Gift giving related to *mianzi* is also a manifestation of China’s “*li*” (ritual) culture and is considered to be an essential driving force for China’s economic growth:

Statistics of China gift industry research institute show that gift consumption usually accounts for about 5 per cent of sales of the year-round retail industry. It can be estimated that the consumption of retail gifts will reach 885 billion Chinese yuan or more, as last year’s annual retail sales of 17.7 trillion Chinese yuan (Hilton 2013).

It is basic etiquette to buy gifts and visit relatives and friends in China during the Chinese New Year’s day or other festivals. In social interaction, *jian mian li* (the first gift) is a kind of respect. Whether it is visiting people with high status or visiting elders, relatives and friends, it is a widespread phenomenon to meet with gifts. On one hand, this is conducive to promote social harmony. On the other hand, gift-giving for establishing *guanxi* also breeds corruption and undermines the management of state-authorised supervisory departments (Gransow 11).

It is worth mentioning that the concept of *mianzi* presented above is not always acceptable to all Chinese. Some studies have shown that:

When an individual internalises modernised individualism into a part of personality traits, he/she generally ignores *renqing* (favour) and *mianzi* (face) when he/she deal with people. He/she generally does not feel the conflict of ‘*renqing* (favour) dilemma’ (Huang 1987: 28).

As it was pointed out, the Confucian moral binding force based on ‘acquaintance society’³ is weakening in the context of globalisation influenced by Western commercial civilisation (Xue 2015: 144). Modernisation is undoubtedly a non-negligible factor to eliminate traditional negative influences, but it does not mean that the impact of conventional thoughts could be reduced. How to “absorb the quintessence and remove the dross from the traditional culture” in development is an endless theme. Although China has been influenced by Marxism as well as the western culture, the traditional culture, of which Confucianism is an indispensable

³ *Shuren shehui* (acquaintance society), which is highly influenced by the concept of *mianzi* and *guanxi*.

and dominant part, is not waived as it is pointed out that in the Party Constitution of the Communist Party of China “promoting the creative transformation and innovative development of Chinese excellent traditional culture” (CPC: 2017: 13). This shows the design of the ruling party’s selective practice of traditional culture, in which Confucianism could continue to play a role in the development of China.

2.2.2.3 Ancestors worship and filial piety

The worship of ancestors is considered to be the basis of Confucianism and ancestors’ worship is considered a virtue; a social and moral obligation (Chen 2009). Those are part of filial piety (*xiao dao*) along with fulfilling the filial duty to parents sometimes also including the relative kinship. Because of the emphasis on filial piety in Confucianism, there is a particular etiquette in the funeral, which has social and ethical significance; the cost of the funeral is considerable and generally cannot be saved. The supporting to parents and the funeral for the deceased are seen as equally important (Chen 2009). Confucius’s remarks are recorded in the classic work of Confucianism *Zhong Yong (The Doctrine of the Mean)*, “[...] to serve them now dead as if they were living, and now departed as if they were still with us– this is the highest achievement of true filial piety” [*shi-si ru shi-sheng, shi-wang ru shi-cun, xiao zhi zhi ye*]. It is reflected in the Tomb-Sweeping Day (*Qing-ming* Festival), which is an essential traditional festival in China. The different attitudes of other schools like Mohism (Mo jia) to the funeral also made it lose its influence on China. Mo Tzu (Mo Zi)’s temperance in mourning apparel, coffin and mourning period is different from importance afforded by Confucianism to funeral. Confucius proposed three years of mourning, and Mo Tzu suggested only three months: "Once the deceased is buried, the living must immediately resume the production of wealth". It is also pointed out that Confucius's thinking can better meet Chinese people’s needs (Chen 2009), thus becoming the doctrine of making a significant impact on China.

The customs derived from Confucian filial piety also have a profound impact on society and the economy. For example, many Chinese do not have a haircut in the first month of the Chinese lunar calendar. The Confucian classic *Xiao Jing [The Book of Filial Piety]* mentioned that “Our bodies - to every hair and bit of skin - are received by us from our parents, and we must not presume to injure or wound them. It is the

beginning of filial piety.” Confucianism emphasises that skin is given by parents and cannot be easily damaged. According to the legend of the Qing Dynasty, the Han nationality was reluctant to change their hairstyle and wear plaits to resist the Manchu rule. Some people did not have a haircut in the first month of the lunar year, indicating nostalgia (*huai-jiu*), and believed that their maternal uncle will die (*si jiu jiu*) if he/she has a haircut in the first lunar month (Liu 2006) (Zhang Sisi 2015). This custom has been passed down to this day, and not cutting hair has now become an expression of respect for maternal uncle. According to the report, “the number of passengers of a barbershop in the first lunar month is about 1/3 less than usual” (Liu 2006), and many people still follow this custom.

2.2.2.4 Against excessive frugality and emphasising wealth

In the pursuit of materialism, Confucianism has a different concept from Hinduism in promoting frugality and wealth. Chen Huanzhang (2009) pointed out in his book *The Economic Principles of Confucius and His School* that:

Confucius system is an advanced civilisation, not a primitive one. Therefore, he does not pay special attention to frugality in his economic theory. On the contrary, he proposes to prevent excessive frugality.

Chen Huanzhang (2009) believes that Confucius’s selection of poems in *Shi Jing* [The *Book of Songs*] reflects “Confucius’s economic principle against parsimony” and believes that,

... consumption is the purpose of the economy, and production is only its method. If we do not consume products in economical ways, we will destroy the purpose of production, and there will be no economic progress.

Extreme frugality may even cause people to be “thinking narrow, brutal temperament, wretched personality, no ambition, unhappy life, ungenerous social interaction, a fulsome social situation” (Ibid.).

Chen Huanzhang’s interpretation of Confucianism reflects that Confucius does not propose extreme frugality. In addition, Chen (2009) also pointed out that Confucius did not completely ignore the material enjoyment and put forward the aesthetic principles of consumption, but the followers of Confucius in Song Dynasty deviated from this by “pay(ing) too much attention to the inner character, almost completely

ignore(ing) the external welfare”, [...] and made “the material progress of China stagnated”.

The emphasis on material consumption and wealth are essential aspects of Confucianism that differ from other civilisation. Max Weber (1951: 237) has pointed out that:

Confucianism and Confucian mentality, deifying ‘wealth’, [...]. In no other civilised country has material welfare ever been so exalted as the supreme good. The oldest document of Chinese political economy is tract by the Confucian Ssuma Ch’ien (Sima Qian) on the ‘balance of trade’ [*maoyi pinghe* in *Shiji, ping huai shu*] in which the usefulness of wealth, including economic profit, is emphasized.

This philosophy has prompted the Chinese to create wealth. Because agriculture was the primary way of life for ancient Chinese, poor conditions of life is considered to be an essential reason for Confucius to pay attention to people’s economic life (Chen 2009). China’s backwardness and poverty have also made the ruling party of modern China take economic construction as the centre in the reform, and the people have generally responded to this call. It has formed a situation in which the people now attach importance to wealth and material consumption, and the favourable influence is to promote economic development.

2.2.2.5 Bao: exchange as trustworthiness credit

Many societies have the concept of “*bao*” [return, repay, reward], yet the “*bao*” of Chinese are more prominent in practice and have their characteristics. Gouldner (1960) argues that the norm of “repay” is a norm that is ubiquitous in human society and is the fundamental moral law recognised by any culture (Levi-Strauss 1965; Malinowski, 1926) (Huang, Hu et al. 2010: 15). However, the norms of “*bao*” that Chinese society values are different from other cultures. This mutual reward “is not a general transaction between autonomous actors, but a kind of obligation of an individual in a particular social context (Huang 1987: 31)”. The concept of “*bao*” in Chinese culture is also related to “*renqing*” (favour) and “*mianzi*” (face):

The content of “*renqing*” (favour) is including the position of the individual in the network of differential relations (*cha-xu xing guanxi*) and his expectation that how long will the relationship be maintained. Moreover, these will affect the obligation of “*bao*” (return); the concept of *mianzi* is also the influencing factor of accepting or rejecting during being entrusted, the consideration of the factors

such as *bao* (return), *renqing* (favour) and *mianzi* (face) are stronger parts in the thought and behaviours of Chinese (Huang 1987: 31).

From the perspective of Psycho-Culturology, the exchange dimension of the human constant of *lun-ren* reflects the interaction mode between the individual and others (Shang 2013: 65). It is in favour of understanding the commercial behaviour of the people. For example, the dominant mode of exchange of *lun-ren* is the “exchange as trustworthiness credit”, that is:

... “lending” and “borrowing” under the premise of mutual trust and expectation of return; it is not an equivalent exchange, but is accompanied by “*en yi*” (spiritual debt) and “*renqing*” (favour), “*en*” (grace), “*bao*” (reward), “*renqing*” (favour), “*li*”(rites), “*guanxi*” are the keywords for expressing this exchange mode (Shang 2013: 73).

It can be seen that the *lun-ren* society pays attention to the concept of “*bao*” (reward), which is formed based on these “keywords”. These keywords are also important factors in understanding the *lun-ren* society.

The *lun-ren* has three different types of exchange dimension. Firstly, “in the family group, people spontaneously oblige and voluntarily repay according to the principle of family ties” (Shang 2013: 73). The embodiment of commercial behaviour is to provide convenience and benefits for the family group. Even if it is an official business, it may appear that is done according to private principle instead of the formal principle. This is informed from the expression, ‘*en qing*’ (loving-kindness) which makes the market have a factor of affection rather than a fair market. Secondly, “among acquaintances and friends, it is to release and reception of good intentions based on the principle of *renqing* (favour)” (Ibid.), which includes the concept of *li* of ‘*li shang wang lai*’ (courtesy demands reciprocation) and the influence of emotional commercial behaviour. However, it is weaker than the family group. Thirdly, strangers have a “transactional exchange relationship characterised by ‘fairness’” (Shang 2013: 73). It is a type that is conducive to fairness in commercial behaviour. Yet, *the lun-ren* society belongs to acquaintance society, so this type is less than other cultural communities. However, with the improvement of the political system and the economic model, as well as, with the increase of immigrant population brought about by urbanisation, the proportion of good transaction-type exchange relations has increased.

In brief, the objects of exchange for *lun-ren* are initially divided into three categories: family group, acquaintances and friends, as well as strangers. Because of the interdependence, attaching more importance to relationship, and the characteristics of “acquaintance society” of *lun-ren*, the first two exchange methods have become the mainstream, that is, in commercial activities, *lun-ren* tend to “oblige and repay” and “release and receipt good intention”. Undoubtedly, it contributes to the harmony of society, but it forms a constraint on a fair exchange. It is more evident in towns and villages, but relatively weak in large cities. With the process of urbanisation, large cities have begun to appear the characteristics of “stranger” society and promoted the increase of “fair” exchange relations. For the economic relations between China and other countries, it is mainly acquaintance friends or strangers, that is, the principle of “*renqing*” and “fair exchange” are implemented separately. With the institutionalisation of the economic and trade system, the fair exchange relationship is on the rise. In short, if the traditional practice of Confucian culture is controlled within a reasonable range, it is conducive to the harmony between individuals. If it exceeds the moderate range, it will easily breed corruption and cause extravagance and other adverse effects. Indeed, the grasp of reasonable range control is not an easy task; it needs to be adjusted continuously with practice.

In summary of individual level, the influence of Confucianism on commercial behaviour is reflected in the concept of *guanxi*, *mianzi*, *li*, filial piety, against excessive frugality, emphasising wealth, and *bao* (reward). These concepts are related to each other and present a new feature in the process of modernisation. Those are to understand the factors that individual business behaviour cannot be ignored.

2.2.3 Organisational Level: the Influence of Confucianism on Organisational Culture

The Confucian culture also has an impact on the formation of Chinese business organisations. Except “an outcome of rational decision-making by an autonomous state”, the economic action of China was viewed as “a result of cultural patterns ingrained in Confucianism and other elements of traditional culture” (Chai 2003:1). It was argued that:

Cultural norms can provide points of convergence for rational actors in situations of strategic uncertainty” and “will be particularly important at those points in

history when new institutions are being formed, and can lead to distinct institutional forms” and “Once created, however, the institutions themselves can structure incentives in a way that leads to self-perpetuation(Ibid.).

Besides, Confucian norms of action arguably “played a significant role in the design of new institutions during the early stages of capitalist development in China (Chai 2003: 3-4).

Specifically, the influence of Confucian culture on the organisation can be seen from its classification. Chinese business organisations are divided into four types, 1) Patrilinealism or Patriarchalism, 2) Paternalism, 3) Market despotism, 4) Monopoly or Oligopoly Market (Cheng Weiyuan 2003: 22). Confucian cultural thoughts bear more influence on the first two. It is worth noting that these four types sometimes are mixed and appear in Chinese business organisations. The first two types will be analysed separately and distinctly.

2.2.3.1 *Wu-lun* relationship of Confucianism and Patrilinealism

Patrilinealism (*Fu-xi zhi*) is referred to businesses where the “father passes the ownership and management of the business to the son who has a direct blood relationship with him, rather than a professional manager”; the patriarchal family business is typical throughout the world, especially in the Han Chinese society (Huang 2010: 247). The father-son relationship is one of the most important relations in the *wu-lun* (five human relationships) of Confucianism (Ibid: 245), which is notably different from the most crucial relationship in Hinduism or Christianity, i.e. the relationship with supernatural or creator. From the perspective of the universe, Confucianism pays more attention to “a simple and clear fact: one’s life is the continuation of the physical life of the parents”, which leads to the concept of ‘filial piety’ (Huang 2010: 245). The “*fu-zi you-qin*” (intimacy should exist between father and son) in *wu-lun* (five human relationships of Confucianism) (Mencius) is reflected in the inheritance of the enterprise of Patrilinealism.

Some Chinese adopt the ‘equal inheritance’ (*zhu-zi jun-fen zhi*) to maintain the company's success, i.e. “the corporate group moderator usually sets up a sub-enterprise for each son” (Ibid). This is more obvious in some parts of mainland China, Taiwan and Hong Kong. In particular, employees are often members of the family in

the small and medium-size enterprise (SMEs) or have some blood relationship with business owners (Orru, Biggart, Hamilton 1997). In the Patrilinealism enterprise, “the grassroots employees and the operators may not necessarily have blood relationship”, but “the employees in the same enterprise will be treated differently because of their close relationship with the business owner, forming a so-called ‘*cha-xu ge-ju*’ (the differential mode of association or differential pattern); and in the family business, it “needs to rely on *guanxi* (relationships) to support long-term overtime and exhausted work” (Huang 2010: 247). The emotion between the business owner and the employee could reflect ‘*jun-chen you-yi*’ (righteousness should exist between the sovereign and subject) of *wu-lun*, that is, the “*yi*” (righteousness) is to maintain the relationship between business owner and employee, and the emphasis is on “*yi*” (righteousness). This relationship is different from the “individualism” and “spirit of contract” of European and American companies, and it is an “identity relationship” (Chen and Qiu 1984: 459-484). It can be seen that the personal relationship in the Patrilinealism enterprise can be interpreted from the perspective of Confucian culture.

Patrilinealism enterprises are more evident in India than in China nowadays. The difference of Chinese is that bosses and workers work together and workers are treated as a family member in Chinese Patrilinealism enterprises (Xie 1989: 48), which is difficult to achieve in India with caste awareness. Such Chinese companies often depend on “people’s hard work” rather than a rationalisation of the system (Chen 1994: 59-60). This tendency is a manifestation of the culture of “*yi*” (righteousness). Business owners use Confucian relationshipism (Huang 2010: 239) to unite employees and form a sense of responsibility under the *guanxi*. One manifestation is the enshrinement and worship of Guan Gong (Guan Yu) in the Chinese enterprise, while Guan Gong (Guan Yu) is known as reading the Confucian classic *Chun-qiu* (Spring and Autumn Annals) and is a representative figure of loyalty and righteousness. However, if the company does not have institutional incentives, and rely on “work hard of labour and employer”, it is difficult to maintain during the period of expansion (Huang 2010: 248). At the period of expansion, the boss usually will “share profits and losses to bind with workers” (Ke 1993). The Confucianism on organisational culture has positive effects on the Patrilinealism enterprise, such as

increase cohesion and cost reduction. It cannot be ignored that if it is entirely dependent on ‘Confucius relationship’ including *fu-zi you-qin* (intimacy should exist between father and son), *jun-chen you-yi* (righteousness should exist between the sovereign and subject) etc., it will also limit the development of enterprise organisation.

2.2.3.2 Confucius concept *qin-shu zun-bei* and Patriarchalism

The concept of the “‘close or distant’ (*qin-shu*) and ‘superiors or inferiors’ (*zun-bei*)” of Confucianism, part of the concept of ‘*li*’ (rites), also affects the formation and internal operation of the organisation, including the source of leaderships and employees. The typical representative is the township enterprise of Patriarchalism (*zu-zhang zhi*). Patriarchalism and Patrilinealism belongs to the first of four categories of enterprise organization, which is based on cultural anthropology, divided by Cheng Weiyuan (2003:22). Both types have the following characteristics:

The employees and leaderships in the enterprise are more or less having some kinship, which is often referred by sociologists as traditional ‘social solidarity’, are the most common corporate paradigms of Chinese, and their internal operational rules are deeply influenced by traditional Confucian ethics, [...] the working conditions are relatively ‘lack of labor law guarantees’ and to some extent are considered to be “rarely interfered by the state (Huang 2010: 246).

The difference of Patriarchalism with Patrilinealism is that the rights of the family or tribe may be in the hands of the father or the male elders, and the norms in the Patriarchalism are “derived from tradition and personal loyalty to the patriarch”. (Huang 2010: 248). This point is reflected in the organisational culture of Huaxi Village of Jiangsu Province, China, which claims to be the richest village in China and is known as the “Number one village under the sky” (Xu 2013: 66). The outstanding performance of the economy makes it famous in China and abroad. The organisational culture of *Huaxi* Village reflects the role of the mindset of “*bao-en*” (requite favours) and the psychology of idolatry, which has contributed to “the absolute respect and obedience of the villagers to the patriarchal figures” (Xu 2013: 68). The authority of the patriarch is produced from “common life and dependence, and therefore will not be restricted by law” (Weber 1978: 1006-1007). Most of the patriarchal enterprise organisations are “friends and relatives or who are introduced by friends, relatives and employees as the ‘guaranteed workers’ through internal

admission” (Ke 1993). The blood relation is not a necessary condition for the Patriarchalism. This is also the difference between the Patriarchalism and Patrilinealism (Huang 2010: 249).

It cannot be denied that by calling itself a model socialist village, Huaxi Village is deeply influenced by socialism (Huaxia Xinghuo 2007: 47-53) meanwhile when township and village enterprises develop to a certain extent, with the participation of external labourers, this corporate organisational culture can not be said to have been only influenced by Patriarchalism (Huang 2010: 249). Yet, as typical examples of the Patriarchalism, township and village enterprises like Huaxi Village preside by “the local leader with authoritarian, and the main source of the employees is with family and regional ‘solidarity’” (Vogel 1989). It is influenced by Confucian culture reflected by the mindset of “*bao-en*”(requite favours) of Villagers (Xu 2013: 68), and the concept of filial piety (Huaxia Xinghuo 2007:53) and *mianzi* (face) (Zong 2013:69) of the leader. Especially, as Huang Guangguo (2010:242) quoted from *Zhong Yong* (The Doctrine of Mean, chapter 20):

Ren (benevolence) is the characteristic element of humanity, and the great exercise of it is in loving relatives. *Yi* (righteousness) is the accordance of actions with what is right, and the great exercise of it is in honouring the worthy. The differing levels in loving relatives should have a degree of close or distant, and venerating the worthy should have a hierarchy, those will produce *Li* (rites).

This shows that:

Confucianism advocates that when individuals interact with anyone else, they should measure the relationship between each other from the two social cognitive dimensions, i.e. “close or distant” (*qin-shu*) and “superiors or inferiors” (*zun-bei*): the former refers to ‘close or distant’ of each other’s relationship, and the latter refers to the ‘superiors or inferiors’ of the status of both sides (Huang 2010: 243-244).

According to this Confucian point of view, the “superiors or inferiors” determine “who is the resource dominator” and the “close or distant” determines the “resource allocation or transaction method”. It can be seen that the formation of the Patriarchalism organisational culture can be traced back to the Confucian culture concept, especially the authority of organisational leadership and the formation of organisational personnel relations.

2.2.3.3 Paternalism and State-owned enterprises

The private enterprises run by Chinese are considered to be mostly Patrilinealism or Patriarchalism, while some state-owned enterprises are considered to be Paternalism (Cheng 2003). The Paternalism is a concept of sociology, referring to the “benevolent family system”, “traditional authoritative obedience, and the provision of employee benefits” (Huang 2010: 249). Such enterprises involve in everything of workers, including work, leisure, religious activities, etc.; employees also rely on the enterprise both economically and in life (Ibid.). This is a manifestation of Confucian cultural society based on *renqing* (favour) and *guanxi*. “*Jiang mianzi* (thinking of face), *kan renqing* (considering favour), *pin guanxi* (contending with *guanxi*)” are called the old state-owned enterprise style and are very popular in state-owned enterprises. In order to establish a modern enterprise system, the state-owned enterprise managers implement national laws and company’s regulations for reforms by replacing the *guanxi* with the rules and replacing the *renqing* (favour) with the institutions (Hu 2018).

The Paternalism enterprises also possess the following characteristics, which are “excessive tolerance by the state”. They “not only enjoy various privileges, but also are tolerated for the loss under the preference of the state” like the early state-owned enterprises in mainland China (Li, Jiang and Zhang 1992), which “resort the government’s monopoly of the market and is protected for a long time”, [...] employees have more than enough life support and lack of motivation, making it difficult for traditional paternal authority to manage slack employees, reflecting the influence of *renqing* and *guanxi* (Huang 2010: 249-250). Such Paternalism enterprises still exist today. The *renqing* and *guanxi* make it likely for managers to ignore costs and risks and expand blindly; and “easy to cause un-orderly sprawl, overstaffed and the loss of state-owned assets” (Wang 2017). It presents the unique organisational culture of state-owned enterprises in China and also a manifestation of *guanxi* culture. Due to the emphasis on *renqing* and *guanxi*, this organisational culture of Paternalism has been promoted.

2.2.3.4 *Renqing guanxi* and Regional organisation

From the perspective of Psycho-Culturology, the organisational level of the *lun-ren* society influenced by Confucian culture has two crucial influences on economic development. Firstly, the formation of an organisation is based on kinship or blood relation, such as the organisations of Patrilinealism and Patriarchalism. As mentioned in the analysis of Psycho-Culturology:

In the *Lun-ren* society, relatives and organisation with kinship characteristics provide the highest level of sense of security. People lack the inner impulse to seek close contact outside the organisation of kinship, so their ability to establish non-relatives and non-regional groups is comparatively weak.

Secondly, the influence also reflects the characteristics of the *lun-ren* who tend to establish “regional business groups”. In the history of China, a number of regional merchant groups have been formed, such as Shanxi merchants (*jin-shang*), Anhui merchants (*hui-shang*), Shaanxi merchants (*shaan-shang*), Fujian merchants (*min-shang*), Guangdong merchants (*yue-shang*), Jiangxi merchants (*gan-shang*), Suzhou merchants (*su-shang*), Zhejiang merchants (*zhe-shang*), Shandong merchants (*lu-shang*) and other groups of businessmen divided by provinces, known as China's top ten business gangs. So far, many regional groups are still active, and they received attention due to outstanding performance in economic development, such as Guangdong merchants and Zhejiang merchants (Zhejiang merchants are relatively famous among regional businessmen such as Ningbo, Wenzhou and Yiwu cities). The formation of regional groups is closely related to regional culture, and each region is more or less influenced by traditional culture, including the concept of emphasising *zhong-yi* (benevolence and righteousness) and integrity in Confucian culture. Among the business groups mentioned above, Anhui merchants, Jiangxi merchants, and Shanxi merchants are more influenced by Confucian culture, while Anhui merchants and Shanxi merchants are the two most powerful and most influential business gangs (another is Guangdong merchants) (Li 2016).

The formation of regional business groups reflects the strong ability of the *lun-ren* to establish regional groups. Compared with other civilised societies, it is most underdeveloped in China (at least in traditional China) as a sub-group (social organisation) which is entirely non-kinship, non-regional, artificially established for a

particular purpose (Shang 2013: 122,125,129). More groups are formed by kinship and regional connections, which is more substantial and prominent, reflecting the characteristics of *renqing* and *guanxi* in organisational culture.

In summary of organization level, the influence of Confucian culture is reflected in the culture of corporate organisations such as Patrilinealism, Patriarchalism and Paternalism. *Renqing* and *Guanxi*, as well as regional associations, are also related to the characteristics of *lun-ren*. In the process of modernisation, organisational culture has taken on various forms, especially modern enterprises with non-traditional influences have gradually increased. Still, the different levels of management within the organisation have the influence of Confucian culture, and in the development of the enterprise, to a certain extent, it must face the business environment formed by Confucian culture. In addition, combined with the analysis in section 2.2, dealing with individual level, the cultural characteristics of individual commercial behaviour, also extends to organisational culture, such as *renqing*, *guanxi*, *mianzi* etc., showing that the influence of Confucian culture runs through two levels, and the analysis of individual level is conducive to understand the influence of the cultural influence in organisational level.

2.2.4 National Level: Confucianism Impact on Policy

Culture and economy have distinct socialist characteristics in modern China, but the influence of traditional culture, especially Confucian culture, can still be seen. Culture is treated as an essential part in national policy as the culture construction belong to one and third of the five-sphere integrated overall plan for building socialism with Chinese characteristics (the five parts, following the sequence, are the construction of economy, politics, culture, society and ecological civilisation (CPC 2017:4). China has developed a socialist culture and socialist market economy under the leadership of the Communist Party of China (CPC 2017:2,5). The party constitution also wrote, “It shall be firm in consolidating and developing the public sector of the economy and shall remain steadfast in encouraging, supporting, and guiding the development of the non-public sector (CPC 2017:5)”.

Nevertheless, China’s culture and economy still has its characteristics and is rooted in the influence of tradition. In other words, Chinese tradition still influences China’s

culture and economy. Traditional culture also has an impact on the economy. Scholars have pointed out that Confucian civilisation can still play a role on economic development, “objective facts prove that Chinese culture, in which Confucian civilisation as the important representative, can also provide the spiritual impetus for economic development (Jin and Zhang 2018)”. It was also argued that “Confucius and his school have much to say about the morals of the public administration and the market institutions in a more macro level” and Confucian business ethics has interaction with economy (Lam, 2003: 153). The following is an analysis of the impact of Confucian culture on the economy of national level.

2.2.4.1 Great Harmony of Confucianism and Socialism

The reason for China to receive socialism could also be found linkage with its traditional cultural beliefs the Confucianism specially. It was also pointed out by Wang Huning (1995: 53), who later became the Chinese national political theorist and a current member of the CPC’s Politburo Standing Committee (China’s top decision-making body), that the Confucianism ethnics could be linked with Socialism like the Protestantism is connected with Capitalism. Besides, China's excellent traditional culture, in which Confucianism is the central part, was linked with socialist culture in Xi Jinping’s 19 the NCCPC (National Congress of the CPC):

Socialist culture with Chinese characteristics is derived from China’s fine traditional culture, which was born of the Chinese civilisation and nurtured over more than 5,000 years. (Xi 2017:33).

From the perspective of Psycho-Culturology, the human-centred⁴ (*ren-lun*-centred or *Jen*-centered) is the psycho-cultural orientations of the *lun-ren*, which makes the *lun-ren* regard the “complete harmony between people” as a cultural ideal (Shang 2013: 274). The influence of this cultural ideal on Chinese includes: “Chinese understanding of Karl Marx’s ‘communist society’ is still ‘*shi-jie da-tong*’ (Great Unity or Universal Harmony)”, and the current Chinese society has the concept of “harmonious society” and “harmonious world” (Shang 2013: 275). The “universal harmony” and “harmonious society” are derived from Confucianism.

⁴ Roel Sterckx (2019: xi) also pointed out “Chinese thought is predominantly human-centred and practice-oriented”.

The psycho-cultural orientations of the *lun-ren* are the "human-centred" that help to understand the characteristics of national behaviour. As the interpretation of Psycho-Culturology, the individual and group (organisation) in the *lun-ren* society are "not a binary opposition, but a relationship of enlargement and reduction in differential pattern", similarly individual and nation are connected but in a differential pattern (Shang and You 2010: 458, 460). Those reflect the continuity of the individual's behavioural characteristics to organisation and nation. The psychological and cultural characteristics have caused this "isomorphic mapping" relationship. The national form of China is influenced by the human constant of Chinese *lun-ren* (Ibid: 452). It can be seen that the influence of culture is linked from the individual level to the national level.

The focus of "human-centred" is "how to deal with the relationship between people", and the ultimate objective leads to "complete harmony between people." This ideal is mainly reflected in the "*da-tong*" (universal harmony) society described by Chinese Confucianism (Shang 2013: 274), which is recorded in the chapter *li-yun* of Confucian classic *Li-ji* (Book of Rites):

When the Great Way (highest morality) is practised, the world is for the public; those with virtue (the worthy) and those with ability are chosen and used; People value trustworthiness and cultivate harmony with each other. Thus people do not treat only their parents, but also care for others'. They foster not only their children but also nurture others'. The aged will be taken care of till the end of their lives ; the able-bodied will find proper employment ; the young will be well raised and educated ; widowers or widows, orphans, the childless and the disabled are all given ample maintenance. Males have their proper work, and females have their homes. People loathe wasting things but they do not keep properties only for themselves. They hate not going all out on their jobs, but they do not work only for their own gratification. Therefore people do not engage in intrigue or trickery, nor do they engage in robbery, theft, and rebellion. Thus, though people leave their houses, they do not close their doors. This is what I mean by an ideal society of great harmony.

It shows "people follow the principle of mutual dependence, live together in harmony, and everyone is taken care of" (Shang 2013: 275), the Confucian great harmony ideal to pursuit harmony among human. It could be said that in a certain extent the great harmony thought of Confucianism that matches "from each according to his ability, to each according to his need (Marx 1875)" of Communism, i.e. Scientific socialism.

2.2.4.2 Economic equal and world peace

The economic principles of Confucius is considered for “the equalization of the whole world”, “the world can never be equalized unless the economic life of the whole world is equal” and “Confucius regards the whole world as an economic unit” can be seen from in Confucian classic *Da Xue* (Great Learning) (Chen 1911:140). It is believed that the vision of a world-state (*Tian-xia da-tong*, or Great Unity under heaven) and world-peace of Confucius derived from “the evils of feudalism, with its constant wars” which “impressed Confucius profoundly” (Ibid: 145):

In the Spring and Autumn, Confucius records about four hundred wars within the period of two hundred and forty-two years and condemns them all, for war is contrary to the principle of humanity (Chen 1911: 142).

Chen pointed out that “the doctrine of peace is harmonious with economic principles” which makes, “the life of man more valuable than the land” in the *Analects of Confucius*, he “attaches the chief importance to the life of the people” (Ibid: 143). This is why Confucius believes that the equalisation of the economic life of the whole world is the precondition to the equalisation of the whole world. To a certain extent, it shows that the Confucianism uses economic equalisation to achieve the means of avoiding war, thus achieving the equalisation of the world. In the Confucian classic *Da Xue* (Great Learning), “equalization of the world” is considered to be simplified into two: “employing the best men, and administering wealth” (Chen 1911: 140), and it pointed out that the fundamental principle of the world economy is the principle of reciprocity (Ibid: 141).

The diplomatic initiatives formulated by the Chinese government today are also in line with these ideas. On the fifth anniversary of the Belt and Road Initiative (BRI), Chinese president Xi Jinping pointed out that:

...the BRI is in line with the *Tian-xia Da-tong* concept that the Chinese nation has always upheld, in line with the Chinese people's view of the world of *huai-rou yuan-ren* (cherishing men from afar) and *he-xie wan-bang* (harmony among all nations) (CCTV News 2018).

China has formulated a national policy centred on economic construction and got the general acceptance from the people, which is consistent with this economic concept and peace concept in traditional Chinese thought. Considering the fact that “take economic construction as the central task” was made the centre of China's national

policy, helps explain the social impact of this policy, as becoming rich is today an important driver for majority of the Chinese. The national policy “take economic construction as the central task” are accepted by Chinese people, and is rooted and developed well in Modern China.

The economy is a decisive factor in the thoughts of “*ping tian-xia*” (the equalisation of the whole world) of the ancient world, and “economic determinism” still occupies a prominent position in modern China’s policy. “Economic construction as the central task” is regarded as the guiding ideology of foreign policy which the theoretical logic is considered that “to compromise for peace, to ensure economic construction by peace, and to alleviate social conflicts by economic construction” and currently the most influential (Yan 2013). However, the scholar has pointed out that this kind of economic pragmatism will become more and more challenging to be the guiding ideology of China’s foreign policy and the reasons include that more and more conflicts of economic interests will hinder China from establishing friendly diplomatic relations (Ibid.). The domestic affairs of China need to be transferred from ‘economic construction centred’ to the establishment of a fair, just, and civilized society, and the foreign policy has to shift from pursuing a peaceful environment conducive to economic construction to shaping a peaceful environment conducive to economic construction, and shaping an international environment conducive to national rejuvenation (Ibid.).

2.2.4.3 *Guanxi* and its infinite extensibility

As mentioned above (2.4.1), the impact of the characteristics of the *Lun-ren* also extends to the national level. Psycho-Culturology believes that the self-cognition of the *Lun-ren* is considered to be “self of mutual reliance type”, that is, “defining the self in the *guanxi* (relationship) between human beings”, “if there is no *guanxi* (relationship), there is no self”, which causes the *Lun-ren* to:

... care more about how others see himself or herself (*hao mian-zi*, i.e. ‘be sensitive about one’s reputation’), more need to maintain close relationship with familiar others, but also need to maintain status and gain benefits from this intimate relationship (Shang 2013: 245-246).

This could not only explain the behavioural characteristics of the individual but also be conducive to understand the behavioural characteristics of the nation. Projects

launched by the nation of *Lun-ren* often tend to be “comprehensive”, covering a wide range, focusing on building relationships, “maintaining status and gaining benefits” in intimate relationships, which, for instance is displayed in China’s interactions with Pakistan and African countries. Psycho-Culturology defines the “altruism” of *Lun-ren* mainly in “the circle of acquaintances and close relatives in personal life” (Shang 2013: 249). Similarly, the individual’s behavioural characteristics extend to the national level. In the close circle of intimate and close relations, such as China, when dealing with countries such as Pakistan, Russia, and Africa countries, shows “altruism” to a certain extent. At the same time, under the influence of the concept of modern international relations, China is not only influenced by the traditional *guanxi* but also seeks to establish new types of national relations such as a strategic partnership. While maintaining traditional *guanxi*, political mutual trust, economic win-win, mutual cultural exchanges, and cooperation in security have become the embodiment of the practical spirit of establishing relations between China and other countries (Darbey 2018). The essential part of China’s economic and trade policy is to not only promote the interests of the country, but also to help these countries move towards self-development (Ibid.).

Also, China’s *guanxi* (relationship) concept has an “infinite extensibility” (Zhai 2011: 2-3), which also has an impact on China’s diplomacy:

The relationship and power of Chinese have an essential feature in theory and practice, that is, they are infinitely extended in time and space: first, the blood relationship... there is no end; secondly, the geographical relationship can be gradually enlarged until the *tian-xia* (world)...

If there is no boundary in the relationship, it will lead to unlimited power in the network of relations. It is diffuse, extensive, transferable, and circulating. It is a trait of Chinese and the society of China that are willing to be *bao-rong* (inclusive), *da-tong* (open), *rong-tong* (accommodating), *guan-tong* (connected), *bian-tong* (flexible), and *shen-tou* (infiltrating). (Zhai 2011: 2-3)

Psycho-Culturology also explained the “infinite extensibility” behavioural characteristics of *guanxi*. The psycho-cultural orientation of *Lun-ren* is *Ren*-centered orientation. The characteristics of the self-recognition dimension of the *Lun-ren* are:

... more emphasis on the mutuality of people, tending to be in the circle of interpersonal relationships (in layers 4 and 3 of PSH) and others, defining the self in the interactive relationship... “self” is not the centre of the world, “self” and the

world around is moving... “self” is neither clear nor rigid (Hsu 1985: 32-35; Shang 2013: 74).

This unclear self-emphasis or emphasis on *guanxi* (relationship) helps to understand this infinite extensibility, as well as the flexibility of public-private and group-self relationships and the ambiguity of boundary (Liu 2018:7). Specific performances include that China's foreign aid is not only pursuing its own interests, the government is proposing BRI to pursue *tian-xia da-tong*, and the BRI project is also extending, from the initial 64 countries (Liu 2016) to 69 countries and international organizations which signed BRI cooperation agreement with China (An 2017). By the 5th anniversary of the initiative in 2018, China has signed cooperation documents with more than 100 countries and international organisations to build the "Belt and Road" cooperation (Xinhua Net 2018), China's “Belt and Road Initiative” does not limit the category of participant countries and is still extending.

2.2.4.4 Theory of “Differential Pattern” and BRI

By driving China's long-standing “family culture”, Confucian scholars promoted the importance of Chinese traditional culture to the relationship of *Wu-lun* (five human relationships in ethics); Fei Xiaotong's *cha-xu ge-ju* (differential pattern or the pattern of difference sequence) theory, which emphasises on the relationship between family and acquaintances, stems from the *Wu-lun* relationship (Liu 2018:7). From this perspective, the impact of this thought on national policy can be observed. Fei Xiaotong (1947: 3) described the Chinese social differential pattern as "extending from the self to the other, expanding outwards round and round, just like ripples spread across the water, everyone defines the relationship between the self and the other by the distance with others". The Confucian culture's "*ke-ji fu-li*" (restrain ourselves for propriety) and "*xiu-shen wei-ben*" (self-cultivation centred) ideas have promoted the emergence of the self-centred relationship network (Liu 2018: 7), that is, self-centred, self-cultivation as the first point and the basis for improving the external environment.

The theory of differential pattern, which is deeply rooted in Confucianism, is considered to be to the key driver of national leaders in promoting BRI in the past few

years (Liu 2018:9-10). The four main points of the differential pattern theory include (Ibid: 6):

... the importance of the relationship between the family and the acquaintances such as the neighbourhood... building the relationship network with self-centeredness... the relativity and flexibility of the relationship between the public and private, group and self... focusing on cultivating effective relationships and commonalities.

The embodiment in the Belt and Road Initiative are (Ibid:11-12): China's diplomatic discourse firstly takes Asian country as its identity, focuses on Asia, national leaders regard Asia as a big family; and diplomatic discourse highlights the relationship with neighbouring countries such as Pakistan, Afghanistan, the five countries of Central Asia, Mongolia, Russia, and India; the following public statements of the Ministry of Foreign Affairs reflected the dynamics and flexibility of the Belt and Road Initiative: BRI belongs to China, Asia, as well as the world; the BRI is both regional and international, and the community of human destiny. In addition, the Belt and Road diplomatic discourse emphasizes cooperation and values the benefits and tolerance towards other countries, just as Huang Guangguo described "emotional relationship" is an essential level in the differential pattern, once this "emotional relationship" is established, it will "do everything possible and give the other party more resources, support and tolerant for mistakes" (Ibid: 8).

Besides, the development path of the Belt and Road Initiative "has emphasis, level, and sequence", and takes the self as the core, and then extends to other economic corridors to form a relationship network, which reflects the differential order of the development path (Liu 2018:13), that is, in the differential pattern, "extend itself to others, and expand outwards round and round" (Fei 1947:3). To benefit neighbouring countries as the first importance, then to expand from Asia to Europe, Africa, the Americas and the whole world reflects the differential order of China's diplomatic relations (Liu 2018:13).

It can be seen that scholar's summary, such as the establishment of the theory of Differential Pattern, makes the origin of Chinese diplomatic thought from Confucianism is obvious. The characteristics of Chinese diplomatic thoughts and discourses are also different from other countries because of the influence of this

Confucian culture. The exploration of the root and texture is conducive to the understanding of China's national level behaviour, while BRI is a typical instance of Confucianism's effect on trade policy.

The ultimate ideal of the *Lun-ren* is to build a harmonious society, not only inland but also at the international level. The BRI proposed by the Chinese national leader has this characteristic. If from the perspective of interests or realism, it is hard to understand similar behaviours of China. It is always assumed that China has some aggressiveness, with the purpose of plundering resources. By further analysing the values of "human-centred", one can understand the original intention of this harmonious society design:

The values of *lun-ren zhu-yi* (*lun-ren-ism*) tend to think that the relationship between man and nature is not a relationship between conquering and to be conquered, but a harmonious relationship. People should adapt to nature. This is "*ren yu tian-dao he-xie yi-zhi*" (harmony between man and natural law) and "*tian-ren he-yi*" (harmony between heaven and human) (Shang 2013: 278)

This shows that the goal of expansion outward of the *Lun-ren* is not merely for the sake of benefit, but also for the establishment of a harmonious society, which as a concept is influenced by traditional Chinese culture. Indeed, this cultural ideal also has both a positive and negative impact. The positive role is conducive to the harmony of society, including international society. The negative effect is that, it may over-consume the energy of the nation. If the goal of building a harmonious international society falls beyond the scope of competence, it may lead to an unsustainable situation and even confrontation from other countries which do not recognise this cultural ideal. It is essential for China, as a rising power, to prevent a "premature advance" (*zhan-lue mao-jin*) (Yan 2017).

2.2.4.5 Negative influence of Confucianism

Confucian culture has both the concept of benefiting economic development and the factors that hinder economic growth. The critique of Confucian culture has existed both in China and abroad. During the May Fourth Movement, Confucianism was once considered to be "androphagous ethical code" (*chi-ren de li-jiao*), not to pay attention to science and social order but ethics and blind faith of authority (Lin 2012: 30). Max Weber, the presenter of cultural determinism, believes that China's backwardness is

“the long-term inability to escape from the influence of Confucian culture” (Lin 2012: 31), because Confucian culture “emphasizes social harmony and emphasizes the harmony between man and nature”, and speaks little of science and advancement, people influenced by Confucian culture are more moderate and conservative” (Lin 2012: 30). Also, the Confucian culture has its drawbacks for the development of the economy, such as self-centred exclusivity. China’s “Central Plains Centralism” (or Sinocentrism) once “made China strictly distinguish between ‘civilization and barbarism’, ‘internal orthodoxy and foreign barbarism’ and believe ‘the latter needs to be educated’ (Zhao 2016). This paradigm leads to the tendency of exclusionism and conservatism ‘stubbornly exist’ in the Chinese economy and society (Ibid.).

The origin of conservatism could be seen in the analysis of Francis L. K. Hsu (1981) who pointed out that “Chinese is situation-centeredness (or ren-centred) of mutual-dependence”, “Chinese people benefit from the interdependence among kinship and is easy to satisfy, so it lacks motivation for outward expansion, there is no large-scale immigration and the tradition of promoting Confucian culture”. Moreover, “the identification of cultural values is not only difficult to change but also at the root of prejudice” (Shang and You 2010: 11) which could make the thought exist stubbornly.

It is undeniable that in Confucian culture, thoughts such as attaching more importance on the relationship, sentiment, and favour and face-saving (*qing-mian*) have affected the progress of modernisation to a certain extent. On the one hand, many of China’s backward problems in modern times have been blamed on Confucianism. On the other hand, “the countries with faster economic development after World War II are mostly countries and regions with deeper influence on Confucianism” (Wang 2015). Thus, the value of Confucian culture needs to be understood objectively and analysed case by case. It is not unreasonable to criticise the content of cultural incompatibility, but it cannot be generalised because the idea of restricting development is not all there is to Confucian cultural thought.

Lin Yifu questioned the above criticism on Confucianism put forward by cultural determinism, because Chinese culture come down in one continuous line, and China has been powerful and leading the world more than a thousand years ago (Lin 2012: 31). Confucianism contains positive factors for economic development, such as the

rational pursuit of wealth (*ren*, benevolence), the order formulated to a certain extent (*li*, ritual), the encouragement of learning (*zhi*), and the emphasis on integrity (*xin*, trust). Chinese traditional culture plays an essential role in China's development and its rise (Wei 2017).

Confucian thought contains the influential factors of both sides, and how to take the essence is a topic that continually adjusts with the changes of the times. Even in the rising era of China, economic pragmatism is not approved of, and at the same time, binding economics and peace, as the Confucius approach, is not applauded; the concept of "benevolence and righteousness" closely related to Confucianism, are still used for advocating a new international order, which is considered could contribute to the current order (Yan 2015: 91). Inheriting traditional culture, without blindness is conducive to development. Not to be self-enclosed and to establish relationships through diplomacy, trade, cultural exchanges, rather than force, is a behavioural characteristic of Chinese culture which is different from many countries which seek development through force. Presently, five hundred and twenty five Confucius Institutes are operating in 138 countries around the world (Hanban 2017). Chinese government's development strategy of "going out" and the Belt and Road Initiative is all for outward development and mixing political economic and cultural dimensions. In these national policies, the traditional influence is difficult to eliminate or avoid, and always adds a fresh vitality when implemented with flexibility.

Through the analysis of national level, one can see linkages between the origin of Confucian culture, China's national economic policy (centred on economic construction) and the current important national economic initiatives (BRI). This also highlights the constraints of Confucian culture on China's development. Moreover, the influence of Confucian culture on an individual and organisational level is an essential basis for understanding the characteristics at the national level. However, at the level of economic relations between countries, the influence of the national level would be most obvious and direct. The analysis of the cultural dimension at the national level is more conducive to understand the specific content of cultural influence on the economic relations between countries.

2.2.5 Summary

In summary, the influence of Confucian culture on the three levels of the individual (commercial behaviour), organisational (organisational culture), and national (trade policy) has both positive and negative factors for economic development. According to the above analysis, the impact on the individual level and organisational level seems more influential inside the nation. Yet, the analysis of these two levels is conducive to understand the influence at the national level. The nation can play a balanced role and influence the development trend both domestically and abroad. The role played by the national level, compared to the other two levels in the economic relationship between countries, is more direct in the cultural dimension. The influence of Confucian culture on the nation could be a key to analysing the economic relations between China and India.

2.3 *The Influence of Hinduism on India's Economic Development*

2.3.1 Introduction

According to the 2011 Indian Census data, about 79.8 per cent of India's population is Hindu (GoI 2011). Some scholars point out that Hinduism is considered to be the hegemonic religion of India and has shaped the social and legal system of India after its independence, and affecting other religions (Harriss-White 2003: 133). The influence of Hinduism on the development of the Indian economy is very crucial to be analysed.⁵

Hinduism has both positive and negative effects on the Indian economy. India's spirit of pursuing truth and argumentativeness (Sen, Amartya 2005) promotes the intelligence of all classes of society; the polytheism belief promotes imagination, abstract logical thinking, innovative ability as well as inclusiveness; national pride made them unwilling to lag, promoting development; besides the thrifty spirit (Sun

⁵ Besides, 14.2 per cent (2011) of India's population is Muslim. In the long-term practice process, Islam has formed a constant adaptation to development based on the economic concept of Islamic classics. The majority of Muslim economists still recognise that the sacredness of the Qur'an and the Sunnah is unquestionable. The Islamic economic thought of faith has its distinctive features influenced by its doctrine in terms of property system, commercial system, financial system, and taxation system. See Ma Yuxiu (2012), *An Introduction to Islamic Economic Thoughts*, Shanghai: Shanghai Academy of Social Sciences Press. Besides, many of India's consortiums are from Jainism.

2000: 204-205). The above are the positive factors for Hinduism to benefit India. As Milton Singer (1972) concluded that:

...industrial leaders borrowed selectively from Western industrial culture as well as from Hinduism. This enabled them not only to maintain a distinctive Hindu culture but also to define Hinduism, rather than secularity, as the cultural basis of Indian (capitalist) modernity, [...] showed Hinduism being used as a force for change (Harriss-White 2003: 134).

It is further pointed out that:

...religion was permitting a plurality of norms, one for private life and another for work. In the latter sphere, he found an abbreviated and relaxed religiosity where the religious foundations for ethical conduct were of active use to industrialists (Harriss-White 2003: 134).

Indian religions have values that are compatible with modernisation; meanwhile, some superstitions and customs have also contributed to India's poverty to some extent. The former Prime Minister of India Jawaharlal Nehru also considered that a tremendous force for social inertia is responsible for India's economic backwardness (Myrdal 1968).

To be familiar with Indian culture would be conducive to understand its economic development. In particular, India's cultural heritage has been uninterrupted and ingrained, and with the improvement of national power, cultural confidence and national pride have also been strengthened. The emerging of cultural conflicts showed the resistance of Indian culture's radical defenders to the foreign culture. It is reported that almost every year during the Western Valentine's Day on 14th February, some radical Hindu organisations such as Bajrang Dal, Hindu Mahasabha, Rashtriya Swam Sewak Sangh, Shiv Sena, Hindu Yuva Vahini issued warnings to keep people in the traditional culture, calling on merchants not to sell Valentine's goods or hold related activities, young students not to participate in Valentine's Day activities (Jahangeer 2019; Xue 2003:8). They threatened to fight against such foreign culture. Young students and couples did not stop the celebration of Valentine's Day and were fought by the radical defenders of Hinduism and the stores that were selling Valentines Day cards and gifts were thrashed (Ibid.).

Taking traditional belief as an essential factor in the economy, this section analyses the influence of Hindu thought on the three levels, i.e., individual (commercial

behaviour), organisational (organisational culture), and national (national trade policy). The theory of Psycho-Culturology would be used to explain the characteristics of Hindu thoughts and behaviours in the economy to provide an overall interpretation of the impact of Hinduism on economic development.

2.3.2 Individual Level: the Influence of Hinduism on Commercial Behaviour

Hinduism is a relatively unique religion in the world, and its characteristics of treating the world are summarised as “supernatural-centred” and “unilateral dependence” (Hsu 1963; Shang and You 2010: 18). The caste consciousness, spiritual exploration, frugal spirit, exchange mode, time concept influenced by Hindu thought affected the development of India at the individual level.

2.3.2.1 Caste

The “inequality, different degrees of purity and exclusion” in Hinduism implicate that “the economy is that stratification is tolerated, with consequent severe limits to free competition and economic mobility”; those are seen as “inhibitors and obstacles”, “forces of inertia and irrationality” (Myrdal 1968: 104,109) (Harriss -White 2003: 134). These ideas are influenced by “the basic ethics of Hinduism, caste system (Qiu 2012:12)”. Although in recent times Hindu ideologists advocated the abolition of the caste system, and modern society also largely overthrew India caste barriers among believers (Ibid: 25), castes still have a significant impact on economic development.

The Indian caste system originated from the ancient Indian period and “most castes originated as an occupational grouping in the past, even in the last part of 20th Century caste determined the occupational status and training given to members within a family unit”(NCERT 2016: 7). The Hindu society is divided into four hierarchical castes (varna), from high to low, those are: Brahman (mainly including priests, scholars), Kshatriya (mainly including rulers, warriors), Vaishya (mainly including merchants, traders and farmers), Shudra (mainly including artisans, labourers, servants and slaves). In addition, the Dalit (or untouchables, *Harijan*) outside the four castes is traditionally engaged in the dirtiest work, and now it follows the official euphemism of the British colonial period “Scheduled Caste”(SC) (Doniger 1999: 186), which have been recognised “socially, economically weaker section of the

society and therefore, the development and upliftment of SC population has been a serious concern of the Government of India since Independence”(NCERT 2016: 8-9).

As mentioned above, the caste influences career choices that restrict free competition and economic mobilisation and reduces the intensity of competition. Competition is limited mainly in one caste hierarchy. Without free and large-scale competition, the development could be significantly hindered. It was reported (Biswas 2012) that more than half of 46 India’s millionaires are from traditional merchant caste hierarchy, such as Baniyas, Parsis and Sindhis, and many of the millionaires belong to the higher caste hierarchy Brahman and Khatri⁶. These are less lower caste, no Dalit at all, and only one is Muslim (Biswas 2012). Besides, the big family of Indian business circles, such as the G.D. Birla family, the Walchand Hirachand family, and the Kasturbhai Lalbhai family are considered to be traced to the caste Vaishya (Song 2010: 94)⁷. It shows, on the one hand, the hierarchic stratification of Hindu society has brought some stability factors to the Indian economy and capital which was reflected from the long history of business families or traditional business caste, as well as the driving force and fertile foundation for continuous development. On the other hand, it has also led to a severe gap between the rich and the poor.

Psycho-Culturology uses the concept “Homo Hierarchicus”, proposed by the French anthropologist and specialist, on the cultures and societies of India Louis Dumont (1980) (Shang 2013: 78-79), referring that the people of Hindu society is in the hierarchy or the religion based sequence (Shang and You 2010: 355). Homo Hierarchicus is used to refer to the ‘Human Constant’ of the Hindu in Psycho-Culturology (Shang 2013: 78-79). This Human Constant is considered that pursuing supernatural is the significant method for the Hindu individual (i.e. Homo Hierarchicus) to gain Psycho-Social Homeostasis (PSH). In other words, the Human Constant of Homo Hierarchicus is supernatural as a centre. In order to achieve PSH stability, Homo Hierarchicus tends to “religious transcendence and explore the soul”, which causes individuals to easily dedicate themselves to various activities that could

⁶ The latter is considered as a mixed caste of Brahman and Kshatriya (Sharma 1975: 279). Meanwhile, scholars have pointed out that although Khatri claims to belong to Kshatriya, most of their occupations are Vaishya (McLane 2002: 131).

⁷ Song (2010:94) believes that the J.R.D. Tata family can also be traced back to Vaishya, but the founder of the Tata Group came from a priests family of the Parsi (Lala 1981: 3).

be close to supernatural (Shang 2013:79), including “strictly following caste regulations, insisting on caste discrimination” and “various cruise, pilgrimage and sacrifice” (Ibid). This explains the characteristics of Hindu individual of complying hierarchic social stratification and dietary taboos as well as emphasising on spiritual exploration and so on.

2.3.2.2 Spiritual exploration and slow development of secondary industry

Hinduism also influences the view of wealth, with the emphasis on spiritual world exploration as one of the distinguishing features (Dong 2007; Zhang 2017). The characteristics of Hinduism has drawn the attention of economist that Hinduism advocates “*Atman* (true Self) is the same as *Brahman* (the highest metaphysical Reality)” (*Advaita*) and *Moksha* (liberation), which makes Hindus introspective, even escaping from reality and focusing on the spiritual world (Shen and Xu 2015). It was pointed out that “some Hindus leave their social world and material possessions, then engage in lifelong *Sannyasa* (monastic practices) to achieve *Moksha* (Ellinger 1996:69-70). The value of Hinduism, to emphasise on the exploration of the spiritual world and despise the material world, is not only reflected in the classic readings of Hinduism but also in the economic thought of the leader of Modern India. The Hindu classic *Bhagavad Gita* wrote:

The Yogi who is satisfied with the knowledge and the wisdom (of the Self), who has conquered the senses, and to whom a clod of earth, a piece of stone and gold are the same, is said to be harmonised (that is, is said to have attained the state of Nirvikalpa Samadhi) (Sivananda 2000:53; Dong 2007:80).

Milton Singer (1956:83) considers “the Indian world view encompasses both material and spiritual values” (Kunkel 1965: 268). Yet, emphasising spiritual world is hard to avoid the disregard of the material world. Besides, Mahatma Gandhi who led India to the independence once mentioned:

I suggest that we are thieves in a way. If I take anything that does not need for my own immediate use and keep it, I thieve it from somebody else ... that nature produces enough for our wants from day to day; and if only everybody took enough for himself and nothing more, there would be no pauperism in this world, there would be no man dying of starvation (Gandhi 1947:284).

This reflects the factors of non-violence, asceticism and plain thinking in Indian culture, especially Hinduism. The tradition of India still lives deeply in society. The

level of behaviour that can be seen has different manifestations, such as the low cost of goods, temporary solutions in life, and frugal innovation. The ideological characteristics of the emphasis on spirit contribute to promote social peace and stability and create a pleasant social environment for economic development (Sun 2000: 204-205).

As scholars have pointed out, it is precise because of these thoughts that India has not experienced the history of the general state from the primary industry to the secondary industry further to the tertiary industry, but directly influenced by the wave of ‘de-industrialization’ of the United States, and jumped from the farming civilization to the ‘service industry’ (He 1996: 22-27). In fact, the proportion of India’s secondary industry in GDP rose from 13.6 per cent to 24.7 per cent in 1950-2007. It was not as the primary industry (from 56.5 per cent to 20.5 per cent) and the third industry (from 29.5 per cent to 54.7 per cent) have changed so much (He 1996: 22-27; Bu 2017). In a sense, part of the Hinduism belief could be considered as an underlying cause for the slow development of the secondary industry of India.

2.3.2.3 Frugal innovation

Individual values and behavioural characteristics are shown in the language they used. The commonly used language in the Hindi language “*Jugaad*” roughly translates as “an innovative fix; an improvised solution born from ingenuity and cleverness”, and about “doing more with less” (Radjou, Prabhu and Ahuja 2012: 4-5). Many images of India that are circulating in the Chinese network, such as many people squatting on trains, temporarily replacing mechanical parts with other items to keep the equipment running, are related to this idea. Dig the roots of the idea behind will contribute to understanding the way Indians solve problems in their lives and better understand the Indian business practices and Indian market characteristics. The influence of *Jugaad* thinking is also reflected in the fact that there are many low-cost items in the Indian market. For example, India produces the cheapest product in the world such as Rs 500 mobiles (Freedom 251), US\$25 water filters, \$35 tablet PCs, \$800 ECG machines, \$2,500 cars. Even the Indian Mars Orbiter Mission *Mangalyaan*, which was launched on 5 November 2013 and orbiting Mars since 24 September 2014, is the cheapest in the world. Previously, the Mars exploration launches in China and Japan failed, and

the United States succeeded, but the cost (\$671 million) was much higher than India (\$73 million).

A large number of inventions have emerged in India in following *frugal* innovation to solve problems in life at a little cost. Frugal Innovation is considered as a lifestyle of India (Zi 2013). One representative innovation is the electricity-free “refrigerator” invented by the Indian inventor Mansukhbhai Prajapati. The “refrigerator” is cooled by evaporation, eliminating the need for electrical energy. There are also Rs 100 cardiogram, Rs1000 breast test (Mashelkar 2017), and other low-priced products with the features of daily necessities and low-cost. The innovators have not only gained recognition from the Indian government but are also gradually forming a network (Gupta 2016). People in various fields, including innovators, policymakers, and scholars, gradually systematise this field. This not only shows that this cost-saving idea is widely accepted and supported in India but also shows the contribution of Indians in saving energy and environmental protection. Also, it will be conducive for foreign investors when they keep this characteristic of the Indian market in mind.

2.3.2.4 Food culture: Vegetarian, slaughter cow ban and buffalo meat export

India’s vegetarian culture and slaughter cow ban have a particular connection with Hinduism. Although the Hindu scriptures do not specify vegetarianism, the idea of *ahimsa* (not killing) of Hinduism is subtly influenced Hindus’ choice of the vegetarian diet. Especially in some religious festivals, vegetarian customs are strictly observed by believers as well as many of the Hinduism followers who are not pure vegetarian. There are many vegetarian celebrities in India, such as Mahatma Gandhi and current Prime Minister Narendra Modi. For these reasons, India is famous for vegetarian. According to a survey conducted by the Office of Registrar General & Census Commissioner of India in 2014 (Bose 2016), some states such as Punjab, Haryana, and Rajasthan, have around 65 per cent to 70 per cent vegetarians; whereas only about 2 per cent of the population is vegetarian in the states such as Telangana, West Bengal, Andhra and Odisha Pradesh; vegetarians over the age of 15 account for 29 per cent of the total population in India. Although it reported that 70 per cent Indian eat non-veg, considering the population of India is around 1.34 billion in 2017, it can be seen that vegetarian culture is very influential in a large population in India.

Besides, India has a unique fasting beef culture. Most of the Hindus do not eat beef. It is reported (Bansal 2016) that about 98 per cent above of Hindus do not eat beef; there is a ban on slaughtering the cow in 24 states of India such as Uttar Pradesh and Haryana (TNN 2015). The population of Hindu beefeaters in the country has fallen from 18.9 million in 1999-2000 (2.51 per cent of the total Hindu population) to 12.5 million in 2011-12 (1.39 per cent of the total Hindu population) (Ibid.). Yet, according to the slayer, 60-70 per cent of the buffalo eaters are Hindus in the well-known public places of Lucknow city; the beefeaters also include high castes, but the fact that they are hidden among relatives and friends as it is not allowed at home (Ibid.). From this point of view, the Hindu faith makes most Hindus avoid eating beef; even those who eat beef are socially restricted to eat it freely.

Throughout India, according to data from the National Sample Survey Office in 2011-12 (Bansal 2016), nearly 83.5 million people eat beef and buffalo⁸, although the population of beef in Delhi and Uttar Pradesh has fallen sharply. Beef is not entirely banned in India, but it has also been a problem that cannot be ignored because it has caused conflicts. A Muslim man was lynched for suspicion of storing and consuming beef in Uttar Pradesh (BBC 2015), and Muslim couple was attacked on suspicion that they were carrying beef in Madhya Pradesh (BBC 2016).

The demand for dairy products is high, and the market demand for meat products in India is small, which provides business opportunities for meat exports. India, as the world's largest dairy country, has 110 million buffalos, 133 million goats and 63 million sheep. The export of animal products has made a significant contribution to Indian agriculture, with the export of buffalo taking up 89.08 per cent of the total export of animal products in India. Indian buffalo exports reached \$4.037 billion in 2017-18 (mainly sold to Vietnam, Malaysia, Egypt, Iran and Saudi Arabia), while total animal products exports were \$4.623 billion in 2017-18 (GoI 2018). India, which has \$185 million (2017-18) of dairy exports, has also become the world's largest milk supplier, accounting for 20.17 per cent of world milk products (Ibid.). Although the

⁸ The population distribution of beefeaters is also divided by region. The southern provinces such as Andhra Pradesh, Tamil Nadu, Kerala and Karnataka have between 900,000 and 3.28 million beef or buffalo eaters. In Assam, Punjab, and Bihar, the population of beef or buffalo is also growing exponentially.

exports of India composed entirely of buffalo meat, the ban on slaughter of cows could “bring an end to illegal slaughter and raise the price for buffalo meat thus proving to be beneficial for companies [...] engaged in legal slaughter and export or buffalo meat” (Iyengar 2015a).

2.3.2.5 Manthan and Exchange as One-side Benefit

The Hindu concept of *Manthan*, literally means churning; the essence of the world is chaotic, churning in the Hindu world view (Sinha and Sanyal 2016). It will release both negative and positive forces in the agitation; only by bearing the negative forces and adapting to the use of positive forces can be invincible (Ibid.). Some Indian behaviour may be simply considered as keen on “getting a petty advantage” or “immediate interests”, “insatiable”, “maximise their interests” which are quite different with Chinese culture (Zhang W. J. 2018). Those behaviours, which could be called as “gamesmanship” (Zhang 2017), can take on more favourable conditions; indeed, if the behaviour is too irregular, it could cause negative perception for the actor. From this “gamesmanship” concept can also be further extended to understand the process of struggle until the end is the best.

From this perspective, Hindus have a particular feature in understanding the world, i.e. chaos is the essence of the world. While facing chaos, they may be more comfortable and accustomed to it. On the one hand, it reflected the characteristics of the Indians’ “optimistic attitude to life” which has a non-positive effect on the development in term of tolerance for chaos. On the other hand, it promotes the consciousness to avoid negative forces in chaos and take advantage of the positive forces. The use of positive power or get the immediate interests in the eyes of others is to get the best outcome between the advantage and disadvantage which is influenced by the Hindu value *Manthan* (“churning” behaviour). Thus, “get the immediate interests” or “maximise own benefit” could be a reasonable part of the Hindu values.

The thought of *manthan* is different with the concept in Chinese culture especially the *li* (rites) or *lishang wanglai* (literally means courtesy demands reciprocity) (Zhang W.J. 2018) and *bao* (return, the exchange mode) (Shang 2013:171,177-178). In this aspect, Hinduism affects the Indians’ exchange mode. As mentioned above, the

dominant exchange mode in Homo Hierarchicus society (or Hinduism society) is “exchange as one-side benefit” which is following the rule of *dharma* (Shang 2013:177,180). It is pointed out in Psycho-Culturology that Hindu individuals are more inclined to “self of divinity” (*shenxing ziwo*)⁹ (Ibid: 257-261). The analysis in Psycho-Culturology believes that the divine or the supernatural is essential in the PSH for Hierarchicus and the relationship between people in the secular world is *maya* (an illusion where things appear to be present but are not what they seem) (Ibid: 178). In this “one-side exchange mode”, people from low level could ask benefit from people from a higher position; the exchange is incoordinate, it is not necessary to return; the return may pay back by another method under the law or *dharma* of supernatural (Ibid.177-181), i.e. based on the supernatural *Dharma* and *Rin* (literally means debt) that is to return the supernatural *rin* based on *dharma* in order to get *Moksha* (liberation) (Shang 2013:178, 321). The “exchange as one-side benefit” is completely unequal as “the relationship between people, in reality, is illusory” (Shang 2013: 177-178). The behaviour characteristics of Indians mentioned above including “getting petty advantage and immediate interests”, “insatiable”, “maximise their interests” is influenced with the value of *manthan*, the thought from Hinduism created the exchange mode of Indian especially the Hindu. The concept of *manthan* and the exchange as one-side benefit cause the behaviour to actively seek to develop their own interests, which sometimes could cause a negative image, particularly when interacting with *lun-ren* who emphasise on *li* and *bao*.

2.3.2.6 Unique time concept and unpunctuality

The Hindu concept of time has a particular uniqueness (Qiu 2012: 44). The *Vishnu Purana* of Hinduism records India’s large-scale time system, such as Kalpa (4.32 billion years). The life of the Hindu god Brahma is about 311 trillion years (Ibid: 45). From the perspective of language, it also can be seen that the unique time concept of

⁹ Psycho-Culturology believes that the individuals in Hinduism society are different from individuals of Western religious society, the former pay more attention to “spiritual self”, pursue “self of divinity” (or Divine Self), and physical self is considered not to be true self. This kind of “self of divinity” in Western religious society “only exist in a small number of believers”, Western religious, social individuals are more inclined to have the characteristics of “extremely individual”, see Shang (2013), pp. 24, 74, 78, 80, 257.

Indians. The words “yesterday” and “tomorrow” in Hindi are the same as *kal* (कल). The “day before yesterday” and “the day after tomorrow” are the same as *parason* (परसों).¹⁰ It was considered in language theory that language habits also affect people’s thoughts and concepts (Chhokar 2007: 992) (Bhoothalingam 2015). The language of India affects the Indians’ perception of time. Many Indians are not “punctual”. It is ubiquitous that the events are postponed. It creates a relaxed image of Indian. The interpretation of this from a cultural perspective is related to the beliefs of Indians. Because Indians have different time concepts and large historical units of measurement (Qiu 2012: 45), they believe in the past and the afterlife. Therefore the small time units like minutes, seconds seems lack of enough attention. “Ten minutes” that is said by Indian maybe takes half an hour. “Come tomorrow” may not mean the work could be solved tomorrow. These time units sometimes do not refer to a specific time, but rather a kind of excuse for the work that cannot be completed now. However, along with the development of modernisation and internationalisation, this phenomenon of punctuality is changing in India. Still, the influence of traditional ideas is deeply rooted. This always affects labour productivity, which is not conducive to economic development. The unpunctuality is creating a negative perception in the cooperation.

2.3.3 Organisational level: the Influence of Hinduism on Organisational Culture

“Group” is considered to be “the most important social and cultural context in which people live” (Shang 2013: 84). The way to establish a group with others is an essential level for analysing different civilised societies (Ibid.). “Groups that are artificially established in order to achieve a certain purpose effectively” are considered as “sub-group” or “social organisation”(Ibid: 122). The sub-group or social organization in Hindu society mainly represented by religious groups and affected by caste (Shang 2013:149). The analysis of this section takes the case studies on Indian commercial organisations, especially which are dealing with China.

¹⁰ Through the tense of the verb, the Indian judges whether the other expresses the past or the future. That is to say, the past tense in the statement means “yesterday” or “the day before yesterday”, and the future tense means “tomorrow” or “the day after tomorrow”.

2.3.3.1 Hinduism and Commercial Organizations

In a broad sense, the influences of Hinduism on commercial organisations are from two aspects, the method of concluding organisations and the organisational culture. Firstly, the commercial organisations established and based on Hindu culture are everywhere, and the products of these commercial organisations account for a large share of the Indian market, such as philosophy books, yoga teaching, Ayurveda food and medicine. Patanjali, which is operated by Yoga master Baba Ramdev and his partner Acharya Balkrishna, is an outstanding representative. The fast-moving consumer goods (FMCG) brand Patanjali is one of the most recognised brands in India, which is selling soap, toothpaste, hair oil, juice, Indian flour, biscuits and noodles and the like, and another sub-brand of the group Divya Pharmacy manufactures and sells traditional Indian medicine, i.e. Ayurveda medicine. Up to March 31, 2017, the company's total turnover reached 105.61 billion rupees (Rs 10,561 crore, equivalent to about 10.561 billion Chinese RMB), and has become the biggest local brand in India (Mitra 2017). The products produced by Patanjali are mostly related to the diet and health culture of Hindus and have a good reputation among Indians, chiefly Hindus. Besides, the Khadi brand, which is operated by the government, is also a brand with Indian characteristics formed by the Swaraj movement (self-governance) advocated by Mahatma Gandhi. It mainly deals with Indian textile products, Ayurveda medicines and food, and so on. The main products of another famous brand, Fab India, are also traditional Indian costumes and daily necessities. The international chain brand Good Earth is also of home accessories, clothing store, essential oils and candles produced in combination with Indian meditation and yoga all with Indian characteristics. In addition, in terms of catering, the vegetarian culture in India has forced the diversity of vegetarian diets, most notably by Saravana Bhavan, a vegetarian restaurant in India that is inexpensive and has 10 categories of 350 dishes (Saravana Bhavan 2012), which are already spread throughout many first-tier cities in Europe, Americas and Asia. It is known as the world's largest Indian vegetarian chain. There are many vegetarians in the Hindus, and the demand for dairy products makes India's dairy products extremely rich. Mother Dairy and Amul are all dairy brand that Indians cannot live without in their daily lives.

Notably, the rise of Indian native Hindu brands has also caused resistance to foreign goods. The founder of Patanjali Ayurved Ltd, Ramdev has publicly proposed “It is time to make India MNC-free” (multinational corporation) and “India should ban Chinese products and companies as China is not a friend of India”(Mitra 2017). Despite this, Patanjali was reported to have an intention to export to China in March 2017(Ibid.). Because the founder is a master of Indian yoga, the company also has the characteristics of Hinduism. All the company’s income is used for charity. The founder said that the future successor must also be a Sanyasi (Hindu monk) and will never hand over the business to the merchant (Ibid.).

Secondly, the Hindu classics also influence the organisational culture of business groups. For example, the classic work *Arthashastra* (Science of Material Gain or Science of political economy) that absorbed Hindu philosophy (Sharma 2005: 186) elaborated on the ancient Indian economic thoughts and still has an impact on the commercial organisation of India. The author Kautilya considers that the *artha* (sound economies, prosperity) is the most crucial thing (Jose et al. 2011: 175-176). Moreover, the words from *Arthashastra* “The fundamental principle of economic activity is that no man you transact with will lose; then you shall not” is still passed down by the Indian business group. It is not only complied by the founders of the Murugappa group as the basic principle and has been inherited for a century; this belief is still the guide of decision-making and defines its professional ethics (Murugappa 2018). This win-win concept is conducive to the growth of income in the long run and the improvement of terms of trade. It reflects the spirit of equity, which avails for economic development.

2.3.3.2 Commercial Caste and entrepreneurship

Murugappa Group founded and owned by the Murugappa family and “The Murugappas belong to the Chettiar community, which is primarily based in Tamil Nadu and Kerala and is famed for its entrepreneurship” (Babu 2017). It was pointed out “much of Indian business enterprise has been associated with certain banking, and trading castes and mercantile communities” (Kudaisya 2009:85) and “major entrepreneurs have emerged from communities with dominant cultures of banking and trading” (Menon 1985: 19-26 and Kapp 1963). According to Max Weber (1958),

“caste inhibited occupational mobility, and the dominant emphasis within Hindu philosophy on karma-doing one’s duty without concern for rewards, offered little incentive for profit or material gain” and “entrepreneurial pursuits were the vocation of the hereditary trading castes and were hardly attractive to other sections of society” (Kudaisya 2009:85).

Yet, this view is against by many scholars as well (Singer 1956). Dwijendra Tripathi (1989, 2004), Sanjay Subrahmanyam (1996) and Harish Damodaran(2008) argued that “cast alone has not been the determinant in shaping business fortunes in South Asia”, but “new ideas, knowledge and the adaptation of Western technology and managerial organization have been equally important”; Damodaran notes that “entrepreneurial groups that have emerged from castes outside the hereditary mercantile order. Thus, it includes those from ‘agricultural and allied backgrounds’ and ‘social castes’ [...] their entry into industry is essentially a post-Independence phenomenon”(Kudaisya 2009:85-6).

However, the community Chettiars, which the Murugappas belong to, has shown their “strong community networks” and “long histories of trading” (Ibid: 86). Besides, from the trajectory of Chettiars, it should be noticed that the industrial presence not only related to capital and opportunity but also the political and economic conditions (Ibid.). Although the influence is also reducing, the caste still has an impact on the choice of industry. Especially, castes made the traditional group monopolize of some particular industries and people to pursue the same occupation for generations (Shang 2013:147).

Besides, Psycho-Culturology pointed out that the “supernatural centre” oriented culture made the Hindus form “surpass-kinship group, surpass-regional sub-group” (Shang 2015: 276), and “political ruling mode of checking and balancing among various castes, sectarian groups” (Ibid: 271). While safeguarding the interests of various castes and groups, slogans such as “developing the economy is overwhelming” cannot be accepted as easily as China (Ibid: 277). The cost of this is “endless debate, conflict, loss of order and discipline, slow decision-making”, and a large part of the population does not regard economic backwardness as the primary problem of complaining about the government (Ibid: 277). The interest’s dispute of

diversified group with Indian characteristic has brought about disadvantages such as inefficiency, scattered forces, and large consumption of social resources in non-economic development issues, which have greatly affected the speed of India's economic development.

Hinduism influences the establishment of the commercial organisations as well as the organisational culture. It is the human constant and PSH of Homo Hierarchicus influenced by Hinduism impacting the establishment, management and development of the organisations.

2.3.4 National Level: Hinduism Impact on Policy

Cultural confidence based on the influence of Hinduism is an essential part of its impact on India's national policy. The policies initiated from India, as well as India's attitude towards China's initiatives, can be traced back to the influence of Hinduism.

2.3.4.1 Cultural confidence: to be dominant and contain the foreign force

As mentioned at the beginning, firm beliefs and values of Hinduism is an essential part of Indian culture. Except for the behaviour, thought, and strategic culture with Hindu characteristics influence also on the economy. The cultural linkage established in the history between India and other South Asia countries also influences economic development. The cultural connection contributed by Hinduism made India easily continuing keep relationship with those countries as a civilisational unity (Hussain 2017:147-155). The past cultural connection was considered as the base for Look East Policy and the later Act East policy of 2014 (Ibid.). Indian culture, especially Hinduism, created a deep connection with those countries enabling India to keep the cultural connection during the Cold War and then pick up the relations again after a halt brought by Cold War (Ibid.).

India has a profound and far-reaching influence on the culture of South Asia. The cultural confidence of India towards South Asian affects India's economic and trade cooperation projects. Indian scholar has pointed out that it is "more accurate to refer to it [India] as a cultural unit rather than a political entity", and "the cultural unit in terms of the geographical area was almost always larger than what India is today" (Chhokar 2007: 971-972). Apart from Pakistan and Bangladesh, which are separated

from the Indian mainland, countries such as Nepal, Bhutan and Sri Lanka are deeply influenced by Indian culture. Indian civilisation is considered as “one of the sources of mainland Southeast Asia, viz. Cambodia, Laos, Myanmar, Vietnam and Thailand” (Hussain 2017: 147). India has deeply influenced these countries since ancient times. Compared with the political or military deterrence, cultural influence has contributed to India’s position in South Asia. From this background, India’s cultural leadership in South Asia cannot be ignored, which is conducive to grasp India’s perception when there are changes in the external economic situation in which other South Asian countries participate.

It was pointed out that the economic corridor in which India participates is not so smooth (Lin 2017)¹¹. Four countries of the Bangladesh-China-India-Myanmar Economic Corridor (BCIM-EC) decided on 17-18 December 2014 to hold the third meeting of the Joint Working Group (or Joint Study Group) in India in the second half of 2015, yet, there has been no progress (Lin 2017). Till April 2017, the third meeting was held in Kolkata, India (ICS 2017). The scholar from Indian think tank pointed out that India’s attitude towards China’s multilateral cooperative economic initiative is actually to observe and bide its time. Moreover, India’s position in South Asia in term of culture makes India seems more willing to be in the driving seat. Not only regarding politics, economy, and military power as a measure of national strength, the regional cultural impact also created the sense of commanding position of India. For example, Indian diplomat believes that India has a significant influence on China, and since ancient time, China learned from India, and China’s influence on India was limited. The splendid ancient civilisation created the cultural pride and national confidence of the Indians, and it is an essential source of ideology of India to be a great power (Long 2016: 3). Moreover, this deep-rooted great power thought is often considered to be the foreign strategic thought of India, and it is mostly the basis for formulating foreign policy after India’s independence (Sun 2000: 2).

¹¹ Although Lin (2017) argued that the development of the economic corridor as long as India participates is no so active, he might mean the economic corridor that is also including China. It would be easier to understand from the origin of regional cooperation that is for increasing the influence of regional nations and decreasing the external forces, including the transnational corporations and other non-regional nations.

The Chinese expert is not optimistic about India's participation in the economic corridor, in addition to the inefficiency of India's participation in corridor cooperation mentioned above, it is also pointed out that India affected other South Asian countries to participate in the Belt and Road project, such as Sri Lanka in 21st century Maritime Silk Road (Lin 2017). Due to pressure from India, the Sri Lankan government has changed earlier permission to China's use of the 20 hectares of land [Hambantota Port] permanently to only 99-year lease under a new agreement (Ibid; Mitra 2017). Except for political reasons, India's status as a big power in South Asia has made India tend to occupy the dominant position. India contains the foreign leading forces in its dominant region have reflected in, firstly, the cooperation process is slow, and the second is interference or restriction on the diplomacy of neighbouring South Asian countries. This is the result of intertwining cultural confidence with political or economic factors, and it needs to be considered comprehensively under the premise of understanding the dominant influence of culture.

2.3.4.2 Homo Hierarchicus with leadership temperament and independent pursuit

Psycho-Culturology points out that there is also a "self of independent type" (self-cognition dimension¹²) similar to the Human Constant of "rugged individual" of American society in the Hierarchicus society, as reflected in the priest and the religionist of India (Shang 2013: 252, 261). Besides, political leaders are also representatives of "rugged individual" who emphasise self-cultivation. This type of self-cognition in this Homo Hierarchicus society emphasis on the individual is expressed in "they have a strong desire to directly relate the self to the 'absolute universal' (*jue-dui pu-bian*) (Shang 2015:113) and reject any intermediary" and they also believe that "the universal truth is eternal, saving the soul of the individual can only rely on their own efforts without relying on others" (Ibid: 261).

The interpretation of Psycho-Culturology is hugely meticulous, for further classification, this self-cognition can be classified as the Homo Hierarchicus with leadership temperament, which also led to the emergence of many Gurus in India, who think they have direct contact with the divine and forms their doctrines and

¹² Self-cognition dimension is one of the four dimensions in Psycho-Culturology (Shang 2013:64-66).

school, and followed by ordinary Homo Hierarchicus. This type of political leaders are more inclined to pursue “autonomy” instead of “bandwagoning”, such as Hind Swaraj (Indian Home Rule) emphasized by Gandhi (1909) in the Indian freedom struggle; the “Non-Alignment” advocated by Prime Minister Jawaharlal Nehru for the independence of foreign policy in the early days of independence.

So far, the strategic independent pursuit of India whether to make alliance is based on national interests (Li 2017: 8, 34). As it was pointed out in the work of Samuel P. Huntington (1996: 209), India could balance instead of bandwagoning towards China. The Look East Policy or later Act East Policy pursued by India and other cooperation programmes involved, such as the United States, Japan, India and Australia coalition, tend to balance China. This can be considered as the combination of the Swaraj concept (traditional autonomous rule) and other concepts such as *manthan* pursuing self-interest and *karma* attaching importance to responsibility, or it can be said to balance for maintaining its Hierarchicus leadership of the region in which it is located. From this, it once again can be seen that it is coherent that the influence of Human Constant from the individual level to the national level. As it is pointed out in Psycho-Culturology, people under certain Human Constant will treat and deal with the “outer world” in a way that is compatible with their Human Constant (Shang 2015a: 22). In this aspect, the influence of Hinduism on the national level is initiated from the individual. It reflects the influence of the national leader in the Human Constant of the Homo Hierarchicus on the national policy.

2.3.4.3 Mandala, Strong civilizational entity and hierarchy principle

The analysis of national behaviour from Psycho-Culturology perspective summarised that India is influenced by the following concepts: *mandala* (or *Raja-mandala*, the circle of states) formulated by Kautilya in *Arthashastra*, “strong civilizational and weak organisational entity” and “hierarchy principle” related with the thought of Dharma system (Shang 2015b: 9-27). These concepts play their respective roles and influence each other.

It seems that India treats China paradoxically, but it has specific psychological and cultural roots. Firstly, combined with the characteristics of the “strong civilizational and weak organisational entity” and the *mandala* concept (Shang 2015), India regards

the South Asian countries affected by Indian civilisation as a civilisational entity. Considering the *mandala* concept, as a nation situated on the circumference of India's territory and "who is equally of high birth"(Kautilya 2005)¹³, China may be treated by India as a "natural enemy". However, because of the civilisational connection with India through Buddhism, China seems to be regarded as part of the civilisational entity. This has caused India and China to feel close to each other, making India tend to cooperate with China. The contradiction of a civilisational entity and organisational enemy has resulted in India cooperating with China but not comprehensively and freely. It shows that India's hesitation on BCIM as it was analysed in 2.3.4.1.

Secondly, the "hierarchy principle" has caused India treats external civilisation inclusively and not wholly excluded, and thus the external forces formed an independent group in the hierarchy of India (Shang 2015b: 22-24). Economically, even if it is seen as an "enemy" to a certain extent, China could step into the market of India notwithstanding with comparatively small trade volumes between these two neighbouring countries as well as great economies. The hierarchy principle made India could tolerate but limit the role of the external civilisation like China. Except for the friendly approach, India looks China with suspicion.

Thirdly, the emphasis on "*dharma*" is reflected in the fact that spiritual products are an essential output and thus a factor in the establishment of national position (Shang 2015b: 16). "Asymmetric strategy" was used to describe that,

India advocate the establishment of India's advantages in a certain aspect based on national strength, to offset for its other shortcomings in regional and international affairs, and thus to achieve the goal of India's equal position in regional and international affairs (Ge 2015:71).

Therefore, India has an intervention within its civilisational entity as a spiritual exporter, especially in South Asia (as indicated in 3.4.1).

¹³ Kautilya (also known as Chanakya) defined "enemy" as "the king who is situated anywhere immediately on the circumference of the conqueror's territory" ... "That foe who is equally of high birth and occupies a territory close to that of the conqueror is a natural enemy; while he who is merely antagonistic and creates enemies to the conqueror is a factitious enemy" (Kautilya 2005: 516-517).

2.3.4.4 State control and obedience to authority

“Ghosts from the past” is considered still influence modern India given “there is a powerful and ancient tradition in Indian economic thought that looks to the state for control of economic activity” (Dasgupta 1993:185-186). The acceptance of the people for the national control of economic activities is reflected in the current economic development reforms in India. Although most economists and analysts consider Indian banknote demonetisation of 2016 is “a bad policy that was badly implemented”, this policy implemented by the Modi government got popular support (Khera 2017) (TNN 2016).

Obedience to authority has made it is easier for the nation to implement its policies in Asia, which is considered not entirely possible in other parts of the world (Fukuyama 1995). In the aspect of obeying authority, India has its own characteristic, especially with the influence of Hinduism in term of the caste system. The main characteristic of Hinduism is the authority of Brahman (Qiu 2012: 20-21). Although to challenge the authority of Brahman is considered as the feature of the development of Hinduism (Ibid). It did not completely change the situation that the social resources of India are controlled by upper castes. It was pointed out “caste politics determines access to public resources” (Munshi 2016). Brahman or upper castes still maintains the hierarchy in India.

It could explain the influences of Hinduism on people’s compliance with authority from Psycho-Culturology perspective. India’s political and cultural traditions are influenced by the “supernatural centered orientation”, which has the following characteristics: “when social movements are ‘connected with certain religious goals’, individuals often show more significant emotional input and dedication in such activities” (Shang 2015a: 254-255); traditional Hindus tend to treat politicians and other ruling figures with the attitude of treating the gods (Ibid: 260). Moreover, there are constant emergences of national leaders worshiped as divines in India (Iyengar 2015b) (Apparasu 2018). The public recognises the leader’s “truth” concept and will follow it very loyally. When the popular movement is combined with some religious goal, the participants will have a strong emotional bond and incredible dedication, such as ‘*Satyagraha* (holding onto truth) Movement’ led by Gandhi (Shang 2015a:

256-257), '*Hindutava*' (Hinduness) which is championed by the Hindu nationalist volunteer organization Rashtriya Swayamsevak Sangh (RSS) and later officially adopted as the ideology of Bharatiya Janata Party (BJP) (Ramakrishnan 2004), all reflect the Hindus' "emotional commitment and dedication". Therefore, one of the preconditions for Hindus to comply with authority are those initiatives are recognised or linked to religious goals, and often get faithful follow-up and support. The cattle slaughter ban in India could also be taken as one of the representative examples. Swachh Bharat Abhiyan (Clean India Mission) was linked with Mahatma Gandhi by calling it as "best tribute India could pay to Mahatma Gandhi on his 150 birth anniversary in 2019"(PM India 2018).

However, the state control and restriction have a dual character to economic development, and the negative effects cannot be ignored. As the economist point out state control over development could also cause inefficiency (Dasgupta 1993:174) "[...] given the political administrative system in which Indian trade control policies were operating, 'delays and uncertainty together encourage corruption as a way of getting things done'" (Dasgupta 1974:116). Reducing the "state control" could be a challenge for the authority and the people living in the culture of respecting authority. In this sense, culture could be a constraint for economic development.

2.3.5 Summary

All in all, with the advancement of the modernisation process, although the influence of Hinduism has been weakened to varying degrees, the rate of weakening is slow, and the Hindu philosophy is still an essential factor affecting India's economic development. Firstly, individual imbibe characteristics from Hinduism such as stratification, emphasis on spiritual development, thrift, taboos in diet, fighting for benefits and avoiding risks, one-side benefit exchange, unique time concept, etc.. Secondly, the commercial organization is also influenced by the following characteristics: commodities have traditional characteristics, wealth is stable in some groups, occupationalism, and trade exclusion. Thirdly, it influences the country with cultural confidence, independent choice, attach importance to the status of civilisation and practice asymmetric strategy. Hinduism has a positive impact on economic development, such as saving resources, imagining, stable wealth, exporting

agriculture (meat and dairy products), fighting for interest, strong centripetal force in organization and self-motivation as well as the negative impact of income growth, structural development, domestic structural adjustment, and improvement of external economic conditions. The individual level has a more prominent influence, compared with its Chinese counterpart, in the economic relations between China and India. Yet, according to the analysis of this section, the most influential aspect could be the influence of Hinduism at the national level.

2.4 Conclusion

Based on the analysis in this paper, it can be said that the cultures of China and India (Confucianism, Hinduism) have an impact on commercial behaviour, organisational culture, and national trade policy. Although the strength of the impact requires specific analysis of particular issues, it cannot be ignored. The impact of this cultural influence on the economic relations between the two countries can be summarised as follows.

Firstly, from the perspective of China, the impacts of culture on the economic relations between the two countries are as the following. The characteristics of the nation's building *guanxi* (relationship), infinite extensibility of *guanxi* are conducive to the development of economic relations between the two countries, and concept of connecting economic equal with world peace as well as *Da-tong* thought are also positive factors. Based on the research of this chapter, the influence of Confucian culture on individual and organisational levels has a more visible impact interiorly. Yet, those are an important basis for analysing the national level. The impact of culture on bilateral economic relations could be mainly reflected on the national level in the context of this chapter. The individual and organisational levels are indispensable parts of the analysis as factors that help in understanding the nation's behaviour. China attaches importance to economic development, believes that economic development can promote peace, takes developing the economy as the centre of domestic and foreign policies, and practices the concept of economic pragmatism. It differs from India, which does not completely believe in an ultimate economic determinism and paying attention to the dignity and cultural status of big power, especially in the South Asia region. This difference has caused conflicts, such

as the attitude towards the Belt and Road Initiative. It reflects on China's concern about India on the CPEC and India's response,

The Kashmir issue is a legacy of history between India and Pakistan. We advocate that the two sides of India and Pakistan should properly resolve through dialogue and consultation and do not favour any party. China is bordered by Pakistan-controlled Kashmir, which is the only place we have to go to Pakistan. [...China is having] some livelihood and economic projects, but not aiming at third parties; China has no intention of intervening in disputes between India and Pakistan (MFAPRC 2018).

It was emphasised that "China has an agreement with Pakistan that it will not back any side in the (disputed) claims on Kashmir" (PTI 2018). Nevertheless, India keeps on presenting its *sempre* position,

Regarding the so-called 'China-Pakistan Economic Corridor', which is being projected as the flagship project of the BRI/OBOR, the international community is well aware of India's position. No country can accept a project that ignores its core concerns on sovereignty and territorial integrity (MEA 2017),

While some media reports Indian possibly could cooperate with China in BRI after one year, the response from MEA is the same,

Our position on OBOR/BRI is clear and there is no change. The so-called 'China-Pakistan Economic Corridor' violates India's sovereignty and territorial integrity. No country can accept a project that ignores its core concerns on sovereignty and territorial integrity (MEA 2018).

This is undoubtedly a negative impact on the economic relations between the two countries. From the perspective of deep cultural concepts, the concepts of *guanxi* (relations), economy and peace, and *Da-tong* thought in Confucian culture have the most significant impact on Sino-Indian economic relations. The differences in ideas (whether or not they can be centred on economic construction) create conflicts.

Secondly, from the perspective of India, the impact of culture on the economic relations between the two countries could be summarised as below. The influences of Hindu culture on business behaviour affect the development of Chinese enterprises in India. For example, the product design needs to adapt to the Indian market. The management should concern the individual cultural characteristics of Hinduism, and the organisational culture needs to face the cultural differences. It is needed to balance and adjust the difference from the Indian caste pattern (hierarchy principle) and one-side benefit exchange mode, with differential pattern and exchange as trustworthiness

credit of the *lun-ren*. India's cultural confidence and intractable religious influence (even for the Congress Party, which advocates secularism and pluralism, has to forgo [their] reluctance to keep [their] belief private (Sivaswamy 2018)) cannot be ignored by China. Hindu culture does cause discomfort for the Chinese in economic relations, such as time concept, vegetarian culture, divine self, which causes some conflicts at the individual level. Even so, with the gradual improvement and modernisation of the economic relations between the two countries, the cultural impact at individual and organisational levels seems can be minimised to a certain extent but still can not be ignored. At the national level, the characteristics such as cultural confidence, independent pursuit, *mandala*, strong civilizational entity, have an essential role reflected in India's foreign policy. As mentioned in the above paragraph, the difference between Hindu culture and Confucian culture has caused cultural conflicts on some issues between the two countries in the concept of economic development which has hindered the development of economic relations between the two countries.

Chapter III Comparative Studies of the Core Values of Confucianism and Hinduism

3. Introduction

The two ancient civilisations, China and India, had friendly interactions and cultural exchanges for more than two thousand years (JCCEICCC 2014:3). Internationally recognised Chinese Indologist proposed that the “geo-civilisation narrative” should dominate in the bilateral relationship of China and India “rather than the geo-political or the geo-strategic discourse” (Anand 2015). However, the more the linkage and common ground of these two nations are highlighted, the differences between these two could be ignored. Given the misunderstanding caused by the cultural differences could be a threat to the relations, it is necessary to identify the cultural differences as well. It was warned that if the “civilizations exist today”, the borders, centres and peripheries of the civilisations, even including “their provinces and the air one breathes there, the general and particular ‘forms’ existing and associating within them” are not known well, “catastrophic blunders of perspective could ensure” (Braudel 1980:210-211; Huntington 1996:39). Meanwhile, Samuel P. Huntington predicted that “India, along with Russia and Japan were to play the role of pawns between the US-dominated west allied with Israel, against the Chinese-Islamic challengers” (Nanda 2009:108).

The different cultural values of China and India could influence the development of the economic relations of the two nations macroscopically (e.g. policies, market features) and microscopically (e.g. economic behaviour). This chapter studies and compares the ‘center’ of Chinese civilisation, i.e. the core value of Confucianism such as *ren, yi, li, zhi, xin* as well as the ‘center’ of Indian civilization, i.e. the core value of Hinduism such as *karma, dharma, manthan, artha*.¹⁴ It was believed that the religious thoughts of India have close ties with economic activities from ancient time till now (Dehejia et al. 1993:145). From the perspective of Cultural Determinism, Confucianism has been argued responsible for the backwardness of China (Weber 2010) (Lin 2012:30-31). However, it was pointed out that the reason why China was

¹⁴ The official culture of the People’s Republic of China is socialist culture. However, Confucianism is one of the most influential thought in China. Hinduism is the dominant belief in India. The population of Hindu is around 79.8 per cent showing in the last Census, i.e. Census 2011(PIB 2015).

powerful and prosperous one thousand years ago, could not be explained from this perspective, while the Confucianism was the central ideology at that time (Lin 2012:31). Moreover, it is strongly believed that Chinese traditional culture has an essential role in the development and rise of China (Wei 2017). Roel Sterckx (2019: xii), the professor of University of Cambridge, explained why the Chinese traditional values are relevant in today's context. He pointed out that most ideas of ancient China's sages are:

...offered as guidance to be lived, experienced and practised. [...] They reflect on how to live, function better and find harmony with the world. Yet in putting lived experience above theoretical knowledge, their teachings touch the entire person, the brain as well as the emotions. That is why they are as relevant today as they are interesting for their past.

The chapter compares the core value of the two civilisations and analyses their influence on economic thought. Further, the impact of the values toward the bilateral economic relations will be discussed below.

3.1 Background: Civilisational Conflict and Economic Thought

3.1.1 Develop the view of Civilisational Clash

One of the most significant contributions of Samuel P. Huntington is that he provided “an easily grasped and intelligible framework for understanding the world, distinguishing what is important from what is unimportant among the multiplying conflicts [...]” by dividing the world in terms of seven or eight civilisations (Huntington 1996:36). This view is quite persuadable, especially from the perspective of the United States and in the period when this world famous work was published. It was emphasised in this work that “the conflicts that pose the greatest dangers for stability are those between states or groups from different civilizations” (Huntington 1996:36). Two more points might be highlighted in a deeper level of civilisational approach; firstly, the civilisation might be divided into sub-civilisations and have conflict among those sub-civilisations. The conflict happened in West Asia could be the evidence. Secondly, the conflict could be defused by diplomatic channel, which could be proved by examining the border dispute between China and India after 1962.

The conflict between China and India could be understood in a better way from a civilisational perspective. It is notable that “the potentially most dangerous enmities

occur across the fault lines between the world's major civilizations" (Huntington 1996:20).¹⁵ Along with collision of national interests, different judgments towards the same issue could produce "enmities" and further conflict between the two major civilisations China and India, especially when the gap of Comprehensive National Power is reducing between two nations. Importantly, the border dispute between China and India, although solved peacefully in the last two decades, it did influence the economic relations between the two nations.

The cultural differences would sharpen the conflicts, especially the sources of disputes like economic issues. It was induced that "economic power and welfare, manifested in disputes over trade, investment, and other issues" is one of "the sources of conflict between humans throughout history"(Huntington 1996: 208). More noticeable, "when states from different civilizations are involved [...] cultural differences sharpen the conflict" (Ibid.).

Moreover, while people are facing different culture, they may have problems to understand it, which could cause "cultural shock"(Oberg 1951). The reflection of cultural shock is deep mental anxiety, which could cause different issues in their life and work. They may have hostility or debarment towards the people of different culture they are living with (Guan 1995: 341), this is because of the lack of necessary knowledge of the culture or appropriate skill to face the problem. Thus, it is crucial to understand different cultures.

3.1.2 Two civilisations: "Bandwagoning" or "balancing"?

It was predicted that India could "generate balancing efforts" to the rise of Chinese power instead of "bandwagoning":

While bandwagoning may be more characteristic of Asian civilizations, the rise of Chinese power could generate balancing efforts from states in other civilizations, such as the United States, India, and Russia. (Huntington 1996:209)

Besides, the "balancing" role of India is reaffirmed in the current research, "The greatest scope for an expanded role for India is clearly in terms of its capacity to play a soft-balancing role to manage the rise of China." (Lee 2015:67). Given the attitude of India towards the Belt and Road Initiative (BRI) of China, it could be a robust

¹⁵ This "fault lines" could appear by different understanding in the same civilisation.

supportive point to the former scholars' prediction on India's balancing on the rise of Chinese power. Undoubtedly, the disputed territory between India and Pakistan in the China-Pakistan Economic Corridor (CPEC) is the biggest concern of India regarding BRI. The plan, which India interacted with more closely including Asia Africa Growth Corridor (AAGC) initiated by India and Japan in November 2016, is seen as a balancing even "counter" towards China's BRI (Special Correspondent The Hindu, 2017).

In the environment where has the philosophy "Harmony in diversity" [*he-er bu-tong*], one of the primary response of Chinese side from the government level to academic level towards India's balancing is to align China's BRI with India's "Act East Policy" or Project Mausam (Mawsim: Maritime Route and Cultural Landscapes) (Luo:2017; Hu 2015; Chen 2015; Tao 2015). The contrary opinion also existed as it is believed that "strategic connectivity between Belt & Road Initiative and India's Project Mausam does not represent a viable policy option." (Feng 2016:44). However, it was reported by Indian media that China wants India to go slow on Asia-Africa Growth Corridor and "persuade India and South Africa to merge the project with the BRICS platform and keep its rival, Japan, out of it" [as cited in Global Times in TNN (2017)].

3.1.3 Close cultural kinship or two conflictual civilisations

"The close cultural kinship of the two societies" is believed to contribute to the peaceful shift between two big powers like the Pax Britannica and the Pax Americana (Huntington 1996: 209). China and India do have "close cultural kinship" in terms of Buddhism, this kinship created by Buddhism might not be strong enough to connect the majority of China and India at the present time, as Buddhism is not the dominant belief in either of the two societies as it used to be in the past. More notably, Hindu (India) civilisation and Sinic (China) civilisation are classified as conflictual category in different civilizations and the rise of China is believed as "the potential source of a big intercivilizational war of core states" (Huntington 1996: 208, 245)¹⁶. To reduce

¹⁶ However, Fukuyama disagreed with Huntington's view that the cultural difference could definitely cause conflict (Fukuyama 1995). Given the example of the interaction between Japanese culture and western culture which paved the way for Meiji restoration and the later industrialisation of Japan, he considers the competition which was created during the interaction between cultures always produced

the risk of conflict between China and India, finding more common ground from their culture or beliefs, in a sense, is a far-reaching influential but very easily neglected option.

The value conflicts are considered unavoidable in intercultural communication. To understand each other's primary and essential values and explain the values, which are different and may cause conflict, is one principle to deal with the conflicts of values (Guan 1995:176). In short, to compare and find out the similarities of Chinese and Indian culture would contribute to create a closer relationship between these two old Asian civilisations, and to realise the differences of the Chinese and Indian culture could reduce the possibility of conflicts.

3.2 Core Values of Confucianism and Hinduism

This research aims to examine how culture influences economic relations. To show the evidence of the influence is not an easy task. The thought of Alastair Iain Johnston (1995:39-40) on the strategic culture of China could help make it more precise:

[...] to analyze the content of some most recent texts and some from the distant past, and assume that if there is congruence in preference rankings that strategic culture exists and has persisted up to the present. The longer the time across which this congruence stretches, the more powerful and persistent the strategic culture. Many of those who write from a strategic-culture perspective, especially on China, take this route.

The congruence, as mentioned above, could be a link from past to the present and evidence of the cultural influence. Johnston was (1995:40) also aware of the useful warning of McCauley:

What we cannot assume from the existence of two similar sets of beliefs at different periods of time is that they enjoy an unbroken existence. The 'same' beliefs can sprout from different roots, at different periods (McCauley 1984:24).

3.2.1 The *lun-ren* and the Homo Hierarchicus

For the convenience of analysis, this research will use the concept *lun-ren* (*lun-jen* [Japanese]) which means the Chinese who are influenced by Confucius civilization and attach importance to *wu-lun* (five human relationships in ethics i.e., between ruler and subject, father and son, husband and wife, brothers, and friends); *Lun-ren* is the

dominant human constant in the society of China (Shang 2013: 71,72). The Hinduism was called “the core of Indian civilization” (Braudel 1980). “Homo Hierarchicus” is coined by French anthropologist and sociologist Louis Dumont (1966) and used to represent Indian who is influenced profoundly by Hinduism in Psycho-Culturology (Shang 2013:78). The caste is highlighted in the concept “Homo Hierarchicus”. The “Homo Hierarchicus” is used to describe Indians who follow the principles of Hinduism, and whose thought and behaviour are influenced by Hindu civilisation in this research.

A clear break of the Hinduism tradition and the demand for the renaissance

It was believed that “a clear break” of the tradition, including *karma*, *dharma*, frugality, idealism, transcendentalism, vegetarianism, religious tolerance and *ahimsa*, is found in India by giving the evidence of only 40 per cent of population are vegetarian, lack of religious tolerance evidenced “in the rise of fundamentalism in most religions of India—certainly in Hinduism, Islam and Sikhism”, and a lot of violence in the past several years in the land of Gandhi and *ahimsa* (Sharma, Satya P. 1996:311). “Some of these radical transformations in the cultural ethos” are seen as “certainly outcomes of the process of globalization of the Indian economy” as well as a threat for the political stability “in the ‘largest democracy’ of the world” including “the main danger”, i.e. “the political swing to the right and rising fascist tendencies” (Ibid 312). In this sense, there is a demand for the renaissance of the moral, cultural tradition for the unity and stability of India. Although culture is also in the process of evolution to fit in with modern development, some of the traditional thoughts are reviving, such as cow protection. Like a Chinese saying mentioned, the dross should be discarded, and the essence should be selected. The core values of Confucianism, i.e. *ren yi li zhi xin*, are called *Wu-chang* (the five constant virtues). The similar concepts with *Wu-chang* and essential values in Hinduism are compared in the following section.

3.2.2 Rén (benevolence)

Confucius defined *rén* a few times in the dialogue between him and his disciples recorded in the *Analects*. One idea of *rén* is about self-control:

To subdue one's self and return to *lǐ* (rites, propriety) is *rén*. If a man can for one day subdue himself and return to *lǐ*, all under heaven will ascribe *rén* to him. [...] To practice *rén* is for a man himself, how should it depend on others? (Confucius' Analects 12.1). Do not do to others what you would not wish done to you (12.2).

Those values could be helpful to understand the character of modern China, which “will never accept interference by other countries in its internal affairs” and propose “the key principle governing the new international order should be noninterference in other countries' internal affairs and social systems” (People's Daily 1990). It does not mean not to care of the world outside but through a different way. The following points of *rén* may help explain China's foreign policy such as “Belt and Road Initiative’ which is highlighted on cooperation and mutual benefits.

‘[*Rén* is to] Cherish people.’(12.22). ‘He who can enact five things in the world is *rén*, [..., i.e.] *gong* (reverence), *kuan* (tolerance), *xìn* (trustworthiness), *min* (quickness), and *hui* (generosity)’. (17.6)

Besides, to practice *rén* is not independent but linked with *lǐ*. When Yan Yuan asked Confucius what the items of *rén* are, he answered:

If it is not *lǐ* (rites, propriety), do not look at it; if it is not *lǐ*, do not listen to it; if it is not *lǐ*, do not say it; if it is not *lǐ*, do not do it.’(12.1) Still, *rén* is a high level ideal, and it will take time to practice *rén*, ‘If a truly royal ruler were to arise, it would still require a generation [30 years, the author added] and then *rén* would prevail’(13.12).

The thinker developed the Confucius idea in the period of Pre-Qin Dynasty and many generations in China's history as well as in the contemporary period. To inherit the most excellent tradition of Chinese culture is part of pursuing the road of peaceful development for the Chinese government (SCIOPRC 2011).

It was argued that the ancient Chinese sages such as Guan Zi, Xun Zi had already classified the nature of the nation and realised *wang quan* [humane authority] is better than *ba quan* [hegemon authority] (Yan 2015:89). The Chinese scholar recognised that the humane value of China, theoretically, could create value better than the hegemon value of the United States (Ibid.). It was pointed out that the US had played double standards on the issues such as nuclear issue towards India and North Korea, democracy recognition towards India and Iran, and does not accord to the so-called ‘benevolent hegemon’ (Kagan 1998:26; Yan 2015: 90). Chinese scholar believed that

rén and *yì* are the core value of humane authority and *rén* is closed to the modern 'equity' while *yì* is closed to the meaning of 'righteousness' (Yan 2015: 91).

Rén could guide the establishment of 'equity' as an international norm, and Moral Realism believes it is better value than 'equality' to promote the harmony of the international society (Ibid: 92). 'Equity' means to care for small powers (similar to the concept of *Dharma* in Hinduism) and practice 'common but distinguishing responsibility' (Ibid). It has been practised in the current international affairs, for instance, the special concessions for developing countries in environmental agreements, such as 1992 United Nations Framework Convention on Climate Change and 1997 Kyoto Protocol (Ibid.). 'Equality', on the other hand, ignores the differences of strength and background, resulting in the law of the jungle (the weak is the prey of the strong) (Ibid: 91). The US-led international order is based on 'equality' or the law of the jungle, while China's traditional value '*rén*' could promote the establishment of a more equitable order (Ibid.).

3.2.2.1 *Rén and wealth*

It was recorded in *Shiji* (Records of the Grand Historian, Merchants/Usurers Biographies 69) that the level of "*Rén*" was recognized by Bai Gui, a great merchant (*da huo zhi jia*) of the Western Zhou Dynasty, as one of the four basic examining standards which could serve him to do business, along with the quality such as *zhi* (wisdom), *yong* (brave) and *qiang* (manliest) (Nie 2012).

Si Maqian quoted the line "when there are adequate stores; they will know what decorum is; when the people have enough of food and clothing they will know what is an honour"¹⁷ From *Guanzi* (text) (BCE 723- BCE 645) (The author is Guan Zi, BCE475-BCE221), and explained the relationship between *ren*, *yi*, *li* and wealth¹⁸. The idea of Si Maqian is that when *Jun-zi* became wealthy, he will apply morals. *Ren* and *yi* would be attached to the rich people. In this aspect, wealth became a condition to practice *ren* and *yi*. On the other hand, it was pointed out by Sima Qian "Who is not

¹⁷ The original words in Chinese pinyin is "*cang-lin-shi er zhi-li-jie, yi-shi-zu er zhi-rong-ru*".

¹⁸ The original words in Chinese pinyin is "[...] *gu jun-zi fu, hao-xing qi de; xiao-ren fu, yi-shi qi-li. Yuan-shen er yu-sheng-zhi, shan-shen er shou-wang-zhi, ren-fu er ren-yi fu-yan.*"

a hermit, stay in poor and like to say *ren yi*, is shameful”¹⁹. In other words, the poor people who are keen on current affairs meanwhile always talk about *ren* and *yi* might not be respected. *Ren* is also related to wealth. Wealth, in a sense, could be a condition to practice *ren*.

Those ideas are different from Indian for whom the spiritual guru always got respected as they are full of knowledge and preach morality. Such as Gautama Buddha, Mahatma Gandhi who were not wealthy people and practised morality as an essential part of their underlying philosophy, for instance, the five rules of training (*Pañcasīla* or the five precepts) of Buddha’s teaching, nonviolent resistance of Gandhi. Differently, when Confucius was in a weak position, he was not respected by many common people recorded in “the biography of Confucius”, *Records of the Grand Historian (Shi-ji)*:

At the eastern gate there is a man, whose forehead looks like Yao’s, neck like Gao Yao’s, shoulders like Zi Chan’s, yet his height to his waist is three *cun* shorter than Yu’s. Haggard, he seems like a stray dog.²⁰

Even Confucius’ disciple doubted him who lived in abject poverty. The response of Confucius shows his attitude towards poverty and morality:

When he [Confucius] was in Chen, their provisions were exhausted, and his followers became so ill that they were unable to rise. Zi Lu, with evident dissatisfaction, said, “Has the superior man [*jun-zi*] likewise to endure in this way?” The Confucius said, “The superior man [*jun-zi*] may indeed have to endure want, but the mean man [*xiao-ren*], when he is in want, gives way to unbridled license.” (*The Analects of Confucius* 15.2)

Confucius advocates that gentlemen [*jun-zi*] should endure in poverty instead of being unbridled. In the straitened time, the *lun-ren* pay more attention to self-cultivation while Homo Hierarchicus could preach his thought and gain respect from others with his morality and wisdom. In the philosophy of Chinese, “when you are poor, just improve yourself, when you are rich, help the world”²¹ is well dominant. The attitudes towards the poor are different in these two civilisations.

¹⁹ The original words in Chinese *pinyin* is “*wu yan-chu qi-shi-zhi-xing, er chang pin-jian, hao-yu ren-yi, yi-zu-xiu-ye.*”

²⁰ The original words in Chinese *pinyin* is “*dong-men you-ren, qi-sang si-yao, qi-xiang lei gao-yao, qi-jian lei zi-chan, ran-zi yao-yi-xia bu-ji yu san-cun. Lei-lei ruo sang-jia-zhi-gou.*” English translation of the original Chinese is quoted from Zhang Hanmo (2018: 95).

²¹ The original words in Chinese *pinyin* is “*qiong-ze du-shan qi-shen, fu-ze jian-shan tian-xia*”.

It may also explain why people like Buddha are not born in China and why Indian philosophy is more profound and more abundant, and in the market of India, there are more brands, which provide cheap products such as the brand of *Khadhi*, *Patanjali*. To care about poor, to innovate for the poor is more evident in India (see the *Jugaad* part of this chapter) (There are also lots of cheap products in Chinese market benefit from its manufacture advantage.) The Homo Hierarchicus is more tolerant and benevolent to poor than Chinese. The *lun-ren* still aspire for more material wealth than the Homo Hierarchicus.

3.2.2.2 Ren and individual behaviour: zhong and cautious about speaking

Confucius used to reply to Fan Chi who asked him about *ren* with the answer that:

When positioning yourself, be respectful; when conducting jobs, be reverent; in treating others, be wholeheartedly devoted. Even when a person goes to the barbarians, [these qualities] may not be neglected. (*ju-chu gong, zhi-shi jing, yu-ren zhong. Sui zhi yi-di, bu-ke qi ye.*) (*The Analects of Confucius* 13.19).

It shows that one meaning of *ren* for Confucius is to be *zhong* (faithful or wholeheartedly devoted) to others. However, *Zhong* could cause rely on *guanxi* (relationship). When the *lun-ren* practice *zhong* and use this standard to judge or require the Homo Hierarchicus, the disappointment could be caused, and even cultural conflict could happen. As the *lun-ren* tend to be faithful to people and the Homo Hierarchicus are inclined to be faithful to supernatural or truth, the two have a different attitude towards verbal promise and exchange mode (See Chapter II 2.2, 3.2).

Moreover, Confucius considered that “reticent” or “talk with caution” is considered as part of *ren* (12.3) (13.27). Comparatively, Chinese seem to be more silent and Indians are more argumentive. It leads to different performance in cross-cultural management and global competition.

3.2.3 View on Wealth (*artha*) and Self-control (*dama*) in Hinduism

The word “*artha*” means wealth, value or price, it stands for economic value and a part of ‘*purusartha*’ (object of human pursuit, the other three are *dharma*, *kama*, *moksha*) in Hinduism (Mohapatra et al. 1993:43-44). According to Hinduism, *artha* and *kama* ultimately could not bring satiety, and the one who earned *artha* according to *dharma* would gain peace of mind and satisfaction (Ibid: 46-47). Influencing by the concept of Confucianism, *lun-ren* tend to make other productive after becoming rich,

which means to alleviate poverty. In Hinduism, "peace of mind and satisfaction" are essential and it is believed that "the more one runs, the less the satisfaction"(Ibid: 45). This value made the Hindu not only concern about the economic benefit and the rich take care of the poor instead of helping them become productive”

Our beloved leader Mahatma Gandhi stated that one must lead a simple life, with the minimum necessity of his life. If someone will earn money more than his requirements, then it is treated as sin. In our society, if one does not get his food and shelter, that is a social evil being committed by a moneyed man, towards him. So wealth must be as pure as crystal and as sacred as Ganga. (Ibid.47).

It is also common sense in India that:

A person having more wealth is regarded as powerful and dignified in the modern age. It is difficult to live in this material world without money. Sometimes we pay more respect to a wealthy person than to a beggar. (Ibid:45).

Meanwhile, there are also many sages in India who “treated wealth as dust” such as Ramakrishna Thakur (Paramhansa).

Besides, there is a concept about self-control in Hinduism that is *Dama*. It is believed that “It is the nature of mind to run after freedom. When mind becomes free it can do some evil works. [...] Mind is like a wild horse, and it is necessary to put restraint in it.” (Mohapatra et al. 1993: 38). Moreover, *yama* also means self-control in Hinduism (Heim 2005: 350). *Yama* is moral practices, “which Patanjali defines as five ‘universal moral principles’ or five virtues: non-violence (*ahimsa*), truthfulness (*satya*), abjuration of stealing (*asteya*), celibacy (chastity or continence, *brahmacharya*), and lack of greed (renunciation, *aparigraha*)” (Patanjali 400) (Gupta 2006: 385-386). The difference between Confucianism and Hinduism on this point could summarise as self-control for the former is to for being *ren*, the latter is for keeping away from evil.

3.2.4 *Yì* (righteousness)

Confucius considered *yì* (righteousness) is the rule of the *jun-zi* (superior person)’s practice:

The superior man, in the world, does not set his mind either for anything or against anything, what is *yì* (righteousness) he will follow. (4.10)

The *jun-zi* (superior person) in everything considers righteousness to be essential.(15.18)

Confucius also appealed to pay importance to *yì* (righteousness) instead of profit:

The *jun-zi* (superior person) comprehends according to *yì* (righteousness), the *xiao-ren* (petty person) comprehends according to profit. (4.16)

Moreover, it was considered that *yong* (valour) is not valued without *yì* (righteousness),

The *jun-zi* (superior person) holds *yì* (righteousness) to be of the highest importance. The *jun-zi* (superior person), having valour without *yì* (righteousness), will be guilty of insubordination; The *xiao-ren* (petty person), having valour without *yì* (righteousness), will commit robbery. (17.23)

Both *yi* of Confucianism and *dharma* of Hinduism highlighted the importance of responsibility, yet comparatively, *yi* has a consideration on the combination of responsibility and bravery while *dharma* seems not. Based on the concept of *dharma*, the right-wing organisation such as SJM organised the boycotting of Chinese products movement. It is a “brave” action to challenge China, which is the second largest economy and most significant trade partner of India. However, without considering *yi* towards Chinese companies in India, which contributed to the growth of the economic development and created job opportunities in India, the SJM protect the interests of the small and middle enterprises of India but created negative element towards the interest of Chinese in India.

As mentioned above, it was argued that *yì* is close to ‘justice’ and could contribute to the establishment of a better international order than ‘democracy’ (Yan 2015: 95). Democracy could only provide the legality of the nation's action but not justice (Yan 2015: 94). The 2003 Iraq War received the permission of the U.S. Congress, making it legal from a domestic perspective, but millions of Americans protested against the war because it was unjust (Ibid). According to the theory of Moral Realism, China would support a just international order contributed by the concept of *yi*, which could reduce the polarisation and create a win-win situation (Yan 2015:95). It could contribute to China-India relations as well.

3.2.4.1 Yi and interest

In the classic literature of Confucianism, the view on *yi* and profit is conducive for understanding the outlook on righteousness and benefit, Confucius said, “Exemplary

persons (*jun-zi*) are persuaded by what is righteousness (*yi*); petty persons (*xiao-ren*) are persuaded by what is profitable.”(4.16)

[...] If a man remembers what is righteousness (*yi*) at the sight of profit, is ready to lay down his life in the face of danger, and does not forget sentiments he has repeated all his life even when he has been in straitened circumstances for a long time, he may be said to be a complete man. (14.12)

The other view of Confucius on *yi* and benefit was recorded in “the war of Qi and Jin at An” of *Zuo Zhuan* (Commentary on the Spring and Autumn Annals), “[...] *li* (rites) is used to pursue *yi* (righteousness), *yi* is used to produce interest, interest is used to govern people, and those are the outline of government affairs.” It shows *yi* is the basis of interest; in other words, to produce benefit should consider *yi* first. Thus, interest is closely related to *yi* in the Confucian idea. Moreover, it was highlighted in *The Analects of Confucius* that Confucius has “rarely spoken about interest, he would rather leave it to destiny and *ren* (benevolence).”²² The benefit is not the first concern; instead, the *ren* and *yi* are more preferred in Confucianism.

The above contents reflect Confucius’s views on the relationship between “*yi*”(righteousness) and “interest”, that is, the relationship between the core meaning of Confucian civilisation “*yi*” and economic interests. To a certain extent, these “righteousness being more important than interest” (*yi-zhu li-cong lun*) reflect one of the significant economic thought (Nie 2012: 70-71) and the idea of righteousness and benefit (Wang 2017:14) in the Confucian concepts. The traditional value is still influencing the national leader's opinion, especially the idea of righteousness and benefit. Chinese President Xi Jinping said”

Yi (righteousness) reflect one view of us, the idea of the communists and socialist country. Some people in this world are getting along very well, and some people are getting along very bad, it is not a good phenomenon. True happiness is the general happiness of all. We hope that the world will develop together, especially hope developing countries to accelerate development. *Li* (benefit), is to abide by the principle of mutual benefit and win-win, not we win, and you lose, to achieve a win-win situation. We are obliged to give help to developing countries within our capacity. Sometimes we have to value justice above material gains, sacrifice profit to duty. We must not be mercenary and haggle over every ounce.

²² There are different explanations on this line. The explanation of the scholars such as Kang Youwei and Qian Mu is chosen here (Huan 2017).

For the surrounding and developing countries, we must adhere to the correct view of righteousness and benefit. Only by adhering to the correct concept of righteousness and benefit can we do our work well and make a place in the hearts of people. Politically, we must adhere fairness and righteousness, stick on the principle of equality, abide by the basic principles of international relations, oppose hegemonism and power politics, and oppose to harm others' interests for one's ends and destruct regional peace and stability. Economically, we must adhere to mutual benefit and joint development. (Wang Yi 2013)

Confucian civilisation has influenced the *lun-ren*'s attention to "righteousness" and even has become a potentially important criterion in the people's interaction. It is precisely because of this kind of outlook of righteousness and benefit that the people are often dissatisfied with the Hindus' "gamesmanship" of gaining interests, or translated into a winning trick, commonly called by the Chinese business people as "petty action", including those blamed behaviours such as "gaining petty advantages" and "strongly pressing the price". The reasons behind those behaviours will be explained in the next section.

3.2.5 Manthan

From the perspective of civilisational values, the acts of Hindus mentioned above are related to a core value of Hinduism that is "*manthan*". The meaning of *Manthan* is "churning". The worldview of Hindu is explained by the Member of Indian Parliament and formerly Indian Minister of State for Finance Jayant Sinha and the Indian economist Sanjeev Sanyal (2016),

The Indian, particularly Hindu, worldview is that the world is naturally chaotic as expressed in Shiva's tandava. While other societies try to identify an ideal equilibrium or Utopia and define success in terms of achieving it, Indians see churn as the natural state of the world. The churn releases both negative and positive forces, and success is measured by the ability to absorb the negative and adapt to take advantage of the positive.

Therefore, from the perspective of Hindu values, the understanding of the nature of commercial behaviours such as "gaining petty advantages" and "strongly pressing the price" is very different from the *lun-ren*. Also, Hindus' control over costs involves the *jugaad* concept in their culture.

3.2.6 *Jugaad*

As mentioned in Chapter II, the rough translation of the common Hindi word *Jugaad* is “an innovative fix; an improvised solution born from ingenuity and cleverness” and reflecting the spirit of the Indians “doing more with less” (Radjou et al. 2012: 4). Combining *jugaad* and *manthan* makes it easier to understand why Hindus use “gamesmanship”. Tracing the ideological roots of behaviour helps to understand the values behind the behaviour better. Interpretation of values can better understand the reasons for their behaviour. Understanding each other's values is the basis of mutual respect, and mutual respect is more conducive for cooperation and dialogue.

The *jugaad* spirit influenced Indians widely and reflected in different aspects of their life. For example, lots of lightly battered cars on the street, simple entrance gates of famous universities, and even the Mars probe, India used less expenditure than other countries and made it successful (Zi 2013). People of India may not use more sources when it is not very necessary. Perhaps, it could consider that the culture of “*mian zi*” (face-saving) is not so influential for Indian, at least Indian are not like Chinese who are very caring about the visible image. Moreover, inevitably, it is also related to India’s political system and social culture (Sun, Kang and Lin 2007, Mao K.J. 2015). Still, by focusing on the cultural influence, stronger support could be found to understand the Indian way of the solution in their daily life and their innovation.

3.2.6.1 *Frugal Innovation in India*

Frugal innovation is a lifestyle of India (Zi 2013). If we look at the market of India, we could find many cheap products or service, which are necessary for ordinary people and seem the cheapest in the world. Moreover, it is not only for the grassroots but also reflected in the development of science and technology in India. *Mangalyaan*, the Mars Orbiter Mission (MOM) of India, made India the fourth nation and the first Asian country to reach the fourth planet from the sun (Vji 2013). It is the least-expensive Mars mission till date, which costed USD 73 million, “less than an average Hollywood film” (Amos 2014). It was because of lower worker costs, home-grown technologies, simpler design and significantly less complicated payload than the National Aeronautics and Space Administration (NASA)’s Maven of the United States (Ibid.).

Undoubtedly, except the cultural influence on Indian's value, the national conditions also play a role. For instance India invests less than 1 per cent of its GDP on Research & Development while China spends 1.76 per cent and it is worth noticing that over 50 crore Indians live without reliable electricity, including most of the people in the village of a grassroots innovator Mansukh Prajapati from the desert area of Gujarat (Radjou et al. 2012:3,4).

The innovator Mansukh Prajapati who first invented a Rs 2000 fridge made by clay - called Mitticools, from what he “earned accolades from all over the world -- including the President of India and Forbes magazine named him among the most influential rural Indian entrepreneurs, one of the few to have made an impact on the lives of so many” (Radjou et al. 2012:3,4). Later on, he founded a new factory, a ‘mini’ Industrial Revolution in pottery, was launched in the remote Indian village and produced new clay products: non-stick frying pan which cost Rs100. Prajapati was called “true spirit of *Jugaad*”, because he produced cheap and effective devices and created jobs, and he is “driving environmental and socio-economic sustainability in his community and ensuring the financial sustainability of his own business” (Ibid).

3.2.6.2 The influence of Bhagavad Gita

In the *Bhagavad Gita*, one of the most popular Hindu sacred books, the mystical experience of the Vedas is reflected in the form of ethical principles which “not merely a matter of laws or customs” but “a sacred experience” (Saraswat 2005:4-5). Mahatma Gandhi preached the *Bhagavad Gita* philosophy, said:

I find a verse here and a verse there and I immediately begin to smile in the midst of overwhelming external tragedies -- and if they have left no visible, no indelible scar on me, I owe it all to the teachings of the *Bhagavad Gita* (Muniapan and Dass 2008: 408-420).

The principles of *Bhagavad Gita* are influencing the Hindu's values and behaviours. Indeed, scholars also suggest the principles of ethics from the *Bhagavad Gita* “can be assimilated in the management practices of global corporations from a non-sectarian perspective” (Ibid.).

The reason, why many of Indian especially the innovators mentioned above who do not treat money as their only or primary goal but to solve the problem, take the

responsibility of the society (Mashelkar 2017) (Li 2017), could be linked with the principle mentioned in the *Bhagavad Gita*.²³ The traditional thoughts are not only influencing their way to solve the problem but also the attitude towards wealth.

Without understanding the value of its cultural dimension, it could be hard to understand India. So it is necessary to pay attention to the culture, which is still influencing their value and behaviour. It could be meaningful as well as in these times of fragile environment to learn from India about its innovation.

3.2.6.3 Jugaad innovation and environment concerns

Not only considering to use fewer materials also observing the condition of the current situation, the *jugaad* spirit is also quite valuable. The scholar on frugal innovation Anil K. Gupta, whose organization Honey Bee “has populated a database of over ten thousand inventions of grassroots entrepreneurs, who have created ingenious solutions for pressing socio-economic problems in their local communities”, has further vision on the value of *Jugaad* innovation which he prefers to call it “grassroots innovation”:

If China, India and other developing countries all follow the lifestyle of the United States, the energy is not enough, and the environment will be destroyed. Most functions of the products are not used by the customers but paid by them. (Gupta 2016)²⁴

Along with the dramatic economic growth, China and India are paying a huge price for it. China and India are two of the most polluted country in the world and are accounted for more than half the world’s pollution (Ross 2017). It was reported that “around 1.1 million people die prematurely as a result of pollution in India”(Ibid.). It is crucial to increase awareness and solve the problem caused by over-exploitation of resources. In this aspect, the value behind the Indian frugal innovation should be

²³ See Chapter II, 2.3.2.2. The people, who believe with the ultimate goal to think, “a piece of stone and gold are the same”, could not only think about interests. It could also link with the Hindu concept of *karma* and rebirth.

²⁴ See more in Rebecca Bundhun (2014), "The US and China serve as economic models for India", The National Business. Jeff Desjardins (2015), “China vs. United States: A Tale of Two Economies”, Visual Capitalist. Desjardins argued, “The United States is a sophisticated and highly diversified economy that is based on services, finance, and consumption from the middle class. China has similar aspirations in the future, but right now, it is resource-intensive growth engine making the transition from a manufacturing hub to a consumer-driven economy.”

appropriately recognised to understand its market and China and India, as the two biggest developing countries should work together for saving the environment.

3.2.7 Indian Worldview and the Daily Sacrifice

Unlike other cultures where people prefer significant, costly innovations and target the rich people instead of the poor, many innovations in India are for the poor (Sarma 2017). To help others, especially the poor, is part of Indian culture (Ibid.). In Hindu tradition, the five *maha-yajnas* must be performed every day, including sacrifice to the beings, the men, the Fathers, the gods and Brahman (Veda) (Kane 1941:696). The sentiments that prompted the performance of these five sacrifices influenced the thought and behaviour of the Hindu. It is believed that,

The whole world human and non-human is one creation and there must be spirit of live and let live or give and take. Therefore one must offer what one can afford to a guest and also have something for all beings (including even such shunned animals as dogs, crows and insects). These feelings of devotion, gratitude, reverence, loving memory, kindness and tolerance seem to have been the springs that prompted the Aryans of old to emphasize the importance of the five daily yajñas and to have led sutra writers like Gautama and legislators like Manu (11.28) to look upon them as *samskāras*, as ennobling the soul by freeing it from mere selfishness and elevating the body to become a fit vehicle for higher things (Ibid: 698).

The thought that is influenced by the five daily great sacrifices (*panca maha-yajnas*) is forming the Indian psychology. The daily performance of sacrifices still exists in the daily life of the Homo Hierarchicus. The logic behind it is a necessary element to understand Indian culture. It shows the importance of nature and other beings in Hindu society.

Indeed, the behaviour, value, attitude and personality do influence economic development (Kunkel 1965: 257-277). So it is necessary to pay attention to the culture behind the Indian economic phenomenon. Moreover, like an Indian scholar pointed out that,

...if India and China could energise the potentialities inherent in the complementary capabilities... India-China joint research programmes could invent the pollution-free car, a US\$20 computer, a US\$ 1000 home, online education for poor etc. (Bhoothalingam 2015:119)

The positive cultural factors should be paid enough attention; at the same time, the negative factors should also have to be cared. It was argued that economic freedom and attitude towards science and religion do affect economic growth (Lands 1998). Moreover, it was also pointed out by economists that “invisible hand”, i.e. price plays a significant role in the market (Mankiw 2012). In short, these factors are equally essential to take advantage of the traditional value and to consider its role for modern development. To explore the origin of culture, instead of examining a country from a superficial phenomenon, is increasingly urgent. Only then the dialogues could not only be cross-cultural but also help to deepen understanding towards each other and develop a more suitable model for the development of both China and India.

3.2.8 *Lǐ*(rites): *Guanxi*, *Renqing*, *Mianzi*

The concept of ‘*lǐ*’ is a crucial concept in the thought and common saying of the *lun-ren*, such as,

In the practice of *lǐ*, Harmony is the key. (1.12)

If a man can subdue himself and return to *lǐ* for one day (rites, propriety), all under heaven will ascribe *rén* to him. (12.1)

Lǐ also has linkage with other values like *rén* (benevolence), *yì* (righteousness), *yong* (valour). Regarding Confucius, ‘*lǐ*’ could influence the function of other values,

If a man is not *rén*, what can he do with *lǐ*?(3.3)

The *Junzi* (superior person) in everything considers *yì* (righteousness) to be essential. He performs it according to the *lǐ*(rules of propriety). (15.18)

If you do not learn *lǐ*, you will not be able to establish yourself. (16.13)

... He [Junzi (superior person)] hates those who are *yong* (valorous) but lack *lǐ*. (17.24).

Notably, Confucius pays importance to politics with *lǐ*.

If a ruler loved *lǐ*, none among the people would dare be inattentive; if a ruler loved *yì*, none would dare be unsubmissive; if a ruler loved *xìn* (trustworthiness), none would dare be insincere. (13.4)

When the ruler loves *lǐ*, the people are easy to employ. (14.41)

Besides, regarding Confucius, one part of the *lǐ*'s original meaning is related to the hierarchy of power. Different hierarchy has different treatment. For instance, only the *tian-zi* (emperor, Son of Heaven) has the right to perform sacrificial rituals on all the

famous mountains and rivers under heaven; vassals only have the right to perform sacrificial rituals on the famous mountains and rivers of their fiefdoms.

The *Ji Shi* (chief of the Ji family, a senior official of Lu State) was about to sacrifice to the Tai mountain. Confucius said to Ran You, ‘You were unable to prevent this? [...] (3.6).

Although Confucius’s philosophy could not fully be practiced during his time, his thought influenced China generation after generation. Necessarily, to “discard the dross and select the essence” while to inherit the traditional culture. According to the theory of Moral Realism, “civilized” which developed from the concept of *li*, could be beyond the American insistence on “freedom” (Yan 2015:97). Unlimited freedom leads to conflict, while civilized tames the ambitions of unworthy powers (Ibid: 96).

3.2.8.1 Li and means of expression

Due to the influence of the value *li* and *yi*, comparatively, Chinese people do not speak quite directly and openly. The character is related to the culture of *renqing* and *mianzi*, it is believed in China that “you can cause someone to lose *mianzi*, esteem, or personal dignity by saying exactly what you mean or feel” which is “difficult value to comprehend for people who believe in being direct and open” (Fu, Wu et al.2008: 884). Moreover, it is also believed that some times, more important things are what the Chinese did not speak out.

3.2.8.2 Ren Zhi, Guanxi and the Confucianism root

It was pointed out that "the reason *guanxi* is so important is that China is a country 'ruled by people' (*ren zhi*) not by law, and the predefined nature of *guanxi* dictates the behavior" (Fu, Wu et al. 2008: 884). "92% affirmed the importance of *guanxi* in their [Chinese citizens] daily life" according to a survey did by Gordon C. Chu and Yanan Ju who surveyed 2,000 Chinese from Shanghai and Qingpu (a rural county outside of Shanghai), and "72% preferred to use *guanxi* connections over normal bureaucratic channels to advance personal interests and solve problems" (Yeung and Tung 1996:58). The foreign business people who did business with Chinese also know “that companies wanting to get in on the ground floor in China need *guanxi* in addition to planning, funding, and a good product” (Murphy 1996).

The root of the importance of *guanxi* for Chinese could be traced back to the *Analects of Confucius*:

If a ruler loved *lǐ*, none among the people would dare be inattentive; if a ruler loved *yì*, none would dare be unsubmitive; if a ruler loved *xìn* (trustworthiness), none would dare be insincere. (13.4)

Ruler's virtues, i.e. *lǐ*, *yì*, *xìn*, were believed to play the dominant role in ruling the people. "The reliance on people rather than the law would naturally promote the practice of *guanxi*, [...]" (Fu, Wu et al.2008: 884). It was pointed out that "*Guanxi* is typically seen as an outgrowth of the Confucian emphasis on personal relations" (Koehn 2001: 421). *Guanxi* also means power, it was described as the local chief in many villages is "almost as powerful as God, but not so remote." (Kristoff and Wudunn 1994:96).

3.2.9 Wisdom: *Zhi* (Right or Wrong) and *Jñāna* (Momentary or Everlasting)

Mencius added *zhi* and extended *ren*, *yi* and *li* of Confucius to *ren*, *yi*, *li* and *zhi*. He said:

The sense of commiseration is the seed of *ren* (humanity); the sense of shame is the seed of *yi* (righteousness); the sense of respect is the seed of *li* (ritual); the sense of right and wrong is the seed of *zhi* (wisdom). (Mencius c.300 BC).

Zhi was considered, by a great merchant Bai Gui recorded in *Shiji*, as the first and most important fundamental quality for merchants along with *yong* (valour), *ren*, *qiang* (Sima 2006). It was analysed as the merchant should have the ability to analyse the trend of the market and adjust the management strategy according to the changing situation (Nie 2012).

The extended meaning of "*Zhi*" is innovation, respect the knowledge and science, follow the rule of the economy (Chen Jian 2011) in modern society. *Zhi* is also proposed by Chinese scholar Wang Yizhou to practice in China's diplomacy in his work, *A Wise and Benevolent Power: Creative Involvement in a Nutshell* (Wang 2018). There is a similar concept *jñāna* that means knowledge in Hinduism. It designates:

...the sort of knowledge that is a total experience of its object, particularly the supreme being or reality. The cognitive experience of the supreme object sets the

soul free from the transmigratory life and the polarities this imposes upon thought. (EB 2019)

In the *Bhagavad Gita*, *jnana-yoga* is the path for self-realisation combined with *raja-yoga* (Nadkarni 2017: 266). “The emphasis of *jnana-yoga* is on using *buddhi*, the capacity to discriminate between the real and unreal, momentary and everlasting.”(Ibid.) The difference between Confucianism and Hinduism on "wisdom" or "knowledge" is the discriminating object. As mentioned above, *zhi* in Confucianism is to discriminate “right and wrong”, and “*jnana*” in Hinduism is to discriminate “real and unreal, momentary and everlasting”.

Interestingly, there is no “right or wrong” in Hinduism (Singh 2019). It is believed that right or wrong is a relative concept, and there is no absolute right or wrong. This difference could cause different cognitions. The *Lun-ren* believes there is right or wrong while the Hindus believe that there is no right or wrong, but there is real and unreal, momentary and everlasting. The latter seems more detached and more grandiose. The former is more about reality and current judgment. It is precise because of this that the *lun-ren* is more concerned about the present. The Hindus have different understandings of the present, and they are more comfortable with the current situation and do not judge the victory or not with the momentary gains and losses. It is also reflected in the fact that Indians commonly treat themselves as anything that they believe to be their victory. Economically, this can also help to understand the commercial behaviour of Hindu merchants. While they treat their interests, they will adopt different ways to complete them. This kind of behaviour could cause the inadaptation of the *lun-ren*. The most likely Indians treat this as a sign of real or unreal profit, not a right or wrong behaviour.

3.2.10 *Xin* (Trust) and *Satya* (Truthfulness)

Chinese scholar of Han Dynasty Dong Zhongshu added *xin* (trust or being trustworthy) in the core concept of Confucianism, and then *ren*, *yi*, *li*, *zhi* and *xin* are called five constant virtues (*Wu-chang*) of Confucianism (Wang 2019: 41). *Xin* “plays a central role in the Confucian ethic” (Koehn 2001:415). The importance of *xin* is recorded in *The Analects of Confucius*,

The *jun-zi* only labours his people whom he has earned their trust. Without trust, people will think that they are imposed. Only after earning trust does he remonstrate with a lord. If he has not yet earned trust, the lord will take it as slander. (19.10)

Confucius believed *xin* is more critical than armament and grain in governance,

Zi Gong asked about governance. Confucius said, “Provide people with adequate food, have adequate weapons, and people will have trust in you.” Zi Gong said, “If one had no choice but to dispense with one of these three things, which would it be?” “Dispense with weapons.” Zi Gong said, “If one had no choice but to dispense with one of the remaining two, which would it be?” “Dispense with food. Death has always been with us since the beginning of time, but when there is no trust, people will have nothing to stand on.” (12.7)

Cultural root: no contract but trust

It was considered that “the Chinese historically have been loathe [have loathed] to rely upon contracts” as:

Confucian emphasis on trustworthiness makes reliance on contracts less attractive for several reasons. First, the use of particular contracts encourages parties to think of the contract as the basis for trust, the contract thus contributes to an atmosphere of distrust. [...] Second, reliance on contracts can prevent people from focusing on the larger picture and from being as mindful as they should be. (Koehn 2001:419,420).

Moreover, it was considered that “The Chinese continuously emphasize that all agreements should be based on friendship and good will, making finely detailed contracts unnecessary.” (Mente 1994:121). The circumstances of not “rely upon contracts” still exist as mentioned above, especially for the Chinese businessmen who are influenced by Chinese “trust” culture. Yet, along with the legal system advancement in China, the contract is now a more necessary and reliable part of doing business.

Money worship and the decline of *xin*

The Chinese traditional culture could be influenced by modern thought, which could also shape the economic thought and behaviour of Chinese. For instance, the famous “Cat Theory” of Deng Xiaoping which states, “It does not matter if a cat is black or white; as long as it catches mice, it is a good cat.” Besides, it was considered that Deng Xiaoping's trip to south China in 1992 was linked with the embracing of capitalism and then triggered the so-called “*bai-jin zhu-yi*” (money worship) (Kristoff

and Wudunn 1994: 141). It made all level of people from government officials, army staffs and their relatives to the common people all started to do business (Koehn 2001:423). The influence of the ideas like “hard work and plain-living” (*jian-ku pu-su*) of Mao Zedong was reducing in the new generation. The Chinese market was developed to a new era and started to be fulfilled with the customers who turn their back on the materialist way of life. The traditional values like *xin* have a period of decline when people only think about how to earn money.

Meanwhile, it is considered that the traditional values are a high standard in a sense and difficult to follow in the modern period. Chinese Confucian philosopher’s views of *xin* are considered not practical in the current society as people who follow these values must be cheated by the smart crook in the social, economic life (Ye Shengli 2004:17). There are phenomena without honest promise with different degrees in the individual, organisational and governmental levels in Chinese society (Wang 2006).

The government of China noticed the change that happened in society and started to promote the importance of the value of *cheng-xin* (honesty). The State Council of China has announced the “Planning Outline for the Construction of a Social Credit System (2014-2020)” in 2014 (SCPRC 2014) to promote honesty in society.

“Trust” in Indian groups' organisational culture and *Satya* in Hinduism

Meanwhile, trust is also taken as an essential part of the organisational culture of Indian companies²⁵. In the philosophy of an Indian water treatment technology company, it is written that “A partnership based on trust”, they see themselves as the partner of their customers and “prepare optimized and customized concepts” (Wabag 2018a). The other 100 years old global group of India also sees “Leadership with Trust” as the basement of their mission for their business in more than 100 countries across six continents (Tata 2018). Yet, it should be noticed that the origin of the two mentioned above, the former was founded in Breslau, Germany (Wabag 2018b), the latter's founder belongs to Parsi group (Lala, 1981:3), a Zoroastrian community (instead of Hinduism).

²⁵ In this research, the Indian companies mentioned are mainly about those companies, which are doing business in China.

In Hinduism, one of the five virtues *satya*, which means truthfulness, is believed that could engender “mutual trust and love and binds the individuals together” and “contributes to the welfare and harmony of society as a whole.” (Mohapatra et al. 1993:39) There is different stress on trust between Confucianism and Hinduism. The concept of *xin* emphasised on keeping the promise and the *satya* emphasised on pursuing truth and create unity and harmony, and the Hindu is more argumentative while pursuing truth and the *lun-ren* value more on the promise. This difference could also explain that the *lun-ren* is relies more on interpersonal relations than the Hindu. The latter could challenge authority in the sake of truth, and the former tend to keep the promise at any cost.

3.2.11 *Dharma*

The literal meaning of *dharma* in Sanskrit is “to sustain, to hold up”; In Hinduism, it means “the Sacred Law; a religious duty; customary rules of right conduct for members of a group; duty appropriate to one’s *varna*; moral law” (Dasgupta 1993:188-189). The thought of *dharma* has an essential influence on Indians, and the implication of *dharma* in different aspects was emphasised dissimilarly in a different era of India.

The author of *Arthashastra* (Science of Material Gain or Science of political economy in Sanskrit) Kautilya considers “*artha* (sound economies) is the most important thing and *dharma* and *karma* are dependent on it.” (Jose et al. 2011:175-176). This idea shows that *artha* is supreme and more critical than *dharma* and *karma*. Still, the following ancient legal text of Hinduism *Manusmriti* recorded different understanding on the importance of *dharma*. It was mentioned in *Manusmriti* that:

... the aggregate of *Dharma, Artha and Kama* (Trivarga or three goals of human existence) secures welfare and happiness. However, the desire (*kama*) and material wealth (*artha*) must be rejected if contrary to *dharma*. (VKO 2019).

Dharma became the most crucial thing in this text. Although the view on the importance of *dharma* is different in *Manusmriti* and *Arthashastra*, those ancient texts have created the soil for debating the connection between *dharma* and *artha* (wealth) in India.

Gandhi had a different approach to economic issues comparing with mainstream tradition as “his extraordinary emphasis on the ethical aspect of economic behaviour”, and he considered there is no distinction between economics and ethics (Ibid: 133). It was pointed out that “[...] Gandhi’s ethics constitutes the essence of religion, the same two-way relationship holds as between economics and religion, and even more generally between economics and *Dharma*”(Ibid: 134), and he considered that:

If *dharma* and economic interests cannot be reconciled either the conception of that *dharma* is false or the economic interest takes the form of unmitigated selfishness and does not aim at collective welfare. (Ibid: 134)

In a sense, Gandhi is consistent with the value of *Manusmriti* that *dharma* should be a condition for material wealth (*artha*) or economic interests. In other words, economic interests should not violate the law of *dharma* or morality, and it should be good for the collective welfare. This value still exists in Indian society. The economic wing of RSS SJM believes the role of the state is “to protect the weak and to ensure that *Dharma* is adhered to” as “Bhishma said in Shanti Parva in Mahabharata” and must be to:

...defend the wealth and honour of the nation. Ordinarily, and except in order to protect national interests against foreign interests, the State must not be a trader; but must ensure that trade and commerce conform to *Dharma*. (SJM 2017b)

The traditional value regarding *dharma* is still implementing by the people influenced by the organisation such as SJM. Although the traditional value is in a sense, in the process of evolution, it still influences the economic thought and behaviours of Indian.

Given the behaviour is deeply influenced by values, and there are apparent cultural differences among values of different civilisations (Shang 2013: 236), it is worth to identify and understand the differences. The concept of *dharma* and *yi* both has an emphasis on duty and not only take benefit for self. There is also a difference between these two concepts. It is difficult to conclude the difference. Yet, from the manifestation of the current understanding of the traditional value, it could be seen that the former tend to protect the interests of the weak and against foreign interests. The latter tend to not to concern only about interests but the duty and create a win-win situation.

3.2.12 *Karma*: Prescribed Duty, Without Attachment

Karma is another important concept in Hinduism. Derived from the Sanskrit root *kri*, ‘*karma*’ means all action from a person’s body, speech and mind (Agarwalla et al. 2015:16). *Karma Yoga* means “to perform one’s work with perfection” (Ramrattan 2009:43). The word ‘yoga’ means “a device or intelligent method” (Agarwalla et al. 2015:16). It is believed that “the ultimate goal of all beings is to free the soul from the cycle of birth and death” in Hinduism, and *Karma Yoga* is “defined as a technique for intelligently performing actions such that the soul is not bound by the effects of the action” (Ibid; Mulla & Krishnan, 2010). It is pointed out that *Karma Yoga*:

...made up of three dimensions: a sense of obligation or duty towards others; an absence of desire for rewards; and a sense of equanimity which enables one to be neutral to environmental influences (Mulla and Krishnan, 2007).

It can be seen that the Hindu who following *karma* would pay importance on duty, absence of desire for rewards and to be neutral. In the “Chapter 3 *Karma Yoga*” of *Bhagavad Gita*, it appealed that to perform prescribed duties without attachment, control the “insatiable enemy” lust (Text 43) and approach self-realisation. Krishna taught that “[...] the ignorant perform their duties with attachment to results, the learned may similarly act, but without attachment, for the sake of leading people on the right path.”(Text 25) Moreover, suggested that “One should not come under the control of such attachment and aversion, because they are stumbling blocks on the path of self-realization”. (Chapter 3,Text 34) The concept of *karma* could purify the follower not to be utilitarian. In this sense, it is similar to the concept of *yi*, which is also to appeal not to only concern benefit.

Moreover, it is believed that the doctrine of *karma* influenced people’s “future orientation” to concern their next lives and “sometimes take the form of contributions to charitable and religious activities and institutions”(Chhokar 2007: 990). It is different from Confucianism, which is more concern about current life. Confucius avoided to answer the question of his disciple Ji Lu regarding the spirits of the dead and gods and said “You are not able even to serve man. How can you serve the spirits? [...] You do not understand even life. How can you understand death?” (11.12), he did not speak about prodigies, force, disorder and gods (7.21). In the

Hindu ideology, *karma* could dominate people's behaviour and destined caste groups (Cai 2017:269). It is mentioned in *Gita* that:

It is far better to discharge one's prescribed duties, even though faultily, than another's duties perfectly. Destruction in the course of performing one's duty is better than engaging in another's duties, to follow another's path is dangerous. (Text 35)

The duties are divided in society and related to *karma*. It is similar to Confucius thought that the behaviour should be suitable with one's social class; otherwise, it violates the *li* (See *The Analects of Confucius* 3.1, 3.6). Confucius also said that "If you are not in a certain position, you should not concern yourself too much about certain affairs." (8.14).

One difference between the two values is that the *karma* emphasis on performing the duty without attachment, it reduced the performance of the sincere seekers. According to the data of GLOBE project, Indian got a higher mark (6.05)²⁶ than Chinese (5.67) in the "cultural value" or "*Should Be*" assessment of "Performance Orientation", yet, Chinese got a higher mark (4.45) in "cultural practices" or "*As Is*" (behaviour) of "Performance Orientation" than Indian (4.25), which means that Indian are more willing to perform well in the work but in fact Chinese could perform better. It could be an influence of the value *karma*, i.e. to perform duty without attachment.

Karma emphasis on performance duty without attachment, which could promote performance without concerning the return. Confucian culture is human-centred, and the importance of interpersonal return (*bao*) is attached (See Chapter II 2.2.5). In Hindu culture, the concept of return is not only among human beings but in a bigger circle based on the concept of *dharma*. The exchange mode of the Hindu "exchange as one-side benefit" is different from the *lun-ren's* "exchange as trustworthiness" (See Chapter II, 3.2.5). Thus, the Homo Hierarchicus' concept of return is different from the *lun-ren*.

Although *karma* tends to be connected with the theory of reincarnation, and it is suggested to be "more broadly interpreted to mean that every individual is responsible

²⁶ The scope of the quantitative value is 1 to 7, 1 means the lowest, 4 means the middle, 7 means the highest (Jiang 2008, 34) (Chhokar et al. 2007: 20).

for his action”(Sinha and Sanyal 2016). In the research of Corporation Social Responsibility (CSR), it is believed the law of *karma* (cause and effect) would,

...motivate the business people to carry out their responsibilities and duties to serve humanity. [...] ‘*Karma*’ is then a concept of reward or punishment for the choice made by individual or corporation. (Muniapan and Satpathy 2013:182)

In this sense, the concept of *karma* promotes the Hindu to be responsible for their actions. It is including the action of body, mouth and mind. The Confucian concept of *xin* has an emphasis on the responsibility for one's verbal promise. The *karma* has more emphasis on the cause-effect and includes not only current life but also previous lives and next lives. Comparatively, *xin* has more emphasis on the current life and worldly matters. It seems the concept of *karma* is grander on the aspect of period and *xin* has more restriction on current and secular issues.

Moreover, the concept of *Karma* could enhance the strain of historical memory. The Hindu is more inclined to be unable to shelve the dispute. For example, the Sino-Indian territorial dispute is considered by many Indians to be a problem to be solved before cooperation; and the *lun-ren* is more inclined to seek common ground while reserving differences. In the case of controversial issues, cooperation can still be carried out, at least not as strong as many Indians reacted. For instance, China and Japan, the mainland of China and Taiwan, the settlement of disputes under certain conditions can be temporarily not a prerequisite for economic exchanges.

3.3 Conclusion: Cultural Differences, Conflicts and Similarities

In summary, the core values of Confucian civilisation and Hindu civilisation still affect the thoughts and behaviours of the people to a certain extent, such as the influence of *ren* on the concept of wealth, personal behaviour (loyalty, cautious speech); the concept of Hinduism *artha* is also encouraging people to pursue wealth and was linked with *dharma*. *Yi* is related to justice, and it is more important than interests. *Dharma* influences the concept of economic interests and protecting national interests and weaknesses. *Manthan* influences the concept and behaviour of gaining from a chaotic world. *Li* affects the way Chinese people express themselves, how they do things, and how they value interpersonal relationships while the *dharma* concept in Hindu culture emphasises the religious duty, and the supernatural has the

highest status. Meanwhile, there are synergies between different values of each civilisation, such as *manthan* and *jugaad* jointly influenced on low-cost concepts; *ren* and *yi* respectively have promoted the advocacy and restriction of wealth pursuit.

These core values lead to different ways of doing and judging things in two civilisations. Thus the differences are forming potential communication barriers and even causing cultural conflicts. For example, the *lun-ren* practice *yi* the idea of interpersonal repaying and the Hindu tend to attribute the benefits to the divinity. The concepts of *zhi* in the Confucian culture and the *jnana* in the Hindu culture both reflect the importance attached to the wisdom but have different focuses. The former value the judgment of right or wrong, while the latter attaches importance to the judgment of true or false, long-term or short-lived. These two different criteria are also one of the sources that could cause cognitive conflicts. The concept of *xin* in Confucian culture makes *lun-ren* pay more attention to verbal commitments, which sometimes are even better than the role of contracts; but the Indian counterparts pay less attention to verbal commitments and pay more attention to the agreed content written on paper. This difference has caused some incompatibility between the Chinese and the Indian in economic activities.

Preconceived values imperceptibly become the yardstick for judging others. In the interaction between the two civilisations, it is difficult to always get a consistent answer in understanding the matters. Thoroughly study each other's values would minimise misunderstandings and conflicts or set them to controllable limits. Adapting to each other and respecting each other's values is one way to avoid conflicts, meanwhile do not request but encourage others to draw closer to one's values (Guan 1995: 176). That is to abandon what others do not like, and promote what others like, and even "cater to another's pleasure", to express one's good side; For those who can't do this, should strive to "seek common ground while reserving differences" even "seeking common ground in the difference", and find common ground on "controversial issues" (Guan 1995: 176, 177). This aspect may not directly help solve the problem, but it can make each other consider and be aware about the problem in the other's position, and it will help ease the conflict and avoid further intensification of the conflict. It also needs to gradually find ways to adapt to each other in the

continuous running-in chronically, so that the people from a different culture would become familiar with each other's behaviour patterns and thus adapt to each other. Indeed, the similarities of values are beneficial for building the foundation of communication, such as *ren* and *artha* all emphasis on wealth, *yi* and *dharma* all emphasis on morality and responsibility. The similarities could be the basis for building trust between the two countries and become the basis for dialogue in the bilateral relations, regional cooperation, as well as global governance.

Chapter IV Economic Relations between China and India

4. Introduction

This chapter consists of three parts. The first part explains three areas of China-India economic relations: trade, investment, economic cooperation, enumerating data to have a general understanding of the overall picture of China-India economic relations, and then grasping the aspects of cultural impact on economic relations. In these three areas, whether it is trade, investment or economic cooperation, the companies are playing a vital role in practice. Therefore, the second part of this chapter analyses the companies of the two countries in the opposite side, in particular, the cultural factors that have an impact on the business of the companies. The third part focuses on specific issues in economic relations, especially the factors that have a substantial impact on economic relations: border conflict and boycotting Chinese products in India, accordingly, to understand the conflicts in the economic relationship from the interpretation of cultural perspective. In other words, it is to tease out the influence of culture on the significant issues in economic relations and the problems that are affected by insufficient understanding of cultural differences. Consequently, it is to find a breakthrough to strengthen mutual understanding between these two civilisations and promoting the development of China-India economic relations.

4.1 Overall Economic Relations and Cultural Dimensions

The economic relations between China and India grew fast in the last decades. Although the growth rate is better than past, the base is low, and the volume is small, the amount of bilateral goods export and import were US\$84.54 billion (MOCPRC: 2018), which was much lower than the trade volume of China with the United States and Japan.²⁷ The size of Bilateral Goods Export and Import (BGEI) between the United States and China was \$635.97 billion (MOCPRC: 2018c), between Japan and China was \$297.28 billion (MOCPRC: 2018d). Those were 7.5 times and 3.5 times of the volume of India and China.

²⁷ India has overtaken Japan as the world's third largest economy in terms of purchasing power parity (PPP) in 2014 (Panda 2014). Moreover, It was considered that "India likely to surpass U.S to be world's second largest economy by 2030" (Curran 2019).

Although the economic relations of China-India have been continuously developing in the last two decades, it is deemed that "the level of China-India economic relations development is not high and is not commensurate with the scale of China-India economy" (Wen 2015: 47). The constraints are related to asymmetric political mutual trust which caused problems such as the strict visa policy of India towards China, the difference of economic system which leads to different development planning and the like. These apparent hard factors are difficult to change in the short term. Comparatively, the role of culture as an invisible influence or soft power is imperceptible. It is true that the change in culture is slower. Still, if the similarities and differences of culture are well recognised, it is highly conducive for mutual understanding and respect meanwhile increasing the attractiveness towards each other. There is a need to reduce the negative impact caused by sketchy perceptions and promote the development of economic relations in the nearby future.

Although there is much room for improvement in the total economic output, if we look back at the changes in China-India economic relations from 2000 to 2017, findings reveal that there are significant developments in the three aspects of total import and export, direct investment, and economic cooperation. By comparing the data of the year 2000 and 2017, the first part examines the changes in China-India economic relations.

4.1.1 China-India Trade

China's total import and export volume (foreign trade volume, also known as "total import and export of customs goods") in 2000 was \$474.29 billion, including total exports of \$249.20 billion, and total imports of \$225.09 billion (NBS 2001a). The total import and export volume of China with India was \$2.91 billion, including \$1.56 billion in exports and \$1.35 billion in imports (MOCPRC 2011: 472). In 2017, China's total import and export volume was \$4,107.16 billion, an increase of 8 times compared with the year of 2000; The total export amount was \$2,263.37 billion, and the total import value was \$1,843.79 billion (NBS 2018a), which increased by eight times and seven times respectively. The total import and export volume of goods of China with India was \$84.39 billion, an increase of about 28 times compared with 2000, including total exports \$68.04 billion and imports totalling \$16.35 billion (NBS

2018c), respectively increased by 43 times and 11 times. From 2000 to 2017, the growth multiple of China's import and export total amount with India (28 times) far exceeded than the growth multiple of total import and export amount of China (eight times). Besides, China's total exports to India reached four times than the total amount of imports from India in 2017; and in 2000, the total volume of imports and exports between China and India was flat.

China's main imports from India are minerals, base metals and related products as well as chemical products, while China's main exports to India are mechanical and electrical products, chemical products and base metals and related products (MOCPRC 2018). It seems that the items of bilateral trade could not be directly affected by culture. In the actual trade process, there would be the influence of culture. In addition to the lack of political mutual trust, high tariffs, and trade channels (more than 90 per cent of which are marine transport), cultural concepts are also considered to be factors that directly or indirectly affect China-India trade relations and require sufficient attention (Ni and Wang 2006: 97). The mutual understanding between the two countries at various levels is still far from enough. Indian culture, religion, language and the like are the content of the market environment that requires in-depth analysis and investigation in order to find suitable goods and services for local needs and promote marketing, and then promote the effective operation of China-India trade relations (Yang and Ni 2007: 23).

The scholars realised the cultural influence on trade as mentioned above. Moreover, the influence of Hindu culture has an impact on trade policy. The Hindu culture, according to Lu Xin (2013:205-208), has formed the characteristics of India's foreign trade policy summarised as follows: foreign trade policy has a delay and incompleteness in evolution, puts economic interests in a secondary position, presents forceful introversion, and regularly draws on traditional consciousness to obtain reasonability. The insightful summary has provided an outline for observing the trade policy of India. With the attention on it, it would improve the situation of China's trade with India.

4.1.2 FDI in China and India

In the world's top ten foreign-invested inflow countries (regions) of 2017, China's foreign investment flows were \$136 billion, accounting for 9.5 per cent of the global total (MOCPRC 2018a: 16), ranking second, after the United States (\$275 billion); India with \$40 billion, accounting for 2.8 per cent of the global total, ranking tenth (UNCTAD 2018:4). The FDI outflow of China in 2017 was \$124.6 billion, accounting for 8.7 per cent of total global outflow; India was \$11.3 billion, accounting for 0.8 per cent of the global total, and the investment amount for China from India is \$0.16 billion (MOCPRC 2018b: 28), accounting for 14 per cent of India's foreign investment.

It was discussed that the cultural differences exist between China and India and has influence on attracting FDI (Jiang et al. 2008:33-39). It is difficult to sum up in one sentence that Confucianism and Hinduism are attractive or exclusive to FDI. However, it is easy to understand that the same cultural environment would be more attractive to investors. A considerable part of China's FDI comes from the Chinese economic circle, which is considered to be a unique advantage that China enjoys over most developing countries (Han and Chen 2007:49). Investment from Hong Kong ranked first in 2017 in the actual amount of foreign investment in the mainland of China that occupied 69.3 per cent, second is from Singapore which occupied 3.5 per cent, and ninth is from Taiwan region (MOCPRC 2018b:6).

Mauritius takes the largest share of 34 per cent of all the FDI in India from the year 2000 to 2017. Given 48.5 per cent population of Mauritius is Hindu according to the 2011 census and the Hinduism is the largest religion in this country, it seems the cultural connection plays a role in attracting FDI. However, Mauritius is called as a tax haven for facilitating treaty shopping, round-tripping, tax evasion and black money, "which has been highlighted in various reports including by government agencies and news outlets" (Jaiswal 2017:7).²⁸ It is considered that Hong Kong and the mainland of China are a similar case (Ibid: 11). Still, except it is a free economic

²⁸ The Government of India has amended the treaties with Mauritius and "the full applicable tax rates will apply from 1st April 2019"(Jaiswal 2017:7,33).

zone, Mauritius is always the most significant source country of India's FDI because it has lots of Indian immigrants (Shi 2010:17).

Culture is considered as a factor to attract FDI especially in the initial stage of a company's overseas investment. Investing in the same cultural area is a supporting condition for reducing risks and smoothly carrying out business. Conversely, the more significant the cultural difference is, the lower the attractiveness of the investment. The unique Indian culture is relatively weak to attract ordinary Chinese investors who are often discouraged from visiting India. Unless it is an entrepreneur, who fully understands the potential of the Indian market, could overcome culture difficulties. Whether the economic potential is the primary consideration for investment can be viewed from the analysis of the next section. Only particular field among China's investment in India can account for the top 25 investments in India²⁹. It shows that the Chinese investment in India is relatively small. In 2017, China's investment in India was nearly twice that of India's investment in China, showing that India also has less investment in China. The top foreign-invested countries in India mostly have similarities with India on culture (Hinduism) or language (English). At the same time, Hong Kong and Taiwan, which have similar levels of Chinese culture, are the main force for investment in Mainland China. Although the economic factors and tax considerations are the crucial aspects, it is important to pay attention on the influence of culture as well.

4.1.2.1 FDI to China

The number of registered foreign-funded enterprises in China at the end of the year 2000 was 203,208, with a total investment of \$824.68 billion (including FDI \$62.38 billion) and 22,347 foreign direct investment contract projects. In 2017, the number of registered foreign-funded enterprises at the end of the year was 539,345 (the number of registered households at the end of the year include branches since 2008), the total investment was \$6,899.24 billion (including FDI \$131.04 billion), and the number of foreign direct investment contract projects were 35,652. In 2000, the actual use amount of foreign investment (foreign direct investment) was \$40.72 billion (NBS 2001a); The FDI from India was \$0.01 billion (NBS 2001f)), accounting for only 0.02

²⁹ It is from the Indian resource which shows the data of China only include the Mainland of China.

per cent of the total FDI of China in 2000. In 2017, either of the FDI and actual use of foreign investment in China was \$131.04 billion (NBS 2018a); The FDI from India was \$0.16 billion (NBS 2018b), accounting for 0.12 per cent of the total FDI of China in 2017. The FDI from India in China had increased 15 times from 2000 to 2017, and its share had increased fivefold. In 2017, US investment in China was \$2.65 billion, and Japan was \$3.26 billion (NBS 2018b), which was respectively 17 times and 20 times of India's investment in China.

Table 4.1 FDI to China

(Amount US\$ Billion)

	Year 2000	Year 2017
Total foreign investment	824.68	6,899.24
Number of projects	22347	35652
Foreign Direct Investment	62.38	131.04
Actual use amount (AUA)	40.72	131.04
FDI from India	0.01	0.16
% age share	0.02	0.12

Resource: National Bureau of Statistics, China

Manufacturing, information transmission, software and information technology services, real estate, lease and business services, wholesale and retail are the top five industries attracting foreign investment in China, respectively accounting for 25.6 per cent (\$33.51 billion), 16 per cent (\$20.92 billion), 12.9 per cent (\$16.86 billion), 12.8 per cent (\$16.74 billion), and 8.8 per cent (\$11.48 billion) in the full year of 2017 in actual use of foreign investment (MOCPRC 2018a: 91). In addition, the financial industry (excluding banking, security and insurance), scientific research and technical services, transportation, warehousing and postal services, electricity, heat, gas and water production and supply, construction industry severally accounted for 6.1 per cent (\$7.92 billion), 5.2 per cent (\$6.84 billion), 4.3 per cent (\$5.59 billion), 2.7 per

cent (\$3.52 billion), and 2.0 per cent (\$2.62 billion) of actual use foreign investment in the year of 2017 (MOCPRC 2018a: 92).

The number of India's direct investment projects in China in 2000 was five with a contractual value of \$7.44 million and an actual investment of \$10.44 million (MOPRC 2001: 678). India's investment in China mainly involves information technology, pharmaceutical products and biotechnology (Zhao 2006: 203). Indian pharmaceutical companies have entered China for investment since 1993. Ranbaxy Laboratories Ltd. first established a joint venture with a Chinese pharmaceutical company; also, Indian pharmaceutical companies such as Wockhardt, Dr. Reddy's Laboratories and Aurobindo Pharmaceuticals have invested in joint ventures in China (Zhang Minqiu 2004: 209). In information technology education, Indian educational institutions, information technology companies, and software companies have successively invested, cooperated or established development centers in Shanghai, Beijing of China around the year of 2000 such as the National Institute of Information Technology, Aptech Ltd., Asian Institute of Information Technology (AIIT), Satyam Computer Services Ltd., Tata Consultancy Services (TCS), Infosys Limited etc. (Ibid.209-210). Moreover, Indian packaging company Essel Propack, refractory company Grind and Diamond Company have established wholly-owned companies, joint ventures or invested in Guangzhou, Dalian and other cities of China respectively. Since 2000, Indian entrepreneurs have established more than 100 companies and factories in the Pearl River Delta (Ibid.)

In 2017, India established 281 new foreign-invested enterprises in China, accounting for 7.4 per cent, ranking fifteenth among the top 20 FDI countries (regions) in China, and ranking third among countries along the BRI after Singapore (706 enterprises) and Malaysia (329 enterprises). Actual Indian investment in China amounted to \$160 million, accounting for 2.9 per cent and ranking second among countries along the Belt & Road Initiative (BRI), after Singapore (\$4.76 billion) (MOCPRC 2018a: 89). It shows that India's ranking among the top FDI countries in China is not so high, but India has become a critical FDI source among the states along with China's national initiative in 2017.

4.1.2.2 FDI to India

The policy of India's FDI had three strategic transformation processes since independence: prudent use of FDI, both utilising and restricting FDI and positive encouragement (Li 2010: 66). From 2000 to 2017, the four Indian governments implemented nearly 100 reforms; Prime Minister Atal Bihari Vajpayee took 29 reforms in the six years from 1998-2004, and Prime Minister Manmohan Singh (2004-2014) implemented 37 reforms (Wang 2018:44), Prime Minister Narendra Modi has implemented 37 reforms from 2014-2017 (Rossow 2017). Despite the rapid development of FDI in India, China's FDI in India only accounts for a small proportion, and the top 25 of FDI in India in the top ten sectors has almost no presence of China.

The FDI inflows received in India was \$43.6 billion in 2017; FDI flows from Mainland of China to India in 2017 was \$0.2 billion and cumulative total from January 2000 to December 2017 was \$1.8 billion (DIPP 2018a). FDI flows from Hong Kong to India was \$1.0 billion and the cumulative total from 2000 to 2017 was \$3.0 billion; FDI flowed from Taiwan to India in 2017 was \$0.1 billion and the cumulative total from 2000-2017 was \$0.3 billion (Ibid.). The mainland of China's FDI to India in 2017 took 0.5 per cent; Hong Kong was 2.3 per cent, Taiwan was 0.2 per cent. According to the resources of China, the cumulative FDI from China to India was \$4.7 billion by the end of 2017 (MOCPRC 2019). The data from India mentioned above listed the Mainland of China, Hong Kong and Taiwan separately. By adding the cumulative total of Hong Kong and Taiwan, the cumulative total FDI from China to India was \$5.1 billion from 2000-2017.

Table 4.2 Share of Top Investing Countries in India in Terms of FDI Inflows

Year 2017			
Ranking	Country	US\$(billion)	% age share
1	Mauritius	16.3	37%
2	Singapore	10.8	25%

3	Netherlands	3.3	7%
4	U.S.A	2.2	5%
5	Japan	1.7	4%
6	China	1.3	3%
Inflows Received		43.6	100%

Source: Data from DIPP (2018b)

The top investing country into India is Mauritius with \$16.3 billion which took 37 per cent share in the total FDI equity inflows from January 2017 to December 2017; Singapore, Netherlands, U.S.A and Japan were listed as the second to fifth-ranked countries with 25 per cent (\$10.8 billion), 7 per cent (\$3.3 billion), 5 per cent (\$2.2 billion) and 4 per cent (\$1.7 billion) respectively (DIPP 2018b). By adding the FDI of Hong Kong and Taiwan, China would be the sixth-ranked country (\$1.3 billion) on the list of 2017 and the eleventh-ranked country (\$5.1 billion) on the list of cumulative total from January 2000 to December 2017 after Mauritius (\$125.2 billion), Singapore (\$63.8 billion), Japan (\$27.0 billion), United Kingdom (\$25.3 billion), Netherlands (\$23.1 billion), U.S.A (\$22.2 billion), Germany (\$10.7 billion), Cyprus (\$9.5 billion), France (\$6.2 billion), UAE (\$5.3billion)³⁰.

Table 4.3 FDI Equity Inflows to India

January 2000 to December 2017		
Ranking	Country	US\$(billion)
1	Mauritius	125.2
2	Singapore	63.8
3	Japan	27.0

³⁰ The twelfth is Switzerland (\$4.2 billion).

4	United Kingdom	25.3
5	Netherlands	23.1
6	U.S.A	22.2
7	Germany	10.7
8	Cyprus	9.5
9	France	6.2
10	UAE	5.3
11	China	5.1
Grand Total		368.7

Source: Data from DIPP (2018a)

China's foreign direct investment in 2017 was \$158.29 billion, and the net amount of foreign direct investment was \$1,809.04 billion by the end of 2017; of which the net direct investment to India was \$0.29 billion in 2017, and the overseas direct investment stock to India was \$4.75 billion at the end of 2017 (NBS 2018d). In 2017, China's investment in India was 1.8 times that of India's investment in China.

Computer software and hardware, telecommunications, services sector (financial and non-financial), construction (infrastructure) activities and trading were the five sectors attracting the highest inflows in India during 2017, and share 16 per cent (\$7.0 billion), 14 per cent (6.2 billion), 13 per cent (5.8 billion), 7 per cent (3.0 billions) and 6 per cent (2.6 billions) respectively (DIPP 2018b). Besides, construction development (townships, housing, built-up infrastructure), automobile industry, drugs and pharmaceuticals, chemicals (other than fertilisers) and power were other five sectors attracting highest FDI equity inflows from April 2000 to March 2018 (DIPP 2018c).

Among these sectors, it shows FDI equity inflows from China to India occupied the top 25 only on the automobile industry³¹ (DIPP 2018d). The remittance of SAIC General Motors Investment LTD of China through General Motors India PVT LTD occupied No 8, 21 and 23 with amount of FDI inflows respectively \$229.38 million, \$117.74 million and \$118.42 million from January 2000 to December 2017, while all the items of manufacture are passenger cars, and the RBI regional office is in Ahmedabad (DIPP 2018e). Passenger cars, the sub-sectors of FDI equity inflows in the automobile industry, were 2.01 per cent with total FDI inflows (Ibid.). Besides, China's investment contract projects for India include electricity, telecommunications, metallurgy and infrastructure (Xiao 2015:28). The top ten investing countries in India were Mauritius, Singapore, Japan, United Kingdom, Netherlands, U.S.A, Germany, Cyprus, France and UAE. Although China occupied the top twenty-five in the automobile industry sector, it was behind the top five countries i.e. Japan, U.S.A, Germany, Netherlands and Mauritius which severally occupied 27.21 per cent, 12.14 per cent, 12.07 per cent, 8.39 per cent, 7.43 per cent with total FDI inflows for automobile industry and 67.24 per cent in total (Ibid.).

4.1.2.3 Cultural Constraints

4.1.2.3.1 Cultural Constraints of China to invest in India

Both “organisational entity” and “civilisational entity” of India limit China's investment in India. Those entities are considered as two parts of the functioning nation (Shang 2013:5). At the aspect of “organisational entity”, China's investment in India was constrained by:

... restrictive FDI regime, high import tariffs, exit barriers for firms, stringent labour laws, poor quality infrastructure, centralised decision-making processes, and very limited scale of export processing Zones (Bajpai and Sachs 2000).

At the aspect of “civilizational entity”, the investment from China to India could be influenced by Indian living habits, such as eating habits, cultural environment (less recreational facilities like in China), “doing things relatively dragging”, habits (Ibid:

³¹ The top five countries attracting FDI equity inflows for the automobile industry are Japan, U.S.A, Germany, Netherlands and Mauritius (DIPP 2017e). Again, the Indian resource shows the data of China only include the Mainland of China and the same below.

31), unpunctuality, not paying attention to verbal commitment and the like. Various investment restrictions have caused Chinese companies to invest in India with a small amount and slow growth. Compared with the economic aggregates and geographical advantages of the two countries, Chinese enterprises' direct investment in India is obviously very low (Li 2015:28). In addition to the constraints mentioned above that every investor has to face, India "is almost the country with the most anti-dumping investigations and litigation against China among developing countries" (Ibid: 29). There were 144 Anti-Dumping Cases including China from 1 January 2000 to 31 December 2017 according to Ministry of Commerce and Industry, India (DGTR 2019). Due to "security threats", India had repeatedly rejected Chinese companies' investment in India (Ibid: 32). The Indian government listed China as a "sensitive country" twice in 2002 and 2006 and temporarily suspended 25 China Telecom Equipment suppliers export equipment to Indian mobile operators in 2010 (Chen 2010). However, according to the international political economy scholar:

...people throughout history have often chosen other values, including nationalism and tariff protection of its domestic industry, over *laissez-faire* policies as the most efficient guarantor of prosperity. Participatory democracies by their very nature generate policies designed to protect the special interests of subnational groups. Politicians whose livelihood depends upon the favor of voters are forced to make political choices which liberal free trade economists often consider irrational. (Dougherty and Pfaltzgraff 2000:476)

This point would be conducive to understand why nation like India impose anti-dumping duties.

In addition to the institutional constraints of the organization, the role of civilization - that is, cultural aspects - also limits China's investment in India, especially the economic nationalism; the emergence of economic nationalism is considered to be related to factors such as the level of economic development, national strategy, historical and cultural traditions (Zhang Li 2007: 12). It was pointed out that:

India's long-term colonial process and the nationalist trend of thought in the national independence movement have become increasingly high and have evolved into powerful economic nationalism. Indian nationalism has two distinctive features: First, the influence of religion, especially Hinduism, is

very far-reaching; Second, since India's independence, India's nationalist trends and policies have constantly been evolving. (Li 2015: 24)

The Bharatiya Janata Party is an advocate of Indian economic nationalism; the Modi government has formulated a series of policies to develop Indian manufacture that is particularly obvious. The relevant policies certainly would increase the ability of India on related industries but reduce the advantage relatively for China's industries which are complementary with India such as infrastructure and manufacturing to play its most significant role in India.

The Bharatiya Janata Party has proposed three nationalisms, namely cultural nationalism, political nationalism and economic nationalism. Among them, economic nationalism is more deeply rooted in the hearts of the people. That is to achieve industrialization and modernization in the way of the Indians themselves, without excessive dependence on foreign capital and technology, and selectively attract foreign direct investment, mainly to introduce foreign capital in high-tech fields, rather than low-level foreign investment, and even put forward the slogan of "old computer chips yes, potato chips no" (Murlidharan 2014; Wu 2010: 29-30).

India's resistance to foreign goods has long existed. This kind of influence is far-reaching. Chinese enterprises must be psychologically prepared, formulate effective measures to deal with their counterparts, fully understand the motives behind, and be more conducive to adapting to the local investment environment. The rise of the ban on Pepsi and Coca-Cola in India reflects this kind of "national goods complex," i.e. in favour of domestic goods and the rejection of imported goods, which led to "more than a million shopkeepers are expected to comply with the ban"(BBC 2017). The economic nationalist sentiment is considered as an unignorable problem in the studies of China-India relations, especially economic relations" (Li 2015: 25). India's "unique religious culture" is also considered as an essential factor for China's investors in India to consider in government documents of China (MOCPRC 2015).

Moreover, it was valued that the impact of nationalism and religion on China's overseas investment:

...Religious beliefs often lead to fierce conflicts, and ethnic departmentalism (*minzu benwei zhuyi*, or ethnicism) is often popular. [...] To achieve political goals, political groups in some countries often use ethnicism to make a fuss, encourage national sentiment to trigger social unrest, and increase the risk of direct investment of Chinese companies. (Zhang Shucun 2017: 7).

Further, some overseas organisations and politicians have stirred up anti-China sentiments to achieve their goals:

There are organisations within the countries along the “Belt and Road” that have a resistance to China. These organisations use various means to propagandise China, oppose and undermine investment from China negatively. Some politicians also use the people's resistance emotions on China for seeking personal political interests, such as constantly exaggerating China's “political presence” and “economic interests” in its country, and attribute its economic policy failures to Chinese factors. (Ibid.)

“Negative propaganda” has a major impact on people who do not have a deeper understanding. Religion and nationalism could especially magnify this sentiment, which would undoubtedly have a huge negative impact on China's investment. Chinese overseas companies should pay attention to the establishment of an image, respond by participating in public welfare undertakings and adopt "localisation" measures.

Meanwhile, the understanding of economic nationalism restrictions from a historical perspective is not blindly negative. Compared with Nehru's "closed economic nationalism", the economic nationalism advocated by the Bharatiya Janata Party is considered to be "open economic nationalism" (Li 2015: 25). Overall, the Indian investment environment is still developing. Only if to adapt to the environment would be conducive for the investment.

The indicators, which could bring risks for China's investment abroad in general, include that whether signed the Bilateral Investment Treaty (BIT)³², the level of obstacles for investment, bilateral political relations, the degree of trade and investment dependence and the visa-free situation (CSSN 2019). The International Monetary Fund (IMF) reported that the rise and long-term existence of nationalism is one of the main factors for economic development (MOFCOM 2018: 19). As the above, it is clear to manifest the way that the Hindu economic nationalism influenced China's investment in India by influencing the risk indicators such as the level of obstacles for investment, bilateral political relations, the degree of trade and

³² China and India signed Bilateral Investment Treaties (BITs), i.e., *Agreement between the Government of the Republic of India and the Government of the People's Republic of China for the Promotion and Protection on Investments*, on 21 November 2006 in New Delhi. It was enforced on 1 August 2007 and the date of termination is 3 October 2018 (DEA 2006).

investment dependence and the visa-free situation. Most of the indicators are restricting China's trade and investment in India. The specific performance is, first, the alertness of India to China, India's doubts about China, fears and restrictions on Chinese investment have greatly restricted China's presence in India. It is an essential factor that made the investment "is extremely incompatible with the status of the two great powers" (Zhang 2007: 13). At the same time, this kind of thought limits India's openness. It is considered that "one of the important reasons for the closed-door policy that restricts India's development is not another factor but highly correlated with the nationalist consciousness of constant flow in their blood." (Zhang 2007: 12). Indians are also aware of these problems. Former Indian Congress spokesman Radi Ray once pointed out:

...in addition to the socialist economic policy, nationalist sentiment has also seriously hindered India[...], this kind of seclusion under the nationalist sentiment that rejects the West, leads to India's economic development has been very slow. There is no real market, no competition, and economic efficiency is naturally low. (Zhang 2007: 13).

In India, Chinese companies should consider how to integrate into the local society and reduce "destroying local culture and environment, and transcending fustigation from the local enterprise", carefully caring for local interests and customs, and exerting influence on local business communities overseas (Zhang 2007:89). Meanwhile:

Chinese companies invest and operate in India must combine Indian cultural and institutional characteristics, [...] deal properly the relationships within the enterprise and religious issues of local labourers, [...] The process of "indianization" of Chinese business operations is vital and urgent. (Li 2015: 42).

For Chinese companies in India, the religious concern is continuously highlighted, the research for the particular issues should unfold relevantly, and it is a long-term and arduous task.

4.1.2.3.2 Cultural constraints of India to invest in China

In the cross-cultural management of foreign investors in China, there would also be cultural conflicts caused by cultural differences. For instance, when the Indian manager manages Chinese employees with his cultural concept, there was customer

loss due to the problems that cannot adequately be solved, employee loyalty reduction, employees hostile and uncooperative sentiment due to disrespect for their “*mianzi*”(face) (Chen et al. 2004: 73). These phenomena would inevitably hinder the development of Indian companies in China. It requires a high degree of emphasis on corporate culture, effective communication, mutual respect, and a corporate culture that the mutual cultures are integrated (Ibid: 74-75).

The specific cultural conflicts are manifested by, firstly, “the serious quality defects, which are considered by Chinese customers, that are not considered by Indian customers.” Because Chinese employees cannot apply for funds to solve quality defects, that lead to customer loss (Ibid: 73). The similar issues involves the Chinese people attaching importance to the external packaging and the like (See 2.2.2.2), while Indians pay more attention to the inherent practicability and low price, and their requirements towards external are not like the Chinese, which is related to their spiritual approach and frugal spirit (See 2.3.2.2, 2.3.2.3).

Secondly, Chinese like to "beat about the bush", i.e. not directly speaking, which makes it difficult for Indians to grasp their true intentions (Chen et al. 2004: 73). The root of these behaviours is related to “*li* ” (ritual) and “*mianzi*” (face) (See 2.2.2.2). Besides, not paying attention to establishing relationships and develop friendships with customers are also likely to cause the loss of customers in China (Chen et al. 2004: 73). It is also necessary to correctly and fully understand the situation of *guanxi* concept in China.

Thirdly, India has a hierarchy, and people are also treated hierarchically, especially between the upper and lower levels. It is different from China’s superior and subordinate concept and leads to differences in wage levels, employee development, and behavioural attitudes (Chen et al. 2004: 73). It is different from the cultural and psychological expectations of Chinese employees and forms conflicts towards work and on the attitude of communication, which harm the business. The roots of these cultural factors are discussed in the second chapter, which is deeply related to the critical foundations of the two countries' traditional cultures, especially Confucianism and Hinduism.

As mentioned above there are many cultural factors that hinder India's investment in China. The differences in culture, residents' living habits, and thinking patterns all have a certain degree of adverse impact on communication and operation. The lack of understanding of these aspects has led to the emergence of "inadaptability" for Indian companies in China, which has prevented full access to the Chinese market (Yang 2017: 53-54). Therefore, "strengthening Sino-Indian cultural exchanges and fully understanding each other's market" is considered to be one of the essential aspects of promoting Sino-Indian investment cooperation (Ibid: 55). Only a full understanding of culture can create conditions for investment cooperation and increase the possibility of investment success (Ibid.)

Along with the active promotion of the two governments, the cultural exchanges between China and India have continued and deepened based on the dialogue over the past 2000 years. There is still a considerable gap to be filled, especially the lack of understanding of Chinese on Hinduism, the belief of 79.8 per cent of India's population. India's lack of general understanding of Chinese traditional culture is even worse. The lack of mutual understanding is a crucial factor to be considered for improving the development of investment cooperation.

4.1.3 Economic Cooperation

In the year of China's foreign economic cooperation in 2000, the contractual value was \$14.943 billion (including foreign contracted projects, foreign labour cooperation and external design consultation) with a turnover of \$11.325 billion (NBS 2001a). The turnover of \$13.18 million with India's economic cooperation (including contracting project \$9.19 million, labour cooperation \$3.95 million, design consultation \$0.04 million) (NBS 2001e) is accounting for 0.12 per cent (Ibid.). In China's foreign economic cooperation in 2017, the contract value of foreign contracted projects was \$265.28 billion, and the value of turnover fulfilled of foreign contracted projects was \$168.59 billion ("The Ministry of Commerce has incorporated external design consultation into the consolidated statistics of foreign contracted projects since 2009") (NBS 2018a).

There are two parts “Contracted Projects” and “Labour Services”³³ in the “Economic Cooperation with Foreign Countries or Regions” in *China Statistical Yearbook 2018*. The total number of dispatched labour of contracted projects was 222,135 person, the total number of persons abroad of contracted projects by the end of the year 2017 was 376,827 person; the total number of dispatched labour of labour services was 300,249 person, and the number of person abroad of labour services by the end of the year 2017 was 602,342 person. The value of turnover fulfilled of contracted projects with India was \$2.46 billion (It was more than 200 times of the value of the year of 2000) (NBS 2018e). 797 labour (contracted projects) were dispatched, 1279 person (contracted projects) were in India by the end of the year 2017; 31 labour (labour services) were dispatched to India, and 165 labour (labour services) were in India by the end of the year 2017 (Ibid.).

Higher the cultural differences between the two cultures, more likely it is to increase the psychological distance between them. The culture differences could also affect the economic cooperation between the two countries:

The lack of cultural exchanges has reduced the understanding and communication between the two peoples and increased the psychological distance between them. It makes the lack of a cultural basis for the establishment of an economic cooperation mechanism between China and India, which is not conducive to the deepening of China-India economic cooperation. (Xie 2017: 38)

Although the turnover of economic cooperation between China and India has increased by more than 200 times from the year of 2000 to 2017, the number of dispatched labourers, as well as persons in India under contracted projects and labour services, is still tiny. The incompatibility towards Indian culture and environment could cause Chinese employees to resist being sent to India. Even if psychological resistance is not their ideas, they may be influenced by the impression of their families in India. Except for the concern of personal safety and environmental

³³ “Overseas Contracted Projects” refer to “activities of contracting overseas construction projects by Chinese enterprises or any other units, which are stipulated in the Regulations on Administration of Foreign Contracted Project”. “Overseas Labour Services” refer to “operational activities of organizing labour force to go abroad providing services to foreign enterprises or agencies”(NBS 2018f).

sanitation, the image of Indian culture in the Chinese media had not fully demonstrated, especially the essence of Indian culture.

Even the Chinese, who have an understanding of India, would be criticised, when they praise Indian culture, by many compatriots who consider behind the beautiful part of the Indian culture, there is no room for exploring deeply. Such as the protection of animals in India would be criticised as ignorant. The *Jugaad* spirit of Indian could be considered to be poor and stingy. The emphasising spiritual approach could be ridiculed as the reason for poverty and not seeking development. The vegetarian diet culture would be linked with the view that a big country has few Olympic champions. The thought of *manthan* is considered to gain an extra advantage by unfair means. The concept of unique time and reincarnation is considered as laziness and superstition. The care of poor such as India's universal health insurance would be criticised due to lack of adequate facilities and many more.

In short, the inner part of Indian culture is considered to be inferior and backward by most people who do not fully understand the intrinsic value. Especially Hinduism is perceived very often by the people outside India "as a baffling tangle of myths" (Iyer 2018: 3). The negative perceptions caused the unwillingness of step up the culture of India, and the complexity of Indian culture made the process to understand it become a not easy task.

Both China and India are ancient civilisations and large population nations. Those two nations are always compared because of different political systems and similar national condition. The defence for their superiority respectively has evolved into unyielding and conceited psychology. There are visible manifestations among the intellectuals in China and India. To a certain extent, this kind of psychology has formed a restraining force that hinders the profound exchange of culture. China and India are more willing to communicate based on historical legacy, i.e. Buddhism, resulting in a lack of understanding of contemporary culture. It is realised that:

The lack of cultural exchanges, which affected the establishment of economic cooperation mechanism, is not conducive to creating a new type of big country cooperation model for mutual benefit and win-win situation. (Xie 2017: 38).

China and India need to fully understand the differences in culture and deepen cultural exchanges for the “mutually beneficial and win-win new model of cooperation of big countries”. Cultural exchanges, from this perspective, also could improve the economic cooperation between China and India. History and culture are considered to be favourable factors for the development of China-India economic and trade cooperation: “In the historical exchanges between China and India, culture is the most important bridge and plays a leading role” (Li 2004: 108). Culture normally is not valued in economic research, so the obstacles took shape by culture are even less fully understood. In a way, culture could be a breakthrough in improving economic and even other areas of cooperation. It is also slowly becoming a far-sighted consensus of the two national leaders during Wuhan summit in April 2018. The establishment of China-India High-Level Mechanism on Cultural and People-to-People Exchanges is an important measure to reduce the psychological distance caused by cultural differences and "to build greater synergies in the people to people area” (MEA 2018).

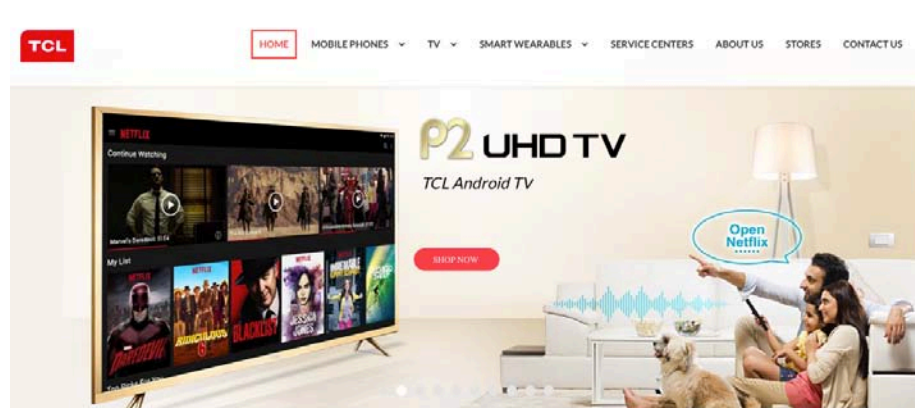
4.2 Cultural Dimension of the Companies’ Business

4.2.1 Chinese Companies in India

There are more than 1000 Chinese companies (Luo 2018) ranging from large scale multinational corporations to small and medium scale enterprises and traders which are belonging to various sectors such as power, steel, construction/engineering, energy, manufacturing, equipment, heavy industry, bank, electricity, telecom, mining, healthcare, consumer goods, transport, automobiles, media, consult etc. and those companies located in “Delhi, NCR Region, Mumbai, Gujarat, Pune” and other parts of India (CCCI 2013) (See Appendix 1). The Chinese companies are from different parts of China, i.e. Beijing, Tianjin, Shanghai, Guangdong, Jiangsu, Shandong, Hunan, Shenzhen, Sichuan, Zhejiang, Harbin, Hebei, Henan, Hubei (Wuhan), Guizhou, Hong Kong, Taiwan and other regions (Ibid). Some cultural elements could influence economic relations in the level of companies such as the cultural elements in advertisement, cultural taboo and the like.

4.2.1.1 Advertisement

The knowledge of local culture would certainly benefit the business. Here the culture includes pop culture. For instance, the advertisement of TV company could add Indian cultural element, for instance, cricket, Indian drama, then it would become more attractive for Indian customers (See Picture 4.1³⁴). The Indian figures in the advertisement are a vital strategy (Picture 4.2).



Picture 4.1 Advertisement of TCL in India 1



Picture 4.2 Advertisement of TCL in India 2

There are also some Chinese companies which are not using Indian cultural elements in their advertisement. Without knowing the customer psychology influenced by the cultural characteristics, it would be difficult for the company to make its product accessible. The famous brands who understand the cultural features and the concern in the society could survive. Meanwhile, to respect the local culture is also an

³⁴ TCL India (2018), Advertisement on Front Page, Accessed on 10 April 2018, URL, <http://www.tclindia.co.in>.

important skill for the companies. The offence of the cultural taboo could cause the ban of the company and serious conflicts.

4.2.1.2 Cultural taboo for doing business in India

Given leather products are part of export from China to India, the cultural taboo should be seriously noticed by the Chinese companies in India. Aokang is a famous brand for shoes and other leather products from China. The first manufacturing facility of Aokang in India was commissioned in Manesar industrial town, Gurgaon district, Haryana with “a production capacity of 200 pairs of shoes per day” (PTI 2008). It is reported that “Aokang set up the factory with a total investment of Rs 2 crore at an area of 20,000 square foot, which could accommodate 200 employees and produce 1,000 pairs daily by 2009” and Aokang planned to invest "Rs 500 crore over the next five years to strengthen its footprint in the Indian leather market (Ibid.). In 2017, Aokang International had its plants in Himachal Pradesh, Uttarakhand and Uttar Pradesh in India (Roy 2017). For this scale of investment, the source of the leather could be a crucial consideration for the company. Meanwhile, respect the local belief should be sincerely followed by the leather company, for instance, the worship of cow by the majority of Indians who are Hindus.

It should be noticed that the Una incident happened in which four Dalits, who claimed that they were skinning dead cows, were beaten by cow protectors of Shiv Sena members (TNN 2016). The colossal protest rally happened the next day led by Dalit leaders and "more than 2000 Dalits attended and blocked the state highway. The issue was discussed in the upper house of Parliament (Rajya Sabha), and two people were dead, including a policeman and a suicidal Dalit, and five people from the Dalit community attempted suicide during the protest and afterwards mob against Una incident (IANS 2016). Around 20,000 Dalits attended the protest which ended after ten days, and they pledged to give up their traditional jobs of “removing cow carcasses and cleaning gutters” (Sharma 2016). Other accidents (Harshey 2017) related with cow protection happened in 2002 when “5 Dalit men killed in Haryana”, in “Murder of Mohd Akhlaq in Dadri, Uttar Pradesh” (in which a Muslim man was killed by a mob as he was accused consuming beef in a Dadri village (PTI 2015), “Murder of Praveen Poojary by gaurakshaks” (Swamy 2016), “Murder of 15-year-old

Junaid Khan on a train between Delhi and Mathura” (Lakhani 2017). It should be noticed that in some of the cases the Dalits are claimed to sell the cowhide to the leather factory. The concern would help the company to avoid such conflicts.

It is also needed to notice the diverse food culture of India. There are some parts of India like Hyderabad has the habit of eating beef; meanwhile the protest is always there to stop the related activities such beef festival in the city (Anita 2012). Not only cow, the frog and egg were also banned in some state of India, i.e., “ban on frog dissection in Gujarat” in 1991, and Chhattisgarh HC has proposed that “eggs should not be sold in public places” in 2005 (Harshey 2017).

Given the violation of cultural taboo could cause riots and adverse effects of riots on economic growth (Collier 1999), the macroeconomic consequences of riots could “include a reduction in consumption, business confidence, investment, and the possibility of greater state borrowing and higher budget deficits” (Iyer 2018: 25-26). Although there is no direct or obvious influence on the business of Chinese companies, it needs to give important attention, as violation of cultural taboo is potential risk for doing business in India.

4.2.1.3 The reason for cow protection and market of the cow leather

The cow was mentioned in the manifesto of the Bharatiya Janata Party’s Lok Sabha election in 1999,

“It is listed under ‘good governance’, a subsection under ‘economy’, which outlines the economic importance of the cow and its progeny for animal husbandry and dairying.” (Harshey 2017)

In 2004, the cow was mentioned again in BJP’s manifesto under “animal husbandry and fisheries” and “talks of improving livestock breeds” (Harshey 2017). The cow was listed under ‘Preserving Cultural Heritage’ in 2009 and 2014,

“The language of the debate changes. For the first time, the cow is listed under ‘Preserving Cultural Heritage’ alongside Ram Mandir, Ram Setu, and the river Ganga.” (Harshey 2017)

As mentioned above, the cow was protected as an important part of husbandry later on the cultural heritage from the government level. The policy of the government,

especially the BJP government, is triggered by the cultural belief at the national level. Even, it was argued that BJP has done”

...a rampant imposition of bans on the sale of cattle for slaughter, on the sale and consumption of beef, and a dramatic increase in vigilantism targeting marginalised and minority groups whose food cultures and livelihoods depend on the cow (Harshey 2017).

The ban on cow slaughter in several state governments, i.e. Uttar Pradesh in the year of 1955, Bihar in 1956, Odisha in 1960, Karnataka in 1964, Maharashtra in 1976, Andhra Pradesh in 1977, (“the President assent to the 1976 cow slaughter ban”), Daman and Diu district in 1978. “The politics of food by banning beef” was considered as “a new ploy by Hindutva groups” (Adhikari 2016). Although the legislation of beef ban by Maharashtra government "has evoked a range of responses" and was "ridiculed, discussed and debated on social media sites", the implement of the ban presented “a potent moment”, and the only rallying cry came from the beef traders (Nair 2016:14,16).

The condition of the cows, which are selling in the market for the leather trader, is valuable to be noticed. Vaidyanathan (2015: 48) has pointed out that:

A large proportion of deaths among adult animals is due to poor care and disease. However, some, not insignificant, part consists of dysfunctional and unproductive animals that are abandoned or sold off. It is mostly this category of animals that traders buy and then send to abattoirs mainly to produce skins for which there is a lucrative market and incidentally for other byproducts, including meat.

It shows the condition of cow sold for skin is “some, not insignificant” and “dysfunctional and unproductive animals” meanwhile the market is “lucrative”(Ibid.). The main contradiction here caused conflict is the different appeal of the cow worship belief and the market demand. Although the cow is “dysfunctional and unproductive”, it does not mean the cow slaughter would not harm the religious emotion. How to balance this is a hard task for the policymakers and traders.

The cow is protected under Article 48 of the Constitution, which says that the State shall endeavour to organise agriculture and animal husbandry on modern and scientific lines and shall, in particular, take steps for preserving and improving the breeds, and prohibiting the slaughter of cows and calves and other milch and draught cattle. (Harshey 2017)

It can be seen that the gap between the Constitution and the real situation. It is a great example to know the complexity of Indian market under the influence of its unique culture. As foreign investor, the Chinese should be more warily regarding the taboo of Indian culture.

4.2.1.4 Charity spirit of Chinese company: the feedback to society

The different attitude towards charity between Chinese and Indian also could be seen as a result of cultural difference. The spirit of charity is reflected in Chinese companies, for instance, Tiens Group,

Contributing to China through industrialization, and striving for higher goals through harmonious teamwork and genuine dedication. [...] Tiens Group has been adhered to its charitable philosophy of ‘originating from society and therefore contributing to society’ and has been actively taking on corporate social responsibility. Tiens Group has donated thus far more than RMB 1.5 billion to public welfare and social charities (Tiens 2018).

This example shows that the Chinese character of charity is to give back to society after creating wealth. Indian companies tend to consider the poor at the outset of their business (See 4.2.2.3). China promotes poverty alleviation and lifts the poor out of poverty. As the goal of the Chinese government, poverty alleviation and reduction has pulled more than 850 million people out of poverty in China (The World Bank 2019). The idea of creating wealth in Confucianism encourages Chinese people to aspire for wealth. While Hinduism tends to adapt to the current state, whatever it is poverty or wealth, instead of changing the status quo. Therefore, many people in India bow to their fate and devoted to spiritual things and do not put the economy as the primary goal of development. This is the difference between Chinese and Indian traditions. It should be taken into consideration by Chinese companies in India to adapt to the cultural environment instead of judging the situation from the sight of Chinese culture or attempting to change the situation in short order.

4.2.2 Indian Companies in China

The Indian companies in the mainland of China located in the following four cities and nine provinces (EOI 2018a). From the information provided by Embassy of India in Beijing, there are around 20 Indian companies in the capital of China Beijing, 1 company in Fujian province (Xiamen city), 10 companies in Guangdong province

(Shenzhen and Guangzhou city), 2 companies in Hebei province (Shijiazhuang and Sanhe city), 1 company in Hongkong, 2 companies in Liaoning province (Dalian and Yingkou city), 1 company in Jilin province (Changchun city), 3 companies in Shangdong province(Qingdao city), 54 companies in Shanghai, 3 companies in Zhejiang province, 5 companies in Jiangsu province (Wuxi, Yancheng, Suzhou and Nanjing city), 1 company in Sichuan province (Zigong city), 6 companies in Tianjin city (EOI 2018b) (See Appendix 2).

4.2.2.1 Indian Caste System and Chinese equality

The feature of the caste system exists even today which profoundly influences the social order of India (Iyer 2018:43)³⁵. By taking the example that driver could sit with the leader to eat the food, this kind of equality in China's society is seen as a difference with India (Mishra 2017). Due to the influence of caste, India's driver generally does not have food with his leader. It is one aspect of caste that normally "food to be received from and eaten only in the presence of members of the same or higher group" (Basham 1954:149). Besides, another two appearances of caste are "marriage being legitimate only within the group" and "each man to live by the trade or profession of his own group, and not take up that of another" (Ibid.).

In traditional value, Vaishya is the caste to do business. In modern times, many people are still pursuing the traditional business who belong to this caste in India. Although it does not mean that the relative caste has to do the business forever, caste is still a major influential factor to choose the occupation. The caste system could influence the career of the relative group of people yet it is not everlasting. For example, the caste of *Tanti* (which is a Hindi word and means a loom) was "traditionally weavers" and "traditionally associated with this craft" (Singh 2008:914-916). The founder of Suzlon Energy Ltd. Tulsi Tanti started his business with a textile company in 1995, he moved into wind energy production for "fuelling his business' need for power" and exited from the textile business (Suzlon 2018). Tulsi Tanti ranked as the 8th richest person in India, and his "group's \$8 billion market cap [market capitalisation] makes it the world's most valuable wind company" (Karmali

³⁵ Yet, it is noticeable that a sincere seeker of Hinduism believes "caste system has its own merits and demerits"(Bharadwaj 2019) meanwhile it is reminded that there is a line, which mentions, "I have neither death nor fear of death, nor caste" in the lyrics of Shivoham (RM 2010).

2006). As mentioned above, the people may start their business with the traditional career but not necessary to stay in that area forever.

The caste is also influencing the business of Chinese company in India due to its influence on professional skill. At the beginning of entering the Indian market, the Chinese company delightedly discovered the vast potential of developing Indian market; yet, the cultural difference is one factor to increase barriers for Chinese business people. Indian journalist who worked in China observed that Indians prefer “a straight-talking no-nonsense approach” and the Chinese adopt an “indirect and subtle approach” (Patil 2017). The differences in the way of approach emerge sharpest during negotiations and probably led to “a never-ending loop or fail” (Ibid.). Except for the points mentioned above, the speed of Indian worker to learn new skill also trouble the Chinese engineers to come to India for the same training repeatedly (Pan 2018)³⁶. It’s probably not about the intelligence of Indian workers but influenced by the Indian family occupation heritage culture caused by caste, i.e., the member of one Indian family might do one job from generation to generation, they could do the “family work” very efficiently (Mao 2015), but probably not to a new skill.

4.2.2.2 Cultural initiatives and Spirit of the leading Indian group

The subunits of the enterprise show its ambition not only about the business but also the value to the poor, culture and history of the nation. As a leading multi-mineral solutions provider, the global group of industries Ashapura also carries out cultural development activities by its non-profit organisation Ashapura Foundation (Ashapura Group 2016a). Ashapura Foundation supports “aesthetic and cultural initiatives such as restoration of monuments, patronage of local arts & crafts through the Hiralaxmi Craft Park” (Ashapura Group 2016b). The vision of Hiralaxmi Craft Park (HCP) is to “preserve, restore and promote the arts of Kutch (Gujarat) and making them accessible to masses”(HCP 2008a). To protect the arts which “were on the verge of extinction”, the Hiralaxmi Craft Park that is “spread over 10 acres of land”, was founded to “exhibit their artifacts and [provide] financial support” since December

³⁶ Still, according to the Annual Employability Survey 2019 report by Aspiring Minds, Indian engineers are more capable than their Chinese counterparts but both are far behind than American peers (BT 2019).

2015 (Ibid.). The park “receives on an average 4000 visitors every week” and “evolved into a learning center and a source of information for students, surveyors and NGOs”, and produce textile crafts and non-textile crafts (HCP 2008b). Besides, the Ashapura Group owns a non-profit institution, Vande Mataram Memorial (VMM) which “seeks to immortalize the most momentous episodes in India’s freedom struggle from the revolt of 1857 right up to the country’s independence in 1947”(VMM 2018). Carrying the culture of the enterprise in mind while dealing with them could be a benefit for the business by knowing and understanding from a whole picture.

4.2.2.3 For the poor: Affordable price and “Upliftment of weak and backward”

To take care of the poor is a feature of Indian enterprises. In the introduction of the founder of the global pharmaceutical conglomerate Dr. Reddy, it mentioned that the founder Dr. K. Anji Reddy was born “in a well to do farming family” and “grew up watching his father make herbal pills that he distributed for free. Little did he realize the prophetic significance of what he saw”(Dr. Reddy’s 2018a). Since 1973 he has the vision “to bring new molecules into the country at a price the common man can afford”, he established Dr. Reddy’s Laboratories in 1984 and set up a business school to “help young people from disadvantaged backgrounds to learn skills [...] and become contributing members of society”(Ibid.). “[M]edicines to be useful must be affordable” is the conviction of Dr. Anji Reddy (Ibid.) and “Good Health Can’t Wait” is the slogan and belief of his group (Dr. Reddy’s 2018b).

Om Prakash Jindal (1930-2005), Founder Chairman of the Jindal Group, a global industrial powerhouse which has twenty factories and is worth over \$10 billion (OP Jindal 2018), was born on 1930, to a farmer in Nalwa village of Hisar district in Haryana (JSPL 2014). With this background, Jindal also has a concern about the poor. Jindal “believed that without the upliftment of weak and backward sections of the society, a nation could never prosper” and “spent a lot of time in taking steps to alleviate poverty and boost the backward sections of the society”, he “envisioned a self-reliant India in every sector of industry” (Ibid.).

Besides, Jindal’s political vision is also to contribute towards the society, “he was above caste politics and wanted to ensure a rightful place for every individual in

politics, regardless of his caste, colour and creed” and “firmly believed that all differences could be amicably resolved through meaningful dialogues”(JSPL 2014). He was elected as Member of the Haryana Legislative Assembly three times, Member of Parliament in the 11th Lok Sabha in 1996 and served as Minister of Power, Government of Haryana (Ibid.).

There is a slight difference between Chinese enterprise and Indian on charity; the former is to donate their wealth to the society, the latter is to work for the poor. In deep insight it is related to the thought of Confucianism and Hinduism respectively. Confucianism emphasises "*qiong-ze du-shan qi-shen, da-ze jian-shan tian-xia*"(Meng Zi) which means "If poor, they attended to their own virtue in solitude; if advanced to dignity, they made the whole land under heaven virtuous as well". Hinduism emphasize to care for the weak and the poor at very beginning. So Chinese tend to reduce the poor, and Indian tend to care the poor instead of reducing the poor. At the government level, it is a target to reduce the poor, and the relative policies and plans are formed in China. However, in India, the government made policy to take care of the poor. The influence on the market is that there are many products in India that are made for the poor (See 2.3.2.3).

Moreover, in China, the products do not have a unique feature to provide for the poor but to attract the poor to become rich. The Chinese are keen on increasing wealth, but Indians have a different view. This difference produces the challenges for the general economic thought of each other. It hindered the development in the foreign market by using the domestic economic strategy. So there should be a strategic adjustment to adapt the market towards the outsiders where different culture exists.

4.2.2.4 Less cultural influence and the reduction

For the enterprises in the field of steel, energy and so on, the culture seems to have less influence on the cross-nation business [except the enterprises that involved in the cultural sector such as Ashapura Group (See 4.2.2.2)]. Regarding the information collected from the businessmen of heavy industry, the cultural influence has hardly been mentioned. Obviously, along with the improvement of the commercial mechanism and the relative rule of law, the economic interaction could be institutionalised and economised, and the cultural influence could be reduced.

The Chinese businessmen pay more importance on the verbal promise, but the Indians pay less, in other words, the Chinese generally would strictly follow what they said no matter formally or informally. However, when the *lun-ren* deal with Homo Hierarchicus they belatedly found the latter do not attach importance to verbal promise and only recognise what have been written down on pages (Pan 2018). It seems that India is not keeping a promise from the Chinese cultural perspective, yet, along with the normalisation of China-India economic interaction, this scenario of cultural conflict could be reduced. China and India signed Agreement for the Promotion and Protection of Investments on 16 November 2006 (DEA 2006) (date of enforcement 1 August 2007, date of termination Wednesday, October 3, 2018) and amended the bilateral tax treaty in order to prevent tax evasion by allowing the exchange of information on November 2018 (PTI 2018).

4.2.2.5 Contradiction of cognition

The Indian national leaders have a high development goal for India's global positioning. The former PM Jawaharlal Nehru has stated that:

India, constituted as she is, cannot play a secondary part in the world. She will either count for a great deal or not count at all. No middle position attracted me. Nor did I think any intermediate position feasible. (Nehru 1946: 56) .

Indian companies are also very ambitious. “At JSW Steel, we believe that India's journey to becoming a superpower is almost complete”, this is written on the website of JSW Steel Limited which is showing the national pride of “India’s leading manufacturer of value-added and high-end steels” which “have a total capacity of 18 million tons per annum (MTPA)” and target to 40 MTPA by “scaling up existing plants and opening new ones”(JSW Steel 2018). JSW Steel was founded in 1982 and has “partnered the country in its journey to self-reliance” over “the last 35 years”; it is “India’s largest exporter of steel with a presence in more than 100 countries”(Ibid.).

The Chinese government respects the positioning of India, but the voice that disapproves among the people still occupies the majority. Although India is growing very fast and recognised as a BRICS country, many Chinese do not treat India as a major power as Indians predicted. It was said “Chinese never care about Indians, but only for the people from the US, UK [...] and view on Indians is very negative”

[because of social issues such as numerous rape cases] (Sarma 2017). It is a big problem for the people-to-people contact between China and India and probably would last in the next few years. Still, the perception in the national level is much better. The governmental perception, in this sense, is a positive factor in economic relations.

4.2.2.6 Guanxi for Indian companies and Chinese skill

After involving with Chinese, the Indians could also see the importance of the business culture specially *guanxi* in the economic field. The graduate of Harvard Business and Chairman of Metallon Holding Limited (MHL) Rajeshwar Mishra is described as “an expert on Indo-China business and culture” in a brochure of the group (MHL 2017: 4). Interestingly, it was mentioned they “have presence in Asia Pacific for over decade and due to ‘*guanxi*’, [and] are in a position to arrange funds for promising projects”(Ibid: 3). The managing director of this group “has been in China since 1997 and has developed an in depth understanding of the China Business Culture” (Ibid: 5). Meanwhile, the excellent skill in Mandarin and fond of “listening to Chinese music” could also be positive factors while doing business with Chinese (Ibid: 6). It is seen as the strength to have contact in China by the Indian director (Mishra N. 2017) “*guanxi*” and “loss of face” are seen as two important aspects in Chinese business culture, *guanxi* is recognized as friendship, and “loss of face” as opposed to *guanxi*:

In China’s culture of doing business, *guanxi* is very important, if they are friends, they do lots of business together, they help each other, and they don't want to have any loss of face in business or even in personal life, which is not the case in... I think I must not say as an Indian but..., some of these attributes is missing in Indian business culture. Not everybody is proactive, the reflection of Chinese business culture is, I don't want to say totally missing but little less than Chinese people in India, maybe that is the reason they are lagging behind, but they are picking up gradually [...] (Mishra 2017).

By having deep insight into China’s culture, the businessman of India in China could be comfortable and professional in the market. In the same way, it would also be meaningful for Chinese businesspeople to understand Indian culture.

4.2.2.7 Environmental concern and Hindu value

The environmental concern is one feature of the Indian group that is a precious quality, especially for the heavy industry company. It is mentioned in the mission of Iron and Steel product producer Rashmi Group that”

We are committed to work in the true spirit of entrepreneurship by making optimum utilization of resources, using environment friendly procedures and practices, maintaining highest work ethics, hiring the best people and providing them with a safe and healthy working environment.

While it is not only found in an Indian company, Chinese groups are also highlighting the “green development and circular economy”(SDSTEEL 2010) (HZSTEEL 2016). Although environment issue is a global challenge, the environmental concern has Indian characteristics in regard to the market; Chinese investors are surprised that assessment of environmental impact as the top priority, instead of profit, in an infrastructure project in India (Gu 2017). Except the exclusion caused by the mistrust of India towards China, it became an obstacle for Chinese investor that the Indian speed slowed down by the different concern such as the protection for the ecological environment (Ibid.)

The concern of the environment is probably not only because of the internationalisation and the relative transparency of the Indian market but also influenced by the Indian value. For instance, “one of the major teachings” *ahimsa* (no violence, no killing to all the living beings), *karma* which “determines an individual’s status within the cycle of rebirth”(Budhraj et al 2014:65), *dharma* (“In Hinduism, protecting the environment is an important expression of *dharma*. Safeguarding the environment is an integral part of the Hindu ‘Dharma’ and often termed as a duty, virtue, cosmic order, and faith.”(Budhraj et al. 2014: 69)). In the spiritual texts of Hinduism such as *Vedas*, *Puranas*, *Upanishads*, *Sutras*, and various other sacred texts indicated, “the worship of the divine in nature” and “millions of Hindus recite Sanskrit chants daily to venerate their mountains, rivers, trees, animals, and the earth” (Budhraj et al. 2014: 64). Those values are influencing the people intensely in India. This kind of environmental concept has become habitual thinking of Indians, internalising into ways of thinking and affecting external behaviours. For instance, in daily life, Indians naturally do not intentionally kill animals, insects and other living

beings. They protect trees and other plants and even worship trees. It has become an idea that Indians consider to be merited and may be a feudal and superstitious thought in the outside world. The behaviour of Indians to worship of nature, animals and trees could be mysterious for others.

Certainly, Hinduism's protection of the environment is also a paradox. There is sincere love for nature and non malicious destruction, such as firecrackers lightning in Deepawali - this ancient tradition of celebration (as it is also during Chinese New Year, yet the government of China has controlled the firecrackers lightning strictly), dumping ashes or statues of Hindu gods into Indian rivers during Ganesh Chaturthi or Durga Pooja. Those circumstances are still prevailing. Considering the destruction on the environment from the cherished rituals and ceremonies of Hinduism, it is also realised that "the effect of Hinduism on the environment is debatable" (Budhraj et al. 2014: 69-70).

4.2.2.8 Reliance: Cultural principle and Gita wisdom

Although they are split from the same group Reliance Group that was found by Dhirubhai Ambani, comparing Reliance Anil Dhirubhai Ambani Group and Reliance Industries Limited, the latter more distinctly shows its cultural principle behind its business (RADAG 2008) (RIL 2018). Taking "Growth is Life" as their motto, "to touch the lives of people in a positive way" as their ultimate aim, and adopt the ethos of its founder "to create India's largest company" by "converting adversity into opportunity and making the possible by challenging conventional wisdom", the Reliance Industries Limited, "Fortune 500 company and the largest private sector corporation in India", shows its modern spirit very clear (RIL 2018a).

Still, there is a quotation at the top of the Founder Chairman Dhirubhai Ambani's introduction from *Bhagavad Gita* (3:21), "Whatever action a great man performs, common men follow. And whatever standards he sets by exemplary acts, all the world pursues" (RIL 2018b). The words from classic Indian work probably an important source to encourage Dhirubhai, "from being a school teacher's son in the village of Chorwad to an unparalleled creator of wealth"(RIL 1998), to follow his corporate philosophy, "Think big. Think differently. Think fast. Think ahead. Aim for the best." (RIL 2018b). The value of Hinduism is an important source for ideas for this

enterpriser. As a large modern enterprise, the origin of organisational thoughts is still related to the classical philosophy of Hinduism.

It's hard to say that this company is related to Hinduism in every respect, and it is not a concept that fully shows the characteristics of Hinduism (moreover other cultures may also have similar ideas), still it can be inferred from the tip of the iceberg that Hindu values are influential to the enterprise leaders. As an important source of guiding thoughts, this aspect can show that enterprises growing up in the Hindu environment attach importance to and apply the traditional ideas, and more importantly, such ideas come from *Bhagavad Gita* could become the object for the employee to imitate, that is, continue to draw nutrition from Hinduism in work and life.

Although Hinduism is comprehensive and profound, with various ideas that are different or similar to other ideas, it is difficult to avoid observing the situation of development under this cultural background through in-depth analysis of Hinduism. In particular, the community of different cultures in the process of exercising in India, it cannot be ignored that the characteristics of Hindu culture permeate in various fields.

4.2.2.9 Canara Bank: from the Pai custom to remove superstition and ignorance

Canara Bank was named Canara Bank Hindu Permanent Fund when it was founded in 1906, renamed as Canara Bank Limited in 1910, and nationalised in 1969. The founder, late Sri Ammembal Subbarao Pai took the following lines as “founding principles” of the bank “a good bank is not only the financial heart of the community; but also one with an obligation of helping in every possible manner to improve the economic conditions of the common people” and take “to remove superstition and ignorance”, “to spread education among all to sub-serve the first principle”, “to inculcate the habit of thrift and savings”, “to develop a concern for fellow human being and sensitivity to the surroundings with a view to make changes/remove hardships and sufferings” (Canara Bank 2018). The concern to the poor is the main motivation behind establishing the bank:

Shri Pai's concern for the poor and illiterate inspired the formation of the bank and a group of educational institutions. Seeing the problems faced by the poor,

helpless people who had to pay exorbitant rates of interest charged by private moneylenders, Shri Pai was firm in his desire to establish an institution to render assistance to the community (Madhukar and Prabhu: 108).

Besides, the motivation more related to culture regarding the establishment of the bank was recorded by M.V. Kamath in his book *A Banking Odyssey – The Story of Canara Bank*:

... the Gowd Saraswat Brahmins had a custom wherein on the birth of a child in the family, a certain sum of money was deposited with wealthy persons called “Pattan Shetties” on the understanding that the same would be paid back to the beneficiary when the child became an adult. The money deposited carried no interest. The trouble was that the 18-year span was too long and there was no written understanding. This led to disputes and many widows reportedly went to Subba Rao for seeking redress in courts. This, it is believed, prompted him to start a bank. (The Hindu 2005)

Gowd (also spelt as Goud or Gawd) Saraswat Brahmins is a community which the founder of Carana Bank Ammembal Subbarao Pai belong to, and Pai is a surname which is found among Hindus of this community. From the case of Canara Bank, it shows the connection of custom of a Hindu community and economy in India. Compared to the influence of religious or cultural rituals, the influence of Hinduism on this concept has been related to modern elements in external performance. However, the in-depth exploration of the source is conducive to understand and analyse the motives behind it, so that the source of far-reaching influence can be included in the important factors of the overall performance of the analysis. Through the analysis of the source, it is not difficult to understand the appearance. Understanding the appearance becomes the basis for further mutual understanding and even mutual respect.

4.2.2.10 Summary

It can be seen that the Hindu philosophy is an important source for many Indian corporate cultures. Meanwhile, it shows from the open resources the cultural influence is easier to find in the Indian side. With the governance of a strong central government, Chinese commercial units have become more identical and modernised comparing with Indian ones. It reflects that on the one hand, transparency is more emphasised in India society, which made India company have to show all the necessary information in open. On the other hand, the pluralism and meticulous

diversity in India made Indian commercial units need to show their identity more clear to attract potential customers. In summary, Confucianism and Hinduism more or less influenced the business of the companies. The cultural differences between these two have created some misunderstanding, even conflicts. More important is that there were serious conflicts that happened in the Indian society related to the cultural differences between the different faith groups of India. It requests the Chinese company in India to pay high attention to the cultural taboo. The neglect of Chinese culture by Indian companies also created certain problems. Meanwhile, to be conversant to the Chinese culture made the Indian companies more expedient to do business in China.

4.3 Culture, Disputes and Economic Relations

4.3.1 Border Dispute

One of the direct influences of border tensions to economic relations is that India restricts visitors from China. The visa approval is a great hindrance for Chinese businesspeople to India, which regularly takes three months or more than that. Meanwhile, the rise of anti-Chinese product movement is also an outcome of the dispute along with the rise of nationalism in India (Anderson and Geiger 2010: 125). It was pointed out “the sale of Chinese goods declined by 30 per cent to 50 per cent during Diwali in 2016” caused by the boycott of Chinese goods in India (Mahajan 2017:10). Although it was claimed “not the only reason behind the campaign against Chinese goods”, the Doklam standoff which happened on June 2017 caused “more fire” to boycott Chinese movement of the economic wing of Rashtriya Swayamsevak Sangh (RSS) Swadeshi Jagran Manch (Mahajan 2017:10). Behind the fear of India towards China caused by border dispute, there are cultural factors to play crucial roles.

From a cultural perspective to analyse economic relations, border disputes are placed in the position of intermediate variables, that is, culture affects the strategy on border disputes, and strategy on border disputes affect economic relations. Given the fact that there is also a dispute over the border between China and Bhutan, which did not cause excessive conflict, the conflict between China, and India is undeniably related to Indian strategic thought including strong cultural values. It was pointed out that

Doklam/Donglang's confrontational crisis has profound influence by Indian strategic culture, including “‘the Mandala concept in Indian traditional culture’ (from the Hindu classic Kautilya’s *Arthashastra*) and the ‘Brahman supreme thought’ (from the ideological base of Hinduism caste system)...” and so on (Hu 2017:13). The conflict on territorial interest between India and China is also closely related to the “continuous development of Hindu nationalism in India” (Ibid: 15, 17). It can be seen that some ideas in Hinduism have led to India's mighty psychology, especially in the dispute with China. The influence of territorial disputes is a major issue in economic relations, which is limiting a series of Chinese investment in India, trade and economic cooperation with India.

4.3.2 Boycotting Chinese products in India: Swadeshi, SJM and Dharma

Boycotting Chinese products is also influencing Chinese business in India, which has a cultural root. A campaign to “promote domestic goods across the nation” launched by Swadeshi Jagran Manch (SJM) held at New Delhi’s Ramlila Maidan on 29 October 2017 in which against Chinese goods in India is as part of this nationwide campaign. It was claimed the Sangh Parivar’s top brass, representatives from civil society, and outfits would participate, 75 lakh people have pledged to reject “substandard” Chinese products, the “swadeshi” message will be reach out to “two crore households”, in order to “safeguard the interests of the nation”, “create job opportunities”, “promote a market for produce indigenously [indigenously]” instead of “depend on China or any other country” (Gusai 2017).

Swadeshi Jagran Manch (SJM) found on 22 Nov. 1991 at Nagpur, today more than 15 organisations associated with it, [...] have an all India network of subunits up to district level or block level across the country (SJM 2017a). It is believed that Swadeshi is “living tradition of India”(SJM 2017b), which is “via Hindi from Sanskrit ‘of one’s own country’, reference to a nationalist movement advocating Indian-made products” (OD 2017). It was pointed out “Swadeshi life is based on Dharma” (SJM 2017b). The SJM claimed it is:

...actively coordinating with all those people and organizations that believe in Swadeshi viewpoint, and in the process has become an important link between the lowest strata of the society and policy planners and opinion makers at the national level (SJM 2017a).

Its vision and action plan are “for a truly self reliant *Bharat* [India] and equitable world order, that nobody can afford to ignore”(Ibid.). In this sense, behind the behaviour to anti other countries’ product, the ideology of SJM, in the term of “equitable world order that nobody can afford to ignore”, it seems a positive value as it helps to protect the interests of the weak. Nevertheless, the interests of the opposite side could be threatened.

Swadeshi Jagran Manch has been “time and again” cautioning “China is the biggest threat to our [Indian] economy, employment of our [Indian] youth, our [India] national security and our [India] national integrity” (SJMNC 2017). SJM made the year 2017 for “a campaign against Chinese goods, Chinese investment and Chinese companies, to save the nation from Chinese onslaught.” The logic is to “make ordinary people realize the need to buy Indian goods so that our [Indian] workers get jobs”. SJM claimed they got the signatures of one crore people who committed to boycotting Chinese and other foreign goods. It shows Chinese products are not the only target of SJM’s agenda but all the foreign goods. SJM works for the “purely” interests of their nation. It has been noticed that this resolution of SJM was announced on 20-21 May 2017 before the Doklam standoff (June 2017). The campaign is not directly linked with the standoff with China but more influenced by their philosophy. It is a part of the move to promote anti-China motion in India and improve the popularity of native enterprises that could be a challenge towards foreign enterprises including Chinese. The reasons why SJM hold the boycott were openly stated. They see China as the biggest threat to India due to the following situations: 78 times increase of import (“almost all types of manufactured products”) from China in the last 19 years since 1996-97 which are equivalent to about 22 per cent of India domestic manufacturing; and Chinese employment of Indian “fast increasing employable youth employment and our [Indian] demographic dividend” which they call it “being squandered away in the hands of China” (Ibid.).

After the Doklam Standoff, it was said by the national spokesperson of BJP (Economic Affairs) Gopal Krishna Agarwal "India and China will be working together to do away with the growing trade deficit in the country", which is claimed by Agarwal mainly because of the “import of manufactured goods from China” and

“affecting mainly the small and medium scale industries”, and “the government is doing its best to help domestic industries to flourish amidst competition from Chinese goods.” (ANI 2017). It is noticeable that the SJM was deemed as a supporter to the small and medium scale industries in India by leading the “voluntary campaign” “Swadeshi Abhiyan” (mission) which was emphasised and compared to “Mahatma Gandhi’s Swadeshi movement” (Ibid.). The consistency of opinion is clearly shown on the information above. Thus, to ignore the force of SJM may cause huge hidden trouble.

4.3.3 The attitude of individual and organisational level on dispute

The culture influence on economic relations during the border dispute period could be examined by how did the two sides face the conflict on three levels. Firstly, individual level, i.e. people’s commercial behaviour and secondly, the organisational level, given SJM is an economic wing of RSS so that it can be considered as organisation. Thirdly, national level, i.e., the government’s attitude. In the first level, the commercial behaviour mainly reflected in the form of boycott of the opposite side. It is a reasonable or understandable reflection to withstand the opposed country when one country is facing severe problem especially the territorial issue. Like the Chinese have held anti-Japanese products during the *Diaoyu* Island dispute when China claims that Japan’s illegal occupation on the Island.

One thought-provoking phenomenon regarding the Doklam standoff is why Indians held an anti-Chinese product when China claims that India’s incursion on its territory. Meanwhile, the Indian government said it is to help Bhutan as Bhutan has a treaty with India. Why not the sizable boycott happened in China? It was discussed by the Chinese netizens online to boycott Indian product when the news of anti-Chinese products in India was reported in the Chinese media. However, one of the conclusions by the Chinese netizens is that it is too difficult to find an Indian product to boycott except the spice, essential oil (WB 2017)³⁷. It also reflected in the real problem of

³⁷ Although the origin of Yoga is in India, it was not discussed perhaps because it is so familiar for Chinese even they will not think it is from India. Generally, people do not boycott or aware of boycotting foreign, cultural products or outcomes such as Yoga, Buddhism and movie when these cultural items are irreplaceable and delightful.

trade deficit between China and India that is extremely less import from India to China, and there is no such organisation like SJM in China based on its culture.

On the Indian side, the sizeable boycott was held seriously. Swadeshi Jagaran Manch (SJM) held anti-Chinese product campaign from 9 August 2017. The aim of the campaign is to oppose the entire products made by foreign countries and “attempt to tap into the bitter border tussle” on the Doklam issue (Maitra 2017). The organiser said the government should “scrap all contracts with Chinese companies who are setting up manufacturing units in India” and “sought prohibition on any new venture of allowing Chinese firms setting up manufacturing facilities here in light of the ‘continued transgression and intimidating activities at the border’” (Maitra 2017). When China-India economic relations are examined, the historical cases could remind the importance of SJM and Sangh Parivar. The first massive campaign of SJM on 12 January 1992, the day of birth anniversary of Swami Vivekanand, was against the economic policy of the central government as well as “economic imperialism” (Swadeshi online 2017). The SJM has boycotted MacDonald in the religious place and made MacDonald decide to open complete vegetarian restaurants. The supervising authority of SJM, i.e. Sangh Parivar has destroyed the rule of British through boycotting British product (Maitra 2017).

4.3.4 The attitude of national level towards dispute

However, the reflection of the Indian government was different openly. The Indian government proposed to 11 party leaders to ensure that India will be “patient and peaceful” in dealing with its neighbouring countries on 15 July 2017 (ENS 2017). It is reported that Defense Minister Arun Jaitley and External Affairs Minister Sushma Swaraj all mentioned that they would not act rashly “despite provocations”(Ibid.). The consensus of the meeting was to resolve the issue through negotiations with China. D Raja of the Communist Party of India suggested that the government use existing mechanisms and consultations to deal with disputes. He pointed out that growing Sino-Indian trade relations and both China and India are members of the Shanghai Cooperation Organization and the BRICS, “China must be equally concerned about the standoff with India. Both countries should talk to resolve it” (Ibid).

China Railway Major Bridge Engineering Group Ltd planned to construct a proposed 22-km sea-link in Navi Mumbai, but the clearance was denied by the Home Ministry of India. Indian Foreign Minister Sushma Swaraj said in response to a question from members of the Congress Party in the Rajya Sabha (Council of States, the upper house of the Parliament of India) on 28 July 2017 that there was no policy to veto the Chinese company's security permission (SC 2017). Later on, the Indian government, under the tension of the border between the two countries, reasserted that the Chinese investment security clearance that has not affected in India. A spokesperson of Ministry of Home Affairs (which is "the nodal authority for giving security go-ahead to foreign investment under the National Security Clearance Policy") declared "the issue of putting on hold security nods given to Chinese investment proposals was 'not under any consideration'" and "The clearance to investment proposals is given on the basis of a well-established procedure laid down in the past. There is no change in the policy." (TNN 2017).

It seems the border dispute has not significantly affected China-India economic relations at the national level from the Indian side. Despite along with the spur of the RSS and social media, the voice of boycotting Chinese goods in India has gradually increased, but in fact, Chinese products are still in an advantageous position in India, whether in household goods, market supply or commercial trade. The chief economist DK Joshi of the global analytical company Crisil pointed out that despite the imbalance of China and India trade, the bilateral trade continues to grow and political differences have not affected trade between the two countries. China is India's largest trading partner, the bilateral trade has reached \$71.5 billion, and the trade deficit has reached \$ 51.1 billion from 2016-17 from \$37.2 billion in the year of 2011-12 (Goyal 2017).

Although the Indian government has shown rationality and restraint towards China-India economic relations during the period of tension between the two countries, Hindu culture affects the attitude of the individual and organisation in India as well as Modi government's hardball in handling disputed territorial affairs. Further, it affects the economic relations between the two countries in some respects. The solidification of border issues and territorial disputes "have been long-pending which led to the

China-India strategy low trust and hinder the development of relations between the two sides” (Zhou 2016: 24). India’s strong concept, including Hindu cultural concepts, is brewing resistance to China in Indian society. In this sense, the border dispute is a challenge for bilateral economic relations by influencing the perception towards each other. Although India is the biggest trade partner of China in South Asia, it was considered India has:

...limited economic interdependence with China”, and “Unlike China’s East Asian neighbours, India has the capacity to absorb pressures from Beijing[...] Delhi can bear the costs of a severed commercial relationship. If India could turn its back on the dominant powers of the West for many decades during the Cold War, it could do that with China again. (Mohan 2017).

Indian elite has a different understanding of economic development with China, which believes economic development was the most crucial target in the last few decades. The small scale of China-India bilateral trade volume might also be a reason to make India consider "limited economic interdependence with China". Meanwhile, as a society with diverse voices, it is also argued in India “China’s massive infusion of finished goods, such as mobile phones, are the core drivers of the Indian economy and impossible to substitute.” (Iyer-Mitra 2017). This reasonable comment is based on the Indian interest of another aspect, as it is believed that:

... if we choose to go against China, we might as well kiss goodbye to any chance of UN Security Council and Nuclear Suppliers’ Group (NSG) membership. In this situation, Doklam is a win, an emphatic win, the best possible under the circumstances, marking the first serious Indian (and arguably global) pushback to Chinese salami tactics. (Iyer-Mitra, 2017)

Besides, the other negative element in China-India economic relations is the competition of these two nations in South Asia. The economic cooperation of China with other South Asian countries are always observed and compared in India. It was pointed out that China lends \$301 million with interest rate of 6.3 per cent to Sri Lanka, World Bank and Asian Development Bank are only 0.25-3 per cent, India's Line of Credit to the neighbouring countries are as low as 1 per cent:

China’s strategy to grab land is simple: it gives them loans on high rates for infrastructural projects, and when the country is unable to repay the loan, it gets ownership of the project. (ET 2017)

The view of Indian media on China is unique and critical. It should be noticed that without knowing the traditional value of China on peace and the economy (See 2.2.4.2), it is difficult to understand the initiative proposed by the Chinese government.

It should also be highlighted that the influence of traditional culture is not easy to detect, but the influence of it is enduring. In the *Organizer*, the mouthpiece of the Rashtriya Swayamsevak Sangh (RSS), there is an article saying that India should form the “One Culture One Region” (OCOR) for the Eurasian countries like the South Asian Association for Regional Cooperation (SAARC) to respond to China’s “imperialistic concept” (Shankar and Mishra 2017). It was said that the “One Belt and One Road” (OBOR) could not fulfil the current “cultural vacuum” in Europe and Asia. This cultural gap needs a “human and philosophical approach” to fulfil, “Only India has the past of doing so” and history is not enough to support China’s initiative (Ibid.):

The Hindu traders were at the heart of the Eurasian economics. It was India, not China, who developed the region as a trading hub, contributed culturally in the form of ancient Hindu and Buddhist thoughts to make this region a peaceful place [...] (Ibid.).

Some aspects of Hinduism influence the RSS. Moreover, it has an impact on the Bharatiya Janata Party. This cultural inheritance and competitive attitude need to be given enough attention.

Given the improvement of Comprehensive National Power (CNP) is the first and most important task for both India and China meanwhile the quite small volume of economy between these two neighbouring countries, the border dispute should not be developed to be a significant constraint for China and India relations. Otherwise, it would be a more significant loss for both sides. It was believed that it would be regretful if the development of relations is hijacked by the border dispute between these two Asian giants in other areas (Lu 2017). The mechanism of dialogue should be promoted stronger and more effective. Moreover, the different aspects of bilateral relations could not become a massive influence on others.

4.4 Conclusion

4.4.1 Cultural Dimensions of Trade, Investment and Economic Cooperation

Firstly, in the aspect of the trade, it was found that the trade items of China and India are not influenced by culture. Yet, the trade relations are affected by cultural concepts and the trade policy of India is influenced by the Hindu culture. The culture is also influencing the market demands. For example, the Hindu culture creates the demand for God statues which are mainly imported from China to India.

Secondly, in the cultural dimensions of investment, the characteristics of the Indian “civilizational entity” has many factors to influence the Chinese investment. The cultural factors influenced potentially in terms of economic nationalism which has a connection with Hinduism, especially under the governance of the Bharatiya Janata Party. The economic nationalism of India caused movement of anti-foreign products in India society. Chinese products were also targeted not only during the border disputes occurred. For India, the cultural differences with China have hindered the development of its investment in China. It caused the cultural conflicts which hindered the business of India in China. Noticeably, the influence of cultural factors is related to Confucianism and Hinduism respectively.

Thirdly, the economic cooperation also affected by the cultural difference which increased the psychological distance. The number of dispatched labourers from China to India has shown considerable space for bilateral economic cooperation. The culture is not well understood by the other side, although the negative perception of Chinese to India is reducing along with the deeper interaction of these two old civilisations. Still, to create a new type of big nation cooperation model for mutual benefit and win-win situation need efforts from generations. The China-India High Level Mechanism on Cultural and People-to-People Exchanges is an excellent starting signal for the new era of bilateral relations. It would promote economic relations along with the enhancement of mutual understanding if the mechanism could function effectively.

4.4.2 Cultural Dimensions of Companies

For the Chinese companies in India, culture plays a role in the advertisement for the business. The better to know the culture, the better the business should be. Meanwhile,

culture could influence the particular business such as the business of leather products and food. There are some food bans towards frog, egg, beef and so on by the central or local governments of India. Among these, the most severe taboo, which should be concerned, is cow slaughter in India. The conflicts caused by cow protectors have happened many times in India. Although the conflicts mainly happened among Indians, it needs to be highly concerned by Chinese companies and individuals in India especially considering three Chinese employees of China Coal India arrested for possessing 10kg beef at Khapa under Maharashtra Animal Preservation Act (Dabas 2019). Besides, the different attitude towards poverty also caused the different performance of the two governments and the companies from the two civilisations. China works on poverty alleviation, and it is more emphasised in India to care for the poor and produce cheap products for the poor.

The thought of caste system influenced the choice of occupation for Homo Hierarchicus to a certain extent; it more or less influences the speed of learning a new skill for Homo Hierarchicus and could influence the business of Chinese in India by reducing the efficiency. The enterprises have shown their sense of duty towards the poor, culture and history of the nation. It reflected more obviously in Indian enterprises. It might be summarised that the Indian success enterprises are not only focusing on economic benefits that reduce their speed development economically. Comparatively, Chinese companies might be more concentrated on business and to develop their commercial empire. The concept towards the poor has influenced the policy of government and companies. It also made the different performance of the two nations and could be used as a factor to explain the economic development of the two civilisations. In short, the economic benefit is not the only concern for Indian but is the core concern for Chinese.

It seems there is a less cultural influence in the business of heavy industry, but in the actual implementation, the cultural differences could cause misunderstanding in whatever industry. For instance, the different attitude towards the verbal promise, which is part of *xin* (trust) culture especially in China, consistently caused negative perceptions towards Indian for particular Chinese who are not aware of the cultural difference with Indian. A certain extent the asymmetric perceptions towards each

other especially in the people's level are hindering the growth of economic interaction. Meanwhile, the understanding of the culture of the opposite side could be a positive element to improve the business. For example, the understanding of *guanxi* would help Indian to be more comfortable and confident in the Chinese market.

Indeed, there are similarities in the different civilisations, but under the performance, there are different reasons for commercial thought and behaviour. Like the attitude towards the environment, Hindu philosophy on nature influencing their concern on the environment which could be beyond the expectation of their Chinese counterparts who could be discouraged after knowing the different priority and tedious approval procedure in economic activities. Moreover, it shows that the words from Hindu classic work *Bhagavad Gita* still influence the large business group of India. It can be seen that the vitality of traditional values. Although the traditional cultural characteristics of the business group could be reduced in the modern society, it could not be denied that some Hindu tradition has been the incentive for starting the business, which still could influence the choices of the customers up to now.

4.4.3 Cultural Dimension of Dispute in Economic Relations

Hindu thought in terms of cultural value influences the Indian strategic. It could be a factor behind the strong position of India on the border issue with China, which is a fundamental factor to affect the bilateral economic relations. The boycotting Chinese product in India is a specific manifestation of the conflict. The Hindu concept of dharma is an essential motivation for protecting the small industry of India in the way of boycotting Chinese goods. Given it could be developed in a more severe form from historical experience, its influence to economic relations could not be avoided although it is not extremely subversive yet.

Although this influence of cultural difference is rarely analysed particularly in the available literature especially in the field of China and India economic relations, the impact of cultural difference has been gradually recognised by the researchers. Still, there is a distance between recognising the difference and shaping the mutual understanding. Exploring the root cause is the way to shorten this distance. In addition to some cultural roots teased out above, combined with the particular cultural analysis of the third chapter, the cultural influence network behind the superficial phenomenon

in the economy could be gradually constructed. The cultural influence network behind the economy could play an irreplaceable auxiliary role in creating a way to weaken the negative impact of issues in economic relations mentioned in this chapter. By understanding and applying the culture influence network, it could be beneficial for promoting the economic relations between China and India.

Chapter V Assessing the Impact of Culture on the China-India Economic Relations

5.1 Introduction

This research is mainly comparing the differences between Chinese traditional culture (Confucianism) and Indian traditional culture (Hinduism)³⁸ and assessing the influence of the differences towards the economic relations of the two countries. The data from the “Global Leadership and Organizational Behavior Effectiveness” (GLOBE) Research Project (hereinafter to be referred as GLOBE) are used to support the analysis of the former three chapters. Although the samples that are chosen by the GLOBE could not cover all the people influenced by Confucianism or Hinduism, it is a strong support to manifest the differences between the two dominant cultures. The seven cultural dimensions out of nine are chosen by this research, i.e., Performance Orientation, Power Distance, Future Orientation, Assertiveness, Humane Orientation, Uncertainty Avoidance and Collectivism³⁹. The two manifestations of the each dimension i.e. cultural attribute (“Should Be”) and cultural practice (“As Is”) respectively represent “values, beliefs, schemas, and implicit theories commonly held among members of a collectivity (society or organization)” and “common behaviors, institutional practices, prescriptions, and proscriptions” of “entities such as families, schools, work organizations, economic and legal systems, political institutions, and the like”(Chhokar et al. 2007: 4). The score (0-7) of each dimension of the project from low to high are showing the degree of the culture of inhibiting or contributing to a person from being or being an outstanding leader. It is relevant to the degree of managerial ability in the organisation from cultural perspectives.

Given the limitation of the data quoted from GLOBE for this research, the cultural influence on economic relations could explore deeper aspects. However, in addition to the reference to the GLOBE cultural dimension concept, this study also carried out a creative sublimation, that is, based on the exploration of cultural roots in the previous

³⁸ The two concepts of Psycho-Culturology, i.e. the *Lun-ren* and Homo Hierarchicus, are used to refer to Chinese or Indian individuals influenced by Confucian culture or Hindu culture, respectively. On the one hand, it narrows the scope of this research. On the other hand, it also emphasises that the analysis of objects are the individuals who are deeply influenced by Confucianism or Hinduism.

³⁹ The original In-Group Collectivism and Institutional Collectivism are combined as Collectivism. The dimension of Gender Egalitarianism is not quoted, as this research did not involve gender matter.

chapters and the analysis of the influence of culture on economic thoughts and behaviours to extend the depth and breadth of the concept of GLOBE cultural dimension. Meanwhile, it needs to be noticed that the analysis of Chinese and Indian culture in the GLOBE is not limited to the relevant leadership, but also to the relationship between culture and the behaviour of individuals or nationals. On this basis, this chapter makes up for the content that is not explicitly expressed in the words (some founding only showed the data but without detailed explanation in GLOBE), and more clearly shows the impact of culture on the economy at different levels i.e. individual, organisational, and national, as well as the cultural conflicts caused by the cultural differences. This chapter also classifies the degree of cultural conflicts and the extent of their impact on economic relations based on the description of the phases of cultural conflicts in Intercultural Communication. The combination of the analysis among the cultural factor in economy (Chapter II), the cultural origin of behavioral characteristics (See Chapter III), the influence of culture on economic relations (See Chapter IV) with the quantitative culture dimensions of GLOBE research project could demonstrate the cultural dimensions of China-India economic relations qualitatively and quantitatively in a certain extent.

5.2.1 Performance Orientation

It shows in Chapter IV that there are apparent traditional factors in the establishment of Indian companies and management concepts, and Chinese companies are more modern and less affected by tradition. It has sorted out Indian companies in China, which are influenced by many cultural factors, such as caste system influence the first occupation and working skill of the Homo Hierarchicus, which lead to different Performance Orientation with the *Lun-ren*. The difference in Performance Orientation affected the fluency of economic cooperation to a certain extent. Performance Orientation refers to “the extent to which high level members of organizations and societies encourage and reward group members for performance improvement and excellence.”(Chhokar 2007:4), and:

According to House, Javidan, Hanges, and Dorfman (2002) and House et al. (2004), GLOBE’s Performance Orientation is similar to Hofstede and Bond’s

(1988) Confucian work dynamism, which focuses on social hierarchy, protecting the status quo, and personal virtue. The Chinese score was among the higher ranking countries on “As Is”(4.45, Rank 13), which is supportive of the traditional Chinese culture in which hard work and diligence were highly praised and appreciated. (Fu et al. 2007:886-887)

GLOBE scholars explained, the possible reasons of the low score rank of “Should Be” for Chinese-speaking societies are, firstly, “the tendency for the Chinese people to score toward the mean as a result of the influence by the ‘doctrine of mean’ [*zhong-yong*]”; secondly, “the Chinese people think good performance is already highly encouraged”, and thirdly, “the Chinese, being more collectivistic, may not like extreme emphasis on encouraging individual performances” (Fu et al. 2007:888).

Table 5.1 Performance Orientation Dimensions of China and India

Cultural dimension	Manifestation	China (Rank)*	India (Rank)
Performance Orientation	“Should Be” (cultural attribute)	5.67 (50)	6.05 (26)
	“As Is” (cultural practice)	4.45 (13)	4.25 (23)
Source: Global Leadership and Organizational Behavior Effectiveness (GLOBE) Research Project (Fu et al. 2007: 887) (Chhokar 2007:993)			
China	India	Cultural conflict	Manifestation
<i>Lun ren</i>	Homo Hierarchicus		
<i>li</i>	<i>karma</i>		
duty	Duty without attachment	Primary degree	Feeling of depression

* The rank order for China and India relative to the 61 societies. The scores of Singapore, Hong Kong and Taiwan on Performance Orientation “As Is” were among the highest ranking societies (2, 3 and 8 respectively) and on “Should Be” were 48, 52 and 46 respectively (Fu et al. 2007:888).

The cultural attribute of India’s Performance Orientation is much higher than China’s score and rank, but the cultural practice is lower than China’s. In Chapter three it traces of the core values of China and India traditional culture, it can be seen that emphasis on *karma i.e.* duty is an essential concept in Hinduism. This emphasises

performance of one's duty without any attachment. It helps to understand the reason for the higher cultural attribute and lower cultural practice. In the actual economic relations, according to the experience of Chinese business managers and related observations, the following comments can be stated: the mental state of Indian employees is always spirited and responsive, they always made managers feel comfortable in communication and have expectation for good results, but the results sometimes appear to be unsatisfactory. This is related to the emphasis on duty and the absence of attachment to the result in the culture of Homo Hierarchicus. The Chinese managers who are unfamiliar with this cultural feature have great psychological letdown. After experiencing high expectations and low actual reality, the Chinese have experienced disappointment and helplessness, which could hinder the development of the relations.

In cross-cultural management, this constitutes a cultural conflict or cultural shock (Oberg 1951), that is, people lose the familiar social communication signals or symbols, he/she is unfamiliar with other's social symbols, so he/she has deep anxiety disorder psychologically. Intercultural Communication scholars point out that cultural conflict or shock involves four stages: honeymoon, depression (or hostility), adjustment and adaptation (Guan 1995: 340-341). With the in-depth interpretation and understanding of culture, cultural conflicts can be mitigated to a certain extent and then promoting the development of the relations.

Based on the description of the cultural conflict process in Intercultural Communication, this study classifies the degree of cultural conflict and the degree of its impact on economic relations (Table 5.1), i.e.,

- (1) Zero degree, the psychological manifestation is the cultural differences could be felt, but no influence on economic relations.
- (2) Primary degree, the psychological manifestation is that the individual could feel depression because of the cultural differences and have a negative perception towards the other culture. It may hinder the smooth development of economic relations.
- (3) Middle degree, the psychological manifestation is hostility; it could cause passive cooperation attitude towards the different culture and slow down the development of economic relations.

(4) Intermediate degree, the behavioural manifestation is a counterbalance⁴⁰; the possible result is the limitation of or cancellation of the cooperation or even no cooperation. It could restrict the development of economic relations.

(5) High degree, the behavioural manifestation is aggressive action⁴¹; the possible result is boycotting other's products or even trade war.

(6) Superlative degree, the behavioural manifestation is to sever the diplomatic relations. Economic relations could also be severed.

Table 5.2 Degrees of Conflicts Caused by Cultural Differences in Economic Relations

	Degree of Cultural Conflict in economic relations	Psychological or Behavioural Manifestation	Possible Result (Influence on Economic Relations)
1	Zero degree	Feel the differences	No influence
2	Primary degree	Feeling of depression	Negative perception (Hinder the smooth development of economic relations)
3	Middle degree	Hostility	Passive cooperation (Slow down the development of economic relations)
4	Intermediate degree*	Counterbalance	Limitation/Cancellation of cooperation, no cooperation (restrict the development of economic relations)
5	High degree	Aggressive action	Boycott/ Trade war
6	Superlative degree	Sever the diplomatic relations	No economic relations

* Intermediate degree refers to the middle and high degree.

⁴⁰ This could also be based on other considerations such as national interests or perceived imbalance in trade.

⁴¹ This could also be based on other reasons, such as no measures undertaken to reduce the existing trade deficit.

Every society has incentives for excellent performance, and performance is an essential indicator of promotion. At the same time, every society has the traditional concept that could restrict or promote performance orientation. For example, the concept of *guanxi* in Chinese society is an important reference factor in personnel appointment and promotion, and it could also assist the business expansion. Indian society is also constrained by traditional professional ideas, including the influence of caste on the occupation. Of course, traditions also keep on changing in the process of cultural modernisation⁴², such as entrepreneurial confined to specific community groups in Indian society, but “has started becoming more widespread” in the past few years, “and entrepreneurs have started attracting increasing social recognition” (Chhokar 2007: 990).

Tradition and modern concepts are intertwined in the process of modern development, and the interpretation of traditional ideas still an indispensable factor of understanding modernity. Because the conventional concept influence people’s deep thoughts, and as it is an essential factor to reflect the national identity, it is continuously expanded and utilised. Traditional culture has a strong vitality. As the influential German philosopher, Immanuel Kant said that the core of culture is ultimately tied to the historical traditions and philosophical concepts of each nation. It has noted stability and will not change simply with the changes in history (Xing 2011: 75). It can be seen that culture affects performance, and the difference between cultural attribute and cultural practice of Performance Orientation will cause problems and even primary cultural conflict in economic interaction, which in turn affects the development of economic relations. The gradual deep understanding and adaptation of cultural differences will shorten the stage of depression (hostility) and adjustment in cultural conflicts, thereby accelerating the development of economic relations.

5.2.2 Power Distance

The differences in Power Distance dimension between China and India also affect economic relations. Power Distance refers to “the degree to which members of an organization and society encourage and reward unequal distribution of power with

⁴² The cultural modernisation refers to the process of transforming the cultural model under the conditions of traditional agricultural civilisation into a cultural model under the conditions of industrial civilisation (Xing 2011: 71).

greater power at higher levels”(Chhokar 2007:4). According to Jagdeep S. Chhokar (2007:991), India society is “quite structured and stratified” due to “the centuries-old caste system and almost 200 years of British rule” and “Indian Civil Service, [...] was a very hierarchical and formal structure, and has had a widespread impact on Indian organizations.” [...] Eating places for workers and managers are often different”. In the management process of the Chinese-funded company in India, the management personnel realised the different Power Distance in India. There are different countermeasures in various industries. Chinese manufacturer and builder have formed two different views on how Indian subordinates obey superior management. The builder pointed out that management could weaken the conflicts caused by cultural distinctions because Indian employees can implement the rules and regulations more seriously (Bi 2019). Therefore, writing the problems brought about by cultural differences (such as the lateness caused by the concept of time) into the rules and regulations can considerably reduce the negative impact (Ibid.).

However, Chinese manufacturer believes that when managing Indian employees, it is needed to “*gong-xin*” (play mind games) and fully take care of the feelings of Indian employees to better make them obey the management; otherwise, it may lead to the loss of personnel (Hu 2019). This seems to contradict the characteristics of Indian “Power Distance”. Theoretically, India’s hierarchical concept is stronger, and subordinates are more likely to obey the leadership; but in practice, if without full consideration of the feelings of Indian employees, it may lead to employee turnover. With analysis in detail, it could be found that different business situations and employee levels will have different phenomena. For example, the majority of employees of Chinese manufacturer who own factories are Indian technical workers. Chinese builder is mostly facing with Indian management and service personnel. (Although there are many skilled workers on the construction site, they are managed by local people.)

Moreover, according to Chinese builder, Indian workers are much less efficient than Chinese workers, including factors such as cultural environment (time concept) and natural environment (hot summer climate). The analysis of culture can be said to be a macroscopic interpretation perspective at this level, and some specific issues require further examination. In combination with the views of two different industry

personnel, the cultural characteristics of Indian employees should be considered in some matters, for example, in addition to maintaining the leadership image, managers should show respect to Indian employees, as well as honour the Indian food culture in order to avoid the discomfort or even depression which may cause a tendency of demission of Indian staff. The following is an in-depth analysis of Power Distance in conjunction with GLOBE data.

Table 5.3 Power Distance Dimensions of China and India

		China	India
Power Distance	Should Be (cultural attribute)	3.10	2.64
	As Is (cultural practice)	5.04	5.47
Source: GLOBE Research Program (Fu et al. 2007: 887) (Chhokar 2007:993)			
China	India	Cultural conflict	Manifestation
Lun-ren	Homo Hierarchicus	Primary degree	Feeling of depression

According to the outcome of GLOBE project, the two Chinese scores on Power Distance are 5.04 (“As Is”, cultural practices) and 3.10 (“Should Be”, cultural attribute) (3.10) and two Indian scores are 5.47 (“As Is”) and 2.64 (“Should Be”) (Fu et al. 2007: 891,993).⁴³ The data shows the Indian cultural attribute of Power Distance (Should Be, 2.64) is lower than Chinese, but the cultural practice (“As Is”, 5.47) is higher than Chinese (5.04). Chinese scholar pointed out “Indian subordinates tend to be very respectful to their superiors”, but if the superior “expresses arrogance or pays too much attention to his power status, he will be resentful rather than respectful by Indian subordinates”; for instance, “in a company, one Indian is headed by a superior from the United States⁴⁴ has twice employee turnover rate than an

⁴³ It was pointed out that “In fact, scores of all countries on “Should Be” were lower than “As Is”, showing a common desire that people in all these countries [25 societies] aspire for more equality than they currently have.” (Fu et al. 2007:891)

⁴⁴ The US cultural property of Power Distance (2.85) is higher than India (2.64), while the Indian team with cultural practice (4.88) lower than India (5.47) (Jiang Lu et al 2008:37).

Indian team headed by Indian. One possible reason is that people are dissatisfied with a manager who places too much emphasis on power distance.” (Jiang Lu et al. 2008 : 37)

Compared with the Chinese, perhaps the higher “cultural practice” (As Is) score of Indians could prove they more tend to have a hierarchical distance ($5.47 > 5.04$), but the cultural attribute of Indian is less like the superior to be arrogant or panjandrum than Chinese ($2.64 < 3.10$). Chinese managers should pay attention to maintaining the Power Distance to the Indian subordinates, but at the same time, they should not be too arrogant. When India’s superiors manage China’s subordinates, perhaps Indians are more inclined to have a sense of being respected in reality, and their cultural attribute (Should Be) is not as concerned about the Power Distance as the Chinese and hopes to mingle with the employees. The Indian financial industry manager who was interviewed in Beijing told the author,

I feel that Chinese people are more reserved [than Indian], they never allow their personal relations beyond work, whereas in India, challenges or superiors well aware the family and family relations, this sort of belongingness is a lack in Chinese culture. For example, my staff member, when she is having her daughter's birthday, she never intended to invite us. Because we are alien people, maybe because of fear of cultural differences or maybe because of Chinese culture, their relationship are not to be extended outside, whereas in Indian culture, office is always like an extended family, and people used to share their family problems and share their celebrations, that I feel here that is lack in. [...] even for marriage also, actually I was not aware but was told by my superior one time that she has invited him, she has offered the wedding card, but she told that this is a personal ceremony, so close family members only will be invited, and I am giving the card to you just [for] intimation, later I may give a party to you, but you are not required to attend the marriage. (Sarma 2017).

The Indian manager was disappointed and thought that the Chinese are not very close with colleagues. It caused the primary degree of cultural conflict.

This seems to confirm that the cultural attribute score (Should Be) of India is lower because Indian superior want to shorten the distance with the employees in company, but it may be due to the infection of the concept of caste, and India has a higher score ($5.47 > 5.04$) in the cultural practice of Power Distance than the Chinese. Numerically, the Chinese values respect the leadership more than the Indians, but in reality, there is no such respect as the Indians. Although the gap between China and India on the data is subtle the Indians show a more prominent “Power Distance” and the junior show

more respect to the superior. The difference in the data shows that in reality, there are differences in attitudes toward the problem. If the difference is not handled well, the cognitive conflict will increase the turnover rate and hinder the smooth cooperation of economic cooperation to a certain extent. Therefore, Chinese employees should show more respect to Indian superiors in reality, and they are expected to narrow this Power Distance according to Indian cultural attributes and maintain a close relationship with Indian superiors after work.

It can be seen that culture affects the management of enterprises and the operation of the investment. Cultural differences lead to some primary cultural conflicts in individual and organisational levels. It is necessary to increase mutual understanding and respect among cultures. On this basis, transpositional consideration is conducive to reducing or avoiding these conflicts. At present, the countermeasure of enterprises responds to cultural differences which may cause management problems, includes localisation by increasing local management staff, and even Chinese companies in India propose to achieve full localisation, that is, no employees from China in the future. These initiatives can effectively reduce problems in cross-cultural management, but in the long run, cultural differences need to be aware genuinely and managed effectively in practice.

5.2.3 Future Orientation

Table 5.4 Future Orientation Dimensions of China and India

Cultural dimension	Manifestation	China (Rank)*	India (Rank)
Future Orientation	“Should Be” (cultural attribute)	4.73 (60)	5.60(29)
	“As Is” (cultural practice)	3.75 (34)	4.19 (15)

Source: Global Leadership and Organizational Behavior Effectiveness (GLOBE) Research Project (Fu et al. 2007: 887) (Chhokar 2007:993)

Future Orientation is referred to “the degree to which individuals in organizations or societies engage in future-oriented behaviours such as planning, investing in the future, and delaying individual or collective gratification.”(Chhokar et al. 2007:3). In the assessment of GLOBE towards China, Future Orientation “Should Be”(4.73)

ranked 60 is next to the lowest among the 61 societies (Fu et al. 2007: 888). However, according to Cheung (Cheung et al. 1996), there is planning long-term thought in traditional Chinese society to "save as much as you can" and "thriftiness was a virtue cherished [...]"(Ibid.)⁴⁵. It seems there is a contradiction between planning long-term thought tradition and the lower score of Future Orientation. The understanding of GLOBE Chinese scholar about this incompatibility in Future Orientation is because the research of GLOBE does not concern "thriftiness", but refer to "conscientiously planning for the future", so it concludes that Chinese do not concern too much on planning (Ibid.). Meanwhile, it is also pointed out in the GLOBE research on China:

Unlike most religious societies, the Chinese society does not have a dominant religion, but it was exposed to multiple schools of thought in ancient times and people have the habit of using often seemingly contradictory principles to rationalize their thinking when necessary.

The analysis of GLOBE scholars also pointed out that Taoism⁴⁶ emphasises to "let things take their natural course", while the author believes that because Confucianism pays more attention to "the present". The influential ideas such as "when you are poor, just improve yourself, when you are rich then to help the world", "When one does not occupy the position, one dose not plan its governance"(14.26), are all emphasis on the present identity. Besides, the analysis of "zhi" in Chapter III points out that the *Lun-ren* is more concerned about the present. It is, therefore, possible to understand the cultural reasons why China scored lower in Future Orientation.

At the same time, the influence of the political system also needs to be considered. The Chinese Communist Party attaches importance to the national development plan and has formulated such plans as the five-year plan and the hundred-year plan, which have accelerated China's development. State-owned enterprises are affected by national policies, but ordinary private enterprises, especially ordinary small and medium-sized enterprises and ordinary people, pay more attention to short-term

⁴⁵ In the analysis of Chapter II (2.2.4), according to Chen Huanzhang (2009), it does not encourage extreme frugality in Confucianism but values the pursuit of wealth. These two views are not contradictory, as "thriftiness" and "extreme frugality" are two different concepts.

⁴⁶ It was pointed out "the founder of Taoism, Lao Zi, opined that the cosmos is uncertain, and therefore we had better leave things alone, letting things take their natural course. To him, planning is both unnecessary and against nature" (Fu et al. 2007:888). Taoism is not the main analysis object of this research, so it will not be discussed in detail.

benefits and are more likely to follow suit from the market, rather than having a rational long-term plan. The reasons behind this include that the country is also in a period of constant reform, and the policy is constantly improving and developing. So there are some speculations in the society. Considering the benefits in the short term seems to be more obvious at the individual level. Given the long-term economic environment is not affected by the individual will, and the central government plays a great role, it is likely to ban some industries in the process of regulating the market within a certain period. Also, laws and regulations are in the process of continuous improvement, which causes the business people to walk on the edge of the law, that is, to use the blank space and imperfections of the law to develop business. In short, at the government level, there are relatively long-term goals; while Future Orientation is weaker at the organizational and individual levels. The Confucian doctrine emphasises the respect for the government and authority, and is more conducive to the implementation of government policies, which means that organizations and individuals are more likely to follow the government's policies, rather than making too ambitious business plans. Certainly, this is a relative concept, not an absolute concept, which means that there are also people with high Future Orientation in Chinese society. The analysis of this dimension can only show one general feature, that is, more people in the Chinese tend to have short-term benefits rather than too long-term planning orientation. As mentioned one of the interviews in the GLOBE Research Project, a middle-level manager in a U.S.-owned Chinese company who was getting on-the-job training in the U.S. said:

Americans pay a lot of attention to individual development. They have 'road maps' for individuals and try to lay ahead where you are going to be in the next five years. We Chinese don't do that at all. We watch our steps as we walk along. How can we plan ahead when we don't even know which company we'll be working for in the next five years? (Li, 1997, personal communication) (Fu et al. 2007:888).

Certainly, this data can only serve a reference for cultural roots, and China's cultural characteristics are constantly evolving.

Besides, the explanation from GLOBE research project is conducive to understand the reason behind the higher score and rank of India than China, according to Chhokar (2007: 990), "Historically and traditionally, Indian society has emphasized the

‘hereafter’ in preference to the ‘here and now’, and therefore has been generally future oriented.” The cultural root is related to the concept of *karma*.

The concept of providing for the ‘hereafter’ at times extends to even providing for after death, with some people engaging in actions, ceremonies, and rituals that they hope will improve their lot in their next lives following the doctrine of *karma*. These sometimes take the form of contributions to charitable and religious activities and institutions. (Ibid.)

Comparatively, *lun-ren* more emphasised on current life, and Homo Hierarchicus more emphasised on afterlife. It could be helpful to understand that the Indian characteristics of “spiritual exploration” and “time concept” which have an impact on the economic development of India.

The differences between Chinese and Indian on Future Orientation influence the economic relations of these two nations through its impact on economic thought. While the *lun-ren* pay more attention to current, Homo Hierarchicus pays more attention to the future, even afterlife in the manifestation of spiritual exploration. It made the *lun-ren* keen on economic development, and the Homo Hierarchicus does not have such an environment to only concern on economic growth. In other words, the way of Chinese development is challenging to practice in India. It might cause the feeling of depression of Chinese towards the Indian market and had to promote their patience to do business in India as well. Meanwhile, the time concept of the Homo Hierarchicus has created a negative perception of the *lun-ren* towards India. The different concern on the present life and supernatural may cause a negative perception of Homo Hierarchicus and the Lun-ren towards each other⁴⁷.

Moreover, as mentioned in Chapter III 3. 2.12, the concept of *karma* might enhance the strain of historical memory of the Homo Hierarchicus, and the concept of *yi* could promote the *lun-ren* to seek common ground while reserving differences. The different cultural attitudes towards the settlement of disputes could influence the policies of these two in the form of cancelling the cooperation or no cooperation at all. Thus, Chinese and Indian might have a primary degree or intermediate degree of cultural conflict in the dimension of Future Orientation.

⁴⁷ The *lun-ren* have the tradition of ancestors worship (See Chapter II 2.2.2.3), yet, the Homo Hierarchicus spend much more resources on supernatural.

Table 5.5 Future Orientation: Cultural Differences and the Impact On Economic Relations

China	India	Cultural Conflict	
<i>Lun-ren</i>	Homo Hierarchicus	Manifestation	Degree/Possible Result
<i>Yi</i>	<i>Karma</i>		
Present	Afterlife	Feeling of depression	Primary degree: Negative perception
Seek common ground while reserving differences	The strain of Historical memory	Counterbalance	Intermediate degree: Cancellation of cooperation, No cooperation
<i>Xin</i>	<i>Karma</i>		
Current life and worldly matters	Supernatural	Feeling of depression	Primary Degree/ Negative perception
<i>Zhi</i>	<i>Jnana</i>		
Right or wrong (present)	Momentary or everlasting (not present)	Feeling of depression	Primary degree/ Negative perception
Time concept			
Punctuality	Unique time concept	Feeling of depression	Primary degree/ Negative perception

5.2.4 Assertiveness

Table 5.6 Assertiveness Dimensions of China and India

Cultural dimension	Manifestation	China (Rank)	India (Rank)
Assertiveness	“Should Be” (cultural attribute)	5.44 (2)	4.76(7)
	“As Is” (cultural practice)	3.76 (51)	3.73 (53)
<i>China</i>	<i>India</i>	<i>Cultural conflict</i>	

<i>Lun-ren</i>	<i>Homo Hierarchicus</i>	<i>Manifestation</i>	<i>Degree</i>
<i>Li</i>	<i>Dharma</i>		
Higher cultural attribute	Cultural confidence/strong civilisational entity	Feeling of depression	Primary degree/ Negative perception
	Regional leadership	Counterbalance	Intermediate degree/Limitation of cooperation

Date Source: Global Leadership and Organizational Behavior Effectiveness (GLOBE) Research Project (Fu et al. 2007: 887) (Chhokar 2007:993)

In the analysis of Chapter II (2.3.4.1), it was pointed out that cultural confidence is a factor that influences India's national policy. In particular, India's cultural status in South Asia has made India tend to form a leadership position in this region and limit China's economic influence in the region. It can be said that at the national level, India is "engaged in conscious opposition to" China because China is pursuing what "appear to be incompatible goals" (Dougherty and Pfaltzgraff 2000: 189). India balances China's economic activities in South Asia, and the progress is relatively slow in the multilateral economic cooperation with China in South Asia, such as Bangladesh-China-India-Myanmar economic corridor, resulting in intermediate degree of culture conflict with the influence of the different cultural concept, and limiting the development of the economic relations.

Assertiveness in GLOBE Research Project refers to "the degree to which individuals in organizations or societies are assertive, confrontational, and aggressive in social relationships" (Chhokar et al. 2007:3). From the data of GLOBE, it can be seen that the cultural attribute and cultural practice of Indian Assertiveness are all lower than Chinese. Besides, it is valuable to this research is that the cultural practices of China and India are all much lower than their cultural attributes no matter score or rank. The explanation of Chinese scholar of the GLOBE on the large discrepancy of cultural practice and cultural attribute is that the unique Chinese cultural concepts "constrain the behaviors of Chinese individuals and discourage them from behaving assertively", such as "*mianzi* (face; maintaining the respect of others as well as to respect others), *renqing* (being kind or respecting the feelings of other people), and

guanxi (relatedness or connections among individuals)” (Fu et al. 2007:889), and the “plausible reason” for the high level of assertiveness on cultural values “could be due to the fact that rapid changes in society created an extremely high level of uncertainty, urging Chinese people to become increasingly aggressive in order to protect themselves.”

In the dimension of assertiveness, the Chinese are more assertive than the Indians in the cultural attribute (although both of them are lower in actual cultural practice), and as a reference, it can be concluded that the Chinese may have some conceit when they interact with other cultures. Combined with the case of Indian financial industry managers and Chinese employees in the survey, it shows that the common Chinese people sometimes neglect Indians. Indian financial industry manager feels that they are not made light of when they get along with Chinese people:

Chinese laymen are very cooperative, and they are very friendly and helpful. But popular belief in India is that they never care for Indians; they give respect only to western people like US and UK people. However, in reality, they love Indians, and they are very much fond of Indians, but the only hindrance is that because of the communication incapability, they do not come forward to mingle with Indians.(Sarma 2017)

Several studies found that “Chinese more masculine and assertive than Americans” (Schmit and Yeh, 1992; Shermerhorn and Bond, 1991), perhaps the strength gap with the U.S has caused China’s cultural attribute to be suppressed. However, to the countries with weaker comprehensive national strength, the Chinese might be inevitably showing assertive psychology. The high cultural attribute of Chinese in Assertiveness dimensions, while in the interaction with the Indians, could cause the depression of the Indians. It is the primary cultural conflict manifestation, and it has also caused a certain degree of hindrance to the development of the relations at the individual level.

5.2.5 Humane Orientation

Humane Orientation refers to "the degree to which individuals in organizations or societies encourage and reward individuals for being fair, altruistic, friendly, generous, caring, kind to others, and exhibiting and promoting altruistic ideals”(Chhokar et al. 2007: 3).

Table 5.7 Humane Orientation Dimensions of China and India

Cultural dimension	Manifestation	China (Rank)*	India (Rank)
Humane Orientation	“Should Be” (cultural attribute)	5.32 (39)	5.28 (44)
	“As Is” (cultural practice)	4.36 (17)	4.57 (9)
<i>Humane</i>		<i>Cultural conflict</i>	
<i>Ren</i>	<i>Karma</i>	<i>Lun-ren</i>	<i>Homo Hierarchicus</i>
Renqing, “Different Pattern”	Karma (afterlife)		Primary Degree
Faithful to people	Faithful to supernatural or truth	Primary Degree	
Reticent	Argumentive	Zero/Primary Degree	
Against excessive frugality	Frugal innovation	Zero degree/primary degree	
	Vegetarian		Primary degree
<i>Yi</i>	<i>Dharma</i>		
Not concern only about interests but the duty and create a win-win situation	Protect the interests of the weak and against foreign interests		High degree

Data Source: Global Leadership and Organizational Behavior Effectiveness (GLOBE) Research Project (Fu et al. 2007: 887) (Chhokar 2007:993)

China shows the big gap between the score of cultural attribute and cultural practice in the Humane Orientation dimension of the GLOBE research project, and cultural practice rank is lower than India. The link with the traditional culture could be found in China and India. The concept of “*ren*” in Confucian culture promotes the kindness quality of the *lun-ren* (mainly towards human-being). It is believed that”

A person high on Humane Orientation would be described as having a strong sense of *renqing* in China which implies an “*implicit set of rules*” that involve

reciprocation in the form of money, goods, information, status, service, and affection (Cheung et al., 1996). Under these rules, two basic kinds of social behavior are expected: (a) ordinarily, one should keep in contact with acquaintances in one's social network, exchanging gifts, greetings, or visitations with them from time to time, and (b) when a member of one's network gets into trouble or faces a difficult situation, one should sympathize, offer help, and "do a *renqing*" for that person (Hwang, 1987, p. 954). All those expectations urge Chinese individuals to be kind and considerate to others.

It is pointed out in Chapter II that although *renqing* began to fade in the concept of some modern individuals, it still has a significant influence on *lun-ren*'s exchange mode and regional organisational culture. Meanwhile, the concept of *renqing* have a different manifestation in different levels of relationship, and modern people's attention to the interests along with the changes in moral values, the thought of *ren* is also fading in the society, as pointed out by GLOBE scholars:

...the society is going through so much change and the ways in which things used to get done are all being reformed, creating an extreme amount of uncertainties. Many traditional values are also being challenged by realities and people there find it increasingly important to be assertive and aggressive in order to survive. Therefore, the notion of being kind and maintaining harmony with others is not as important as it used to be. Maybe that is why the score on Humane Orientation "Should Be" dropped so much from the "As Is" score. (Fu et al. 2007:892)

This can also be considered as a manifestation of China's transition from an acquaintance society to a non-acquaintance society. People who are acquainted with each other (relatives, friends) will still practice the moral values *ren*, but probably not for those who are not familiar with, or do not in the "*sheng-ming-bao*" (life pack) (Shang 2013:54). The Homo Hierarchicus is different from the *lun-ren* at this point. Although the Hindu concept analysed in this study does not directly express the values of humane, the concept of attaching importance to behavioural results in *karma* is to encourage Homo Hierarchicus to attach importance to and be kind to all live beings. Because of Homo Hierarchicus' religious view, they believe that doing good deeds is also beneficial to the afterlife. Just as GLOBE Indian scholars described that, "Being altruistic and charitable is also considered to help in improving one's lot after life" (Chhokar 2007: 991). Therefore, the cultural difference at this point probably causes Homo Hierarchicus to form a negative perception of the *lun-ren*, which is the formation of primary degree cultural conflict, as the *lun-ren* may not show the

kindness to strangers at times. Indeed, this is not a complete incident, but it happens from time to time. For example, the *lun-ren* is also kind for a slight request, but there are also many *lun-ren* minds his/her own business and do not involve in another's matters. Besides, the *lun-ren* will have different levels of performance in the "differential pattern" according to the closeness. Also, in the current Chinese society, there have been many cases of helping strangers encounter "*peng-ci*" (fraud), resulting in the fear to help strangers. This is more frequent in cities that tend to be a non-acquaintance society than in a county or countryside dominated by acquaintances.

For Homo Hierarchicus, even if it is for a stranger or not about his/her interests, people do provide help due to the influence of beneficial for afterlife concept. Also, in the analysis of "*ren*" (benevolence) in Chapter III, it is pointed out that the idea of "*ren*" tends to be "*fu*" (rich) first and then practice "*ren*". Moreover, "*ren*" emphasises "*zhong*" (loyalty), which makes the *lun-ren* different from Homo Hierarchicus. The latter is relatively more tolerant and kind to poverty, more loyal to supernatural than to lay people. This difference affects the exchange mode between the two cultures (See Chapter II, 2.3.2.5). The relative *maya* ("an illusion where things appear to be present but are not what they seem") (Shang 2013: 178) towards human relations made Homo Hierarchicus do not pay as much attention to the verbal commitment as the *lun-ren*, which causes negative perception of the *lun-ren* on Homo Hierarchicus, that is the primary degree of cultural conflict. Besides, "*ren*" emphasises "*shen-yu-yan*" (talk with caution), but Homo Hierarchicus is argumentative. The "showoff" characteristic of the latter is probably natural to cause the negative perception (at least could feel the difference) of the *lun-ren* who emphasises on the "*zhong-yong*" (doctrine of the mean) and is not inclined to express his or her own, that is the zero or primary degree cultural conflict. The concept of "against excessive frugality"(Chapter II 2.2.2.4) of *lun-ren* and the frugal spirit (Chapter II 2.3.2.3) of Homo Hierarchicus is another difference. It might cause the negative perception of the former towards the latter, given the frugal behaviours were called "*kai-gua*"(unbelievably good in using specialized software used to cheat in an online game) (Mao K. J. 2015) by Chinese citizens that is not a positive word.

The kindness towards the nature of Homo Hierarchicus is also expressed in their

food culture. In the impression of the Indians, the Chinese eat anything, which is incredible for the people of India, which has many vegetarians. It is like to make the Indians have a slightly negative perception of the Chinese. Meanwhile, the lack of meat in India has also caused problems for Chinese employees in India. The Chinese business people bought beef in some areas of India, causing them to be detained (Dabas 2019). It caused a relatively negative social impact.

Moreover, some Chinese business people in India observed, “without Chinese chefs, the annual employee turnover rate is 40 per cent, and after having Chinese chefs, the employee turnover rate has dropped to 5 per cent” (Zhang C. 2019). In addition, as pointed out in Chapter III (2.11), the *dharma* concept of Homo Hierarchicus has made the Indians “tend to protect the interests of the weak and against foreign interests”, specifically manifesting in the boycotting of Chinese products led by Swadeshi Jagran Manch (SJM) which is an economic wing of the Hindu cultural organization RSS. This aggressive action already belongs to the high degree of cultural conflict, which hurts economic relations and is a potential danger that causes more severe effects. It can be seen that the differences between the Chinese and Indian on Humane Orientation dimensions have caused primary and high degree influence on economic relations.

5.2.6 Uncertainty Avoidance

Table 5.8 Uncertainty Avoidance Dimensions of China and India

Cultural dimension	Manifestation	China (Rank)	India (Rank)
Uncertainty Avoidance	“Should Be” (values)	5.28 (9)	4.73 (29)
	“As Is” (practice)	4.94 (10)	4.15 (29)
Source: Global Leadership and Organizational Behavior Effectiveness (GLOBE)Research Project (Fu et al. 2007: 887) (Chhokar 2007:993)			
Order		Cultural conflict	
<i>Lun-ren</i>	Homo Hierarchicus	Manifestation	Degree
<i>Li, Yi</i>	<i>Manthan</i>	Unfriendliness, passive cooperation	Middle degree

Guanxi extensibility	Contain the foreign force; Independent pursuit	Passive cooperation-No cooperation	Middle-intermediate degree
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Uncertainty Avoidance refers to:

...the extent to which members of an organization or society strive to avoid uncertainty by relying on established social norms, rituals, and bureaucratic practices to decrease the probability of unpredictable future events that could adversely affect the operation of an organization or society, and also to remedy the potential adverse effects of such unpredictable future events (Chhokar 2007:4).

GLOBE scholar considered “The high Chinese scores are consistent with the traditional Chinese value of order” (Fu et al. 2007: 891). It is considered that the history and the traditional values of order shaped the current Chinese society that has “a high intolerance for uncertainty” meanwhile:

... all the Chinese people enjoy the better living they have now and welcome change in that sense, but many of them are worried about the loss of ‘order’, therefore longing for more rules and regulations to reduce uncertainties (Fu et al. 2007: 891).

Notably, the thoughts of *li* (rites) and *yi* (righteousness) in Confucianism make the *lun-ren* tend to respect authority and order. In Confucian thought, *li* means different treatment for different positions. If the junior enjoys superior treatment, it is against *li*. This also affects the order concept of the *lun-ren*, and this is contrary to the Western pursuit of freedom. The Chinese scholar believes that based on *li* values, it is conducive to the establishment of civilized world order, and the values of freedom will lead to chaos in the world. The concept of order for Homo Hierarchicus *manthan* is even more different, which refers to the world is inherently chaotic. This helps to understand that India’s score in Uncertainty Avoidance [4.73 (29), 4.15 (29)] is lower than that of China [5.28 (9), 4.94 (10)]. Because the world is considered chaotic, the uncertainty may be a normal state for Homo Hierarchicus, without the need for avoidance. In Chapter II, it is pointed out that *manthan* influences Homo Hierarchicus’ economic thoughts and business behaviours. The concept of righteousness and benefit (*yi-li-guan*) of Confucianism emphasises to only strive for

one's interests but not to get the interests, which belong to someone else. It is different from the view of Hindu "to absorb the negative and adapt to take advantage of the positive" (Sinha and Sanyal 2016). It is easy to cause the sense of aversion for the *lun-ren*, who does not know the concept of the Hindu value. It is achieving the middle degree of cultural conflict.

Besides, in the national level, from the summary of Chapter II, it also can be seen that the concept of "Great Harmony" in Confucianism, economic equality for world peace as well as the extensibility of *guanxi* are all about to create stability. Even the "Differential Pattern" is to avoid uncertainty. Meanwhile, Indian GLOBE scholar mentioned, "Religious beliefs and practices arising out of them are a major source of attempts to reduce the uncertainty of the future"(Chhokar 2007: 991). Also, for the Avoidance Uncertainty, India has shown a balance towards China due to the growing influences of China in its cultural sphere (civilisational entity), especially in South Asia. In Chapter II, it has pointed out the cultural confidence of India made it be dominant and contained the foreign force, independent pursuit. China's *guanxi* infinite extensibility, as well as economic development philosophy vis-a-vis protectionism of India in its cultural circle as well as its Swaraj thought, have already caused the hostility in the Indian side, that is, the middle degree cultural conflict. Moreover, the conflict of interest in India's perspective and India's checks and balances against China have caused this cultural conflict to rise to intermediate degree conflict, which is reflected in India's non-cooperative attitudes⁴⁸ towards China including India's clear indication that it will not participate in China's multiple invitations to India to join its economic initiative BRI. It is a manifestation of non-cooperation in intermediate degree cultural conflicts behind the territorial dispute concern.

5.2.7 Collectivism

Table 5.9 Collectivism Dimensions of China and India

Cultural dimension	Manifestation	China (Rank)*	India (Rank)
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⁴⁸ This is from Chinese perceptiveness. In the Indo-foreign concept, China probably is also not cooperating with India in some aspects.

Institutional Collectivism	“Should Be” (cultural attributes)	4.56 (9)	4.71 (32)
	“As Is” (cultural practice)	4.77 (7)	4.38 (25)
In-Group Collectivism	“Should Be”	5.09 (58)	5.32 (50)
	“As Is”	5.80 (9)	5.92 (4)
Source: Global Leadership and Organizational Behaviour Effectiveness (GLOBE) Research Project (Fu et al. 2007: 887) (Chhokar 2007:993)			
Order		Cultural conflict	
<i>Lun-ren</i>	Homo Hierarchicus		
Guanxi extensibility	<i>Mandala</i>	Passive cooperation-No cooperation	Middle-intermediate degree

Collectivism is divided into “Institutional Collectivism” and “In-Group Collectivism” in GLOBE research project. The former reflects “the degree to which organizational and societal institutional practices encourage and reward collective distribution of resources and collective action” and the later reflects “the degree to which individuals express pride, loyalty, and cohesiveness in their organizations, families, circle of close friends, or other such small groups”(Chhokar et al.2007: 3).

Although the “joint” or “extended” family is weakening for some time in urban areas, the family is still an essential unit in Indian society for life (such as board and lodging, child care and marriage arrangement) and problems and crises sharing (Chhokar 2007:991). Meanwhile, there are lots of family-controlled and –managed business organisations in India especially some of the largest business organisations are controlled by the families of their founders such as Tatas, Birlas, Ambanis, Mahindras, and Shrirams (Ibid: 992). Professional managers often dilute family

control by the third generation after the founder (Ibid.)

The society of the *lun-ren* pays more attention to collectivism than the society of Homo Hierarchicus. Although it has been challenged by Western individualism, the “equality” of collectivist-oriented extreme individualism has been chased after in China; it has now been replaced by “equity” (Fu et al. 2007: 889-890). This is related to the traditional Chinese thought *li* (rites) that has the meaning of hierarchical order. The characteristics of the Chinese Collectivism are showing in the following points: from the inner to the outward of “the differential pattern” is gradually weakening, the patriarchal sentiment caused by the filial piety and the patriotic sentiment of the concept of the family country.

Moreover, for the Homo Hierarchicus, In-Group collectivism is stronger than the *lun-ren*. India’s score and rank are higher than China in the dimension of In-Group Collectivism (lower than China in the dimension of Institutional Collectivism). Because there are divisions as well as solidarity in Indian society, each ethnic group has its centripetality and has a sense of boundaries with other ethnic groups. The national leaders who can unite India, such as Sardar Patel, are highly regarded by the Hindu nationalist government. The collective of the *lun-ren* is continuously expanding to form a larger circle. Comparatively, Homo Hierarchicus is more inward, each group is closed and is distanced from other groups, or other groups are sorted into different sequences. It is performed at the national, organizational, and individual levels (See Chapter II, 2.3). The people of different classes probably could flow into different class as the concept of *li* is based on strength, while the class of Homo Hierarchicus is likely unchangeable as the hierarchy is based on birth.

Meanwhile, at the national level, India’s sense of Collectivism is based on the cultural frontier, that is, South Asia, which makes it shows "strong civilisational entity, weak organisational entity" and there is a distinction between the enemy and friend influenced by the concept of the *mandala* (See Chapter II 2.3.4.3). According to the survey of Pew Research Centre (2017)⁴⁹, 41 per cent of Indians holds negative views on China and only 26 per cent have positive views. Meanwhile, a 56 per cent majority in India considered “China’s growing military power is bad for India” (even before

⁴⁹ Pew Research Center survey conducted among 2,464 respondents in India from 21 February to 10 March 2017 (Stokes et al. 2017).

the “summer’s military standoff”, i.e., Doklam standoff) (Stokes, Manevich and Chwe 2017). Fifty-one per cent believe “China’s growing economy, with which India runs a trade deficit, does not bode well for their country”, 44 per cent Indians feel very threatened by China’s power and influence (Ibid.). Indian vigilant or hostile attitude towards China has formed a cultural conflict from the middle degree to the intermediate degree. Undoubtedly, India also has a substantial autonomy (independent pursuit) (See Chapter II, 2.3.4.2) and will not blindly follow other country’s strategy to check and balance China. This will enable India to cooperate with China while facing different interests.

5.3 Summary

Table 5.10 Assess Cultural Dimensions of Three Levels and Cultural Conflict in Economic Relations

	Cultural Dimensions	Individual level		LCC	Organisation level		LC C	National level		LC C
		<i>Lun-ren</i>	Homo Hierarc-hicus		China	India		China	India	
1	Performance Orientation	<i>Li</i>	<i>Karma</i>	P	<i>Yi</i>	<i>Karma</i>	P			
2	Power Distance	<i>Li</i>	<i>Karma</i> Caste	P	<i>Li (mianzi), Yi</i>	<i>Karma</i>	P			
3	Future Orientation	<i>Yi</i>	<i>Karma</i>	P	<i>Yi</i>	<i>Karma</i>	I	<i>Yi</i>	<i>Karma</i>	I
		<i>Xin</i>	<i>Karma</i>	P						
		<i>Zhi</i>	<i>Jnana</i>	P						
		Time concept		P						
4	Assertiveness	<i>Li</i>	Dharma	P				<i>Li</i>	<i>Dharma</i>	I
5	Humane Orientation	<i>Ren</i>	<i>Karma</i>	Z-P	<i>Yi</i>	<i>Dharma</i>	H			
6	Uncertainty Avoidance	<i>Li, Yi</i>	<i>Manthan</i>	M				<i>Li, Yi</i>	<i>Manthan</i>	M
								<i>Guanxi</i>	<i>Swaraj, Manthan, Karma</i>	M-I
7	Collectivism							<i>Guanxi</i>	<i>Mandala</i>	M-I

Note: “LCC” refers to the degree of cultural conflict. “P” refers to the primary degree of cultural conflict. “M” refers to the middle degree of cultural conflict. “I” refers to an intermediate degree of cultural conflict. “H” refers to the high degree of cultural conflict.

In summary, the analysis of Chapter II is conducive to linking culture with economic performance. The analysis of cultural core value in Chapter III helps to trace the root of behavioural thinking, while the analysis of Chapter IV is more conducive to meticulously observe the specific role of culture in economic relations and the mechanism of interaction between culture, conflict and economic relations. The last three chapters laid the foundation for assessing the impact of culture on the China-India economic relations. This chapter combines the content of the first three chapters with the concept of the cultural dimension of GLOBE Research Project and uses the scores of GLOBE to demonstrate the differences between Chinese and Indian cultures visually and to interface with cultural roots, thus deeply explaining the behavioural phenomena caused by culture. The cultural factors, the core value of culture, culture in economic relations and GLOBE cultural dimension are combined to form a network that explains the cultural impact on economic relations, cultural conflicts caused by cultural differences, and the degree of its influence on economic relations (Table 5.8). As shown above, the analysis of each chapter is connected. In Table 5.8, the manifestations of economic behaviours are categorised based on the cultural dimensions of GLOBE and connected with the core value of the culture or the similar core value that directly or indirectly affects on the economic performances, thus facilitating the comparison of the two cultures. Cultural concepts that specifically influence economic behaviour can be found correspondingly in each section of this chapter.

By assessing the impact of culture on China-India economic relations, it can be seen that the core cultural concepts of China and India have an impact on the economy, and the differences in cultural concepts between China and India have also caused different degrees of cultural conflicts, which have affected on economic relations with different degrees. According to the current research and analysis, the following conclusion could be made. Firstly, in the Performance Orientation dimension, the gap between the cultural attribute and the cultural practice of Homo Hierarchicus at the individual level that shows the influence of the *karma* concept that

made Homo Hierarchicus pays attention to the responsibility without attachment to the result. The feature of Homo Hierarchicus in the dimension of Performance Orientation is easy to cause the feeling of depression for the *lun-ren*, which forms the primary degree of cultural conflict, has a particular hindrance to the smooth development of economic cooperation. Secondly, the difference between China and India in the dimension of Power Distance has formed a primary degree of cultural conflict among individuals, which has formed a relatively negative perception in economic relations and delayed the development of economic relations. Thirdly, in the Future Orientation dimension, at the individual level, the influence of different traditional ideas of China and India on future concepts and time concepts formed different attitudes on economic development and disputes and caused the feeling of depression towards each other, resulting in primary degree of cultural conflict. At the organisational and national level, the difference between Chinese and Indian culture formed an intermediate degree of cultural conflict, which caused the cancellation of economic cooperation or caused economic non-cooperation. Fourthly, the difference between China and India in the dimension of Assertiveness causes the arrogance of the *lun-ren* and the depression of the Homo Hierarchicus, thus forming the primary degree of cultural conflict. At the national level, because of the regional leadership of India caused by its cultural confidence, India has balanced the influence of China in South Asia, and the progress of China's multilateral economic cooperation with South Asian countries such as BCIM has been slow down. In the regional cooperation, it is formed the intermediate degree cultural conflict, and the development of the economic relations is limited.

Fifthly, in the Humane Orientation dimension, the differences of humane derived quality between China and India, such as loyalty, wealth concept (the attitude towards the rich and the poor), the way of expression, and dietary habit, has caused zero to primary degree cultural conflict at the individual level. At the organisational level, the high degree cultural conflict was formed due to the different attitudes and behaviours towards the interests of the weak, as boycotting Chinese products that appeared in India belonged to the aggressive action. Sixthly, in the Uncertainty Avoidance dimension, the different concepts of order in China and India caused a middle degree of cultural conflict at the individual level. At the national level, the middle to

intermediate degree cultural conflict was created. Both for avoiding the uncertainty and enhancing stability, China *guanxi* expansion in South Asia has shaken India's leading position, cause India unfriendly or even hostile attitude towards China, and the implementing equilibrium of India to China, formed a situation of passive cooperation or non-cooperation in economic relations. Seventhly, in the Collectivism dimension, the difference between the concept of *guanxi* expansion of China and the *mandala* concept of India made India have a vigilant and even hostile attitude toward China, forming an intermediate degree cultural conflict, which has hindered and restricted economic relations.

In brief, culture has an impact on the individual, organisational, and national levels of the China and India economy, and cultural differences between China and India have formed obstacles to the development of economic relations at different degrees. Only by strengthening the understanding of cultural roles and cultural differences, it would be conducive for the benign development of China-India economic relations.

Chapter VI Conclusion

6. Summary

This thesis examined the influence of culture⁵⁰ on the Chinese and Indian economy respectively, at three different levels, i.e. individual, organisational and national, and explored the impact of culture on China-India economic relations, the conflicts caused by cultural differences between China and India, and how the cultural conflicts hindered China-India economic relations.

6.1 Culture Influences Economy at Three Levels

It is found in this research that culture has an impact at three levels of individual, organisational and national in the economy, and cultural differences have caused different degrees of conflicts in the interaction between Chinese and Indians, which in turn affected the development of economic relations to varying degrees.

6.1.1 Culture at the Individual Level

Culture influences China-India economic relations, especially in terms of commercial behaviour, organisational culture and trade policy. At the individual level, Confucian culture influences the lun-ren's interpersonal relationships (*guanxi*, *mianzi*, *li* and gift giving), family concepts (ancestors worship and filial piety), concepts of wealth (emphasising wealth), the attitude towards poverty (against extreme frugality), exchange mode (exchange as trustworthiness credit). For India, Hinduism influences the mindset on stratification of Homo Hierarchicus, which limits free competition and economic mobility (Harriss-White 2003: 134), affecting the wealth flow in society (i.e. the gap between the rich and the poor). To a certain extent, culture drives Homo Hierarchicus to look at light material wealth, pay attention to frugality, and attach importance to spiritual exploration, thus affecting Homo Hierarchicus' attitude towards the outside world.

⁵⁰ This study selected Confucian culture and Hindu culture, which occupy the dominant position in the two countries separately, as the primary analysis object. Although these two cultures are not considered to represent the whole contemporary China and India, Confucian culture is always the first to analyse while to concern the traditional Chinese thoughts, and Hinduism occupies 79.8 per cent of India's population (GoI 2011). Indeed, it does not mean that other cultures are not significant. Buddhism also has much influence on Chinese businesspeople. Indian Muslims also have many influential figures in the economic field. However, beyond Confucian culture and Hindu culture is out of the scope of this study.

In the dimension of Assertiveness, the primary degree of cultural conflict is formed due to the cultural differences at the individual level. The *lun-ren*'s neglect of Homo Hierarchicus causes depression for the latter. It hinders the smooth development of people-to-people interactions. Besides, the nutrition culture of the both the countries vary to a great degree making the business communities less comfortable and depressed while traveling making them vulnerable to primary degree of cultural conflict. It could affect the employee satisfaction and even the turnover rate of employees (Zhang C. 2019), especially for the middle and small-sized enterprises, which could hinder smooth development of economic relations. Moreover, the Hindu view of 'order' reflected in the *manthan* concept affects the exchange mode of Homo Hierarchicus, and it could causes the *lun-ren* which have different exchange modes to become frustrated or even hostile during the negotiation process or other forms of interactions. This belongs to the category of primary to middle grade of cultural conflict. The Hindu ideology influences Homo Hierarchicus' concept of time thus forming a primary cultural conflict in the 'Future Orientation dimension' with the *lun-ren*.

In short, the influence of culture at the individual level led to the different perceptions of Performance Orientation, Power Distance, Future Orientation, Assertiveness, Humane Orientation, Uncertainty Avoidance, and Collectivism among the *lun-ren* and Homo Hierarchicus, which are related to different levels of cultural conflict, while the economic relations also had a corresponding impact.

6.1.2 Culture at the Organisational Level

At the organisational level, Confucian culture influences the structure of commercial organisations or say strengthens the formation of these organisations in the form of Patrilinealism or Patriarchalism. That is to say, it provides an environment for these organisations to survive and influences the employers' attitude towards employees in this form of business organisation. The family enterprise influenced by Confucian culture treats employees as family members. However, in the Hindu culture, the high-caste employers might be hard to treat the low-caste employees as such (Chapter II 2.3.1). Even, traditionally, high-caste and low-caste people may not eat together.

Besides, Patriarchalism could be termed a unique organisational form influenced by Confucianism, and Confucian concepts such as *guanxi*, *mianzi*, *renqing* have influenced the operation of state-owned enterprises. The Chinese characteristics of interpersonal relationships within state-owned enterprises have strengthened over time. However, these concepts are challenged by the implementation of national laws and regulations. Moreover, the ability of the *lun-ren* to form a regional group is better than other cultures. There were many regional groups based on cities or provinces in China. For India, provinces mainly take culture and language as reference⁵¹ while China's provinces are mostly named after geographical features (Shang 2013). These are some of the manifestations in the dimension of Collectivism. India also has family-based business organisations, but as mentioned above, the *lun-ren*'s management of employees is different.

Hinduism has an impact on the motivation, purpose, and organisational culture of the economic organisation. Firstly, the founders of many business organisations in India have traditionally belonged to trading castes or mercantile communities (Kudaisya 2009:85). Secondly, the Hindu classic work *Arthashastra* is also the source of some corporate organisational culture. Thirdly, several Hindu-inspired business organisations have been formed in India, offering their religious characteristic as ideas for products, such as Patanjali, Khadi, Good Earth, Saravana Bhavan and Mother Dairy. The founder of Patanjali also publicly stated that India should ban Chinese products and companies, in whose concept of friends and foes, China is a non-friend (Mitra 2017). The economic wing of Hindu nationalist organisation Rashtriya Swayamsevak Sangh (RSS), Swadeshi Jagaran Manch (SJM) also launched a boycott Chinese products campaign in 2017. This is different from the Chinese *guanxi* expansion concept. The difference forms the middle degree to a high degree of cultural conflict, and could slow down or even restrict the development of economic relations.

⁵¹ There are also many places are named derive from geographical features in India. Hindu mythology, along with others' such as Islamic, Buddhist and Christian, is also the central influence on place names in India.

6.1.3 Culture at the National Level

Confucianism has an impact on the choice of national development models, economic development concepts and strategic thinking of China at the national level. Confucianism is considered to be associated with China's choice of Socialism (Wang 1995: 53). Communist society and Confucian "*Shi-jie da-tong*" (Great Unity or Universal Harmony) have similarities in the Chinese understanding (Shang 2013: 275) (Marx 1875). The Chinese government emphasises "harmonious society" and "harmonious world"; both of these concepts are derived from Confucianism. The idea of promoting peace through economic development of Confucianism is the cultural heritage of modern China. It is also a significant guiding ideology of the Chinese government after reaffirming the value of traditional culture and a value concept of development accepted by the Chinese people. China's economic initiative BRI is also considered by national leaders to be consistent with the Confucian ideology "*Tian-xia Da-tong*" (CCTV News 2018). However, economic determinism has been argued to be posing a challenge to China's diplomacy in the future because conflicts of economic interests may hinder China's diplomatic relations (Yan 2013). This is already apparent in China-India relations, such as India's refusal to participate in BRI due to territorial disputes in the China-Pakistan Economic Corridor. Single-minded pursuit of economic interests would inevitably violate the interests of other countries. Sometimes, it does not necessarily directly affect China's interests but may seem offensive to other countries participating as lesser equals. In this situation, it is also difficult for the beneficiary party to amend making the conflict hard to eliminate.

Conflict is good or bad

As the IR theorists point out conflicts are either good or bad,

... some [social scientists] regarding violent conflict as irrational, while others judge it [to be] good or bad, depending on the context in which it arises; the political, economic, or social values at stake; the costs incurred in comparison with anticipated gains; and the net outcome for the group, the nation, or the international system. (Dougherty and Pfaltzgraff 2001: 194).

It then becomes pertinent to question what benefits do conflicts bring to a nation. Combined with Table 5.10 in Chapter V, the primary degree of cultural conflict in this study shows that such temporary conflicts have less impact on economic relations and

are not conducive to the interests of both sides. Sometimes, the purpose of middle, intermediate or high degree of cultural conflict, to a certain extent, is to protect the inherent interests of one side, and probably by sacrificing the “anticipated gains” (e.g. the possibility of economic cooperation) or specific aspects of interests (such as economic interests). For instance, implementing the cultural concept influence, such as attaching importance to the strain of historical memory (*karma*), India did not cooperate with China in economic initiatives with territorial disputes. From India’s perspective, this kind of conflict with China is more significant for its “net outcome”. The main initiator⁵² of the high level of cultural conflict (India) considers that the conflict is for protection of its inherent interests, although it will lose the “anticipated gains” (e.g. possibility of economic cooperation with China). From China’s perspective, the conflict has damaged China’s economic interests, as India has abandoned its (China) economic interests. Therefore, the “net outcome” for the Chinese side is depreciated, which means that the conflict is more harmful to the Chinese interests. Alternatively, it can be said that the initiator of conflict is the party that benefits when the conflict is within the controllable range suggesting that conflict is not always bad. It could bring benefit or “net outcome” for the initiator.

This conflict of national interests also plays out in the cultural dimension of Uncertainty Avoidance. India has shaped certain checks and balances against China and is refusing to cooperate with China in its economic initiatives. There are different cultural concepts which can explain this situation, such as the “deifying wealth” thoughts under Confucianism (Weber 1951), the extensibility of *guanxi* in the cultural dimension under Collectivism, vis-à-vis the spirit of the “strong civilisational entity”, cultural confidence, the classification of friends and foes regarding surrounding countries within the *mandala* concept of Hinduism (See Chapter V, 5.2.6). These above-mentioned differences of cultural concept limit the economic cooperation in bilateral and multilateral forums, which cause intermediate degree of cultural conflict.

⁵² The main initiator of conflict refers to the party that makes the conflict inevitable. For example, if Party A first makes a provocative action which could cause but have not caused conflict, and Party B does not respond, the conflict will not occur. If Party A provokes and Party B responds (the response include non-cooperation gesture), the conflict occurs. Then Party B is the initiator of the conflict, and Party A is the sponsor of the conflict.

Although the self-centred exclusivity and “Central Plains Centralism” of Confucianism influenced by the concept of *li* (Zhao 2016) is similar to the spirit of strong civilisational entity of Hinduism, the conflicts formed in the confrontation between the two civilisations are also reflected in the “Assertiveness dimension”. In the GLOBE Research Project survey, China scored higher than India in this category. During individual interactions between Chinese and Indians, the ordinary *lun-ren* often display arrogant mindsets towards Homo Hierarchicus, which results in a primary degree of cultural conflict and causes hindrance to economic relations. At the national level, India’s regional leadership attitude based on the spirit of “strong civilisational entity” and cultural confidence restrains China’s options in South Asia. Besides, the Hindu caste hierarchy and the “Differential Pattern” in Confucianism are directly related with stratification amongst people. However, the former hierarchy is more solidified and hence though India’s relations with China are continually improving and strengthening, it will still tend to balance China’s influence. In other words, it is hard for India to completely treat China as a friend influenced by its *mandala* concept in the contemporary situation, and the same is the case for China because of its synergy model. These factors limit cooperation and restrict the development of economic relations.

In addition to the above, the impact of Hinduism on the state has also risen through the influence of the leading individual (under the current leadership) whose personal thoughts on the Hindutva ideology have influenced the state, such as the “self of independent type” of the political leader (Chapter II, 2.3.4.2). This makes it hard for India to follow other countries blindly. Some scholars have pointed out that India will not bandwagon with China like other Asian countries but balance China (Huntington 1996). This is reflected in the balance of India towards China in the South Asia region and the motivation driving the Quadrilateral Security Dialogue (QUAD) between India and the United States, Japan, and Australia. From the perspective of Psychoculturology, unlike the *lun-ren* which belong to the “self of mutual reliance type”(Chapter II 2.2.4.3), the leading Homo Hierarchicus (Chapter II, 2.3.4.2) are inclined to pursue “autonomy” instead of “bandwagoning”. This psychological and cultural difference has been the cause of the intermediate degree of cultural conflict,

and the behavioural manifestation, as mentioned above, is India's balance towards China⁵³. This also restricts development of economic relations.

Moreover, the caste concept of Hinduism also influences the hierarchy view of Homo Hierarchicus. This includes acknowledging the status of the upper caste or the authority, which evolved into faithful follower support-base for a larger goal, especially when combined with religion (Shang 2013). Considering the Indian government's bend towards reviving Hindutva philosophy, the strong possibilities of a united India cannot be ignored. The historical animosity against Britain in India is enough of a precedent. Narratives of Indian uprisings against foreigners also have an impact on China at the individual, organisational and national levels. A case in point is the Swadeshi Jagran Manch (SJM) which led to the boycott of Chinese goods along with other foreign goods. It can be said that the cultural differences have led to a high degree of cultural conflict in China-India economic relations. This high degree of cultural conflict is reflected in the dimension of 'Humane Orientation', which can be classified as a 'difference between *yi* of Confucianism and *dharma* of Hindu culture'. The former tends to create a win-win situation, while the latter tends to protect the interests of the weak. The conflict happens when one side uses its cultural concept to expect others. In context of increasing influence of Chinese companies in the Indian market, the organisation of Hindu believers namely SJM has launched an aggressive action, which has impacted China-India economic relations to a large extent. It is a force that cannot be ignored, although it is a single spark, it is sufficient to start a prairie fire.

6.2 China-India Economic Relations and Culture

In this study, China-India economic relations mainly cover trade, investment (FDI), and economic cooperation. Culture has a varied impact on these three macro-areas, and the different cultural concepts which result in different degrees of conflict prove a hindrance to economic relations.

⁵³ Notably, the "balance of power" is a controversial theory (Dougherty and Pfaltzgraff 2001: 43-44), it might be considered from the Indian perspective that China was balancing India by improving relations with Pakistan, Nepal, Sri Lanka and Maldives. This point can be further explored, yet, as it is beyond the scope of this research, it does not investigate further.

6.2.1 China-India Trade and Culture

From 2000 to 2017, the total import and export volume of China with India jumped from US\$2.91 billion including \$1.56 billion in exports and \$1.35 billion in imports (MOCPRC 2011:472) to \$84.39 billion (including total exports \$68.04 billion and imports totalling \$16.35 billion (NBS 2018c)). The total import and export volume between China and India increased by about 28 times from 2000 to 2017, including about 43 times increase in imports and 11 times in exports from China to India. Notably, the total exports from China to India reached four times than the total imports from India to China in 2017, and the total volume of imports and exports between these countries was almost identical.

The main imports from India to China are minerals, base metals and related products as well as chemical products, while the main exports from China to India are mechanical and electrical products, chemical products and base metals and related products (MOCPRC 2018). The cultural influence on trade mainly manifested in the market environment, trade operation and policy, especially the Hindu culture has an impact on the Indian policy such as concern of the people's cultural (religious) demands, the dilemma of implementing economic development as "the central task" like China, besides, presenting forceful introversion, drawing on traditional consciousness to obtain reasonability (Lu 2013: 205-208).

6.2.2 China-India Investment and Culture

China ranked second on the account of having US\$136 billion of foreign investment flows in the world's top ten foreign-invested inflow countries of 2017 and 9.5 per cent of the global total (MOCPRC 2018a: 16). India was ranked tenth by having \$40 billion of foreign investment flows and 2.8 per cent of the global total (UNCTAD 2018:4). The FDI outflow from China was \$124.6 billion and accounted for 8.7 per cent of total global outflow in 2017 while for India it was \$11.3 billion and 0.8 per cent of the global total (MOCPRC 2018b: 28). The amount of FDI that China received from India was \$0.16 billion in 2017, which accounted for 14 per cent of India's foreign investment (Ibid.). According to the data of India (DIPP 2018a), the FDI flowed from China to India in 2017 was 1.3 billion and was ranked sixth to the share of 3 per cent of the total FDI inflows to India. Based on the Chinese resources,

the cumulative FDI from China to India was \$4.7 billion by the end of 2017 (MOCPRC 2019).

The main fields of India's investment in China are information technology, pharmaceutical, biotechnology, infrastructure, manufacturer, steel, mineral, commodity, banking, energy. On the other hand, China invested in India in the following areas, i.e., automobile, electricity, telecommunications, metallurgy infrastructure, energy, manufacturing, bank, healthcare, consumer goods.

In a sense the cultural differences are more dominant than the cultural similarities between China and India in the economic field. Economic nationalism of India, which is influenced by religion, especially Hinduism (Li 2015:24), restricts the Chinese investment in India. It is a significant potential hidden danger for Chinese investors in India. While analysing cultural impact on investment, especially cross-cultural management, it has been concluded that managers in both countries face apparent or potential problems due to cultural differences. In combination with *mianzi*, which extends from *li*, and *yi* (See Chapter IV, 4.1.2.3.2) (See Chapter II, 2.2.2.2), unlike the *karma* of Hinduism, it can be concluded that Confucian culture emphasises *li-xianxia-shi* (be considerate and kind to men of talent), cares for the *renqing* (favour), *ge-jin qi-ze* (each one does his/her duty) (Chapter III 3.2.12), while Hindu culture emphasises responsibility without attachment, leaders and employees deal with their problems respectively. Chinese employees consider that Indian managers have the responsibility to improve the quality of service and products, and need to take care of their *mianzi* (favour). While Indian managers in China believe that Chinese employees have to do their duty without providing enough support that Chinese employees expected. And when Indian managers perform their duties, they neglect or ignore the results (such as meet the product quality that Chinese customers expected). These problems are easy to cause problems such as Chinese employee dissatisfaction, hostility and even demission.

Meanwhile, Chinese managers face the time concept problems amongst Indian employees, their strong spiritual inclinations, and the related market problems. Confucian culture and Hindu culture lead to differential perspectives and work cultures amongst these individuals who have different language expression

characteristics, interpersonal relationship treatment and attitudes, and thinking patterns. Discomfort between them is therefore natural. It reflects in the dimensions of Performance Orientation, Power Distance, Future Orientation, which forms the primary degree of cultural conflict, i.e., feelings of depression or hostility, and thus hinder or slow down the development of economic relations.

Moreover, the *lun-ren* emphasises on current relationships and tends to seek common ground while reserving differences. Moreover, Homo Hierarchicus emphasises on future (afterlife), tend to hold on to the strain of historical memory (*karma*). These differences lead to a different way of understanding and managing the disputes at the national level. It makes India vigilant towards China and tends to restrict its economic influence within India and the South Asian region. It results in a middle degree (hostility) and even intermediate degree (balance) of cultural conflict, and delays or restricts the development of economic relations.

6.2.3 China-India Economic Cooperation and Culture

The economic cooperation turnover China and India was \$13.18 million in 2000, including \$9.19 million contracting projects, \$3.95 million labour cooperation, \$40,000 design consultation (NBS 2001e). It is accounted for only 0.12 per cent of China's total turnover of foreign economic cooperation \$11.325 billion (NBS 2001a). The turnover of China's contracted projects with India (\$2.46 billion) in 2017 increased more than 200 times compared to the year 2000. The number of dispatched labour was however very low for instance only 797 for contracted projects and 31 for labour services by the end of 2017. There were only 1279 labour in India for contracted projects and 165 labour in India for labour services by the end of 2017.

Cultural differences have also created a psychological distance between China and India. The small number of labourers from China to India could be seen as a signal of the lack of attractiveness. Except for the limitation of India overseas labour policy, the lack of people-to-people and cultural contacts could be a crucial element to limit these exchanges. While it is realised that cultural exchanges could affect the establishment of economic cooperation mechanisms, this could be overcome by promoting cultural exchanges, and mutual understanding would be conducive for creating "a new type of big country cooperation model for mutual benefit and win-win situation" (Xie

2017:38). The establishment of the China-India High-Level Mechanism on Cultural and People-to-People Exchanges is a significant step to improve the mutual cultural understanding towards a new era of China-India relations with “greater synergies”.

6.3 Summary of the Main Findings

Through the research on the influence of culture at three levels (individual, organisational and national) in the economy, conflicts caused by cultural differences, the impact of culture as well as cultural conflicts on economic relations, the main findings could be summarised as below. Firstly, the cultures of China and India have respectively caused influence at the three different levels, which has made the economic relations between China and India restrained due to influence of culture; these have been mentioned in the previous section.

Secondly, culture has different degrees of influence on the seven major cultural dimensions (i.e. Performance Orientation, Power Distance, Future Orientation, Assertiveness, Humane Orientation, Uncertainty Avoidance, Collectivism) at the individual, organizational and national levels, and the cultural conflicts formed by cultural differences have different degrees of influence on economic relations (See Chapter V, Table 5.10). In the dimension of Performance Orientation, the difference of concepts such as *li* and *karma* have caused a primary degree of cultural conflict on the individual level, namely, negative perception, and microscopically hinder the smooth development of economic relations. At the organisational level, the differences between the concepts such as *yi* and *karma* promote different level of performances and often unintentionally cause management problems. At the national level, although the expression of Performance Orientation characteristics is not as evident as the individual level, there are also other manifestations. For example, the official Indian statement expressed support for the development of the China-India economic relations, but it covertly limits China’s economic activities in India and South Asia.

The influence of culture on the dimension of Power Distance is mainly caused by the primary degree of cultural conflict at the individual and organisational levels due to the different concepts such as *li* and *karma*, caste, which bring problems in business organisation management and affect the smooth operation of the business. In the

dimensions of Future Orientation, the primary degree of cultural conflict is reflected in the individual level, including the management difficulty of the manager due to different cultural thinking and behaviour, and the decrease of investment confidence of the investor due to the market characteristics caused by the culture. Cultural difference at the organisational level and national level have formed an intermediate degree of cultural conflicts and led to restrictions on China's economic activities in India. The differences in the Assertiveness dimensions led to primary and intermediate degrees of cultural conflicts at the individual and national levels, respectively, due to the different concepts such as *li* and *dharma*. For instance, at individual level, the Indian would feel perturbed when they are neglected by their Chinese counterparts; China's economic activities in South Asia are restricted at national level.

In the dimension of Humane Orientation, the zero or primary degree of cultural conflicts at individual level are caused due to the different concepts of Confucianism and Hinduism such as *ren* and *karma*. Due to the different concept of *yi* and *dharma*, it causes a high degree of cultural conflict at the organisational level, including the incidents like Hindu economic organisation, which boycotted Chinese products in India. In the dimension of Uncertainty Avoidance, because of the different value of Confucianism and Hinduism such as *li*, *yi* and *manthan*, the middle degree of cultural conflict is caused at the individual level, that is, due to the different understanding on 'order' and the way of 'pursuing interests', negative and even hostile emotions are formed, and it hinders the cooperation between the two sides. The middle to intermediate level of cultural conflicts are formed at the national levels due to differences such as *li*, *yi* and *manthan*, *guanxi* and *swaraj*, *manthan*, *karma*, including India by itself or in cooperation with other countries, resulting in checks and balances on China's economic development in South Asian region, this is also reflected in the fact that India does not participate in some of the economic projects of China.

In the dimension of Collectivism, mainly due to the difference between the *guanxi* and *mandala* concepts, it causes middle to intermediate level of cultural conflicts at the national level, that is, due to the hostile attitude of some of the Indian forces towards China, it slows down the development of economic relations. Besides, the

summary of Chapter V described the impact of culture in all the seven main dimensions and all three levels, with emphasis depending on the degree of impact. Still, specific effects at each of the different levels, with a concerning of each dimension, could be further analysed in greater detail.

Thirdly, cultural differences do not necessarily lead to cultural conflicts, and some are also conducive to the development of economic relations. For example, Chinese and Indian companies have slightly different understandings on performance structures in terms of charity, protection and promotion of their cultural heritage, treatment of the poor (See Chapter IV, 4.2), and protection of the environment. However, these different spirits are suitable for the companies to build positive images in the local area through various approaches, and then promote economic relations. Also, although there are asymmetrical perceptions within a specific range at the organisational level, the mutual recognition at the national level is relatively rational. Although there are differences in the dimension of Assertiveness for these two cultures, highlighting each other's roles in bilateral and multilateral cooperation makes these two countries rational actors at the global level.

Fortunately, the economic relations of China and India in 2000-2017 did not occur in a superlative degree of cultural conflict even when the confrontation at the border area was high. There were a series of problems in some fields, especially the losses suffered by the small and medium-size enterprise, such as the suspension of the projects due to the increase of security concerns in India. Political tensions undercut some investment projects because Chinese investor's confidence was discouraged, which led to the bank's credit loss and the later disinvestment. Still, there was no complete termination of economic exchanges between China and India. Moreover, the follow-up actions of the two governments through diplomatic channels such as high-level consultations and informal meetings among the national leaders have resolved the dispute peacefully and slowly improved the situation for economic relations.

Fourthly, the increase of mutual cultural understanding could promote economic exchanges. In other words, by improving the understanding of each other's culture India's attractiveness to China could increase and also vice-versa. It is observed that "Watching Bollywood movies, tasting Darjeeling tea and practicing Yoga" has

become “three fashionable things among the urban youths in China” (Luo 2019). Indian films have been introduced through official channel (although the films have been informally introduced to China and spread on Chinese websites). It made the Chinese audience gradually understand Indian culture. More people want to know about India, and Indian products such as Assam tea and yoga, which are becoming more and more popular in China. This is not unrelated to the promotion of the two governments and civilian forces. The “Visit India Year” in China (2015) and “Visit China Year” in India (2016) designated by the two governments, the annual youth exchange programme initiated in 2006 and exchange of students have increased the number of people to visit each other. The Indian market has also attracted more and more Chinese companies to invest. The popular culture output of the Indian side seems stronger than China. The translation project based on a Memorandum of Understanding (MoU) signed by China and India in 2013 led to the translation of the classic Confucian books *Si Shu* (Four Books) into Hindi language for the first time in the entire history of China and India, along with other classics and recent literary works (Wang 2019). It is more profound in the aspect of influence. Hindu classics such as *Mahabharata* and *Ramayana* have already been translated into Chinese and published in 1999 and 2005. However, maybe due to the length of the two epics and the difficulty in understanding the languages, it has not had a significant impact on Chinese people. It can be seen that the exchange of popular culture seems to be more immediate than the classics. Yet, it is significant to understand the profound concepts of culture and return to the classics. How culture spreads in foreign countries and how to spread it more effectively is also an area that needs to be analysed in depth.

In short, the cultural exchanges between the two countries have promoted mutual understanding between the two countries and created a foundation for eliminating the negative impressions, besides increasing the mutual attractiveness between the two countries, which is conducive to shortening the psychological distance and promote economic interaction between the two countries.

6.4 Implications of the Study

This study profoundly explored the cultural factors behind the economic relationship between China and India. It provided a prerequisite for effectively solving the problems brought by cultural differences. Although previous research on the topic has often included comparisons of cultural differences between China and India, the analysis of China-India economic relations, and the impact of culture on the economy, this study links these separate research units and traces the cultural differences from their classical times to the current stage of the two civilisations. Based on combing the fields in economic relations of China and India (trade, investment, economic cooperation), it has deepened the explanation of the factors in economic relations that are influenced by culture. Moreover, it has argued that the cultural values that influenced the economy are connected with the ideological roots, thus fundamentally interpreting the sources of the thought and behaviour in economic activities.

It should be pointed out that culture is one of the factors in economic relations and conflicts and culture cannot represent the whole cause of economic performance and conflicts. There are many other essential dimensions in economic relations. This study only looks at it from a cultural perspective. Since the method of this research is inductive, there are still many worthy cases for further exploration, especially the small and medium-sized business organisations, which are closely related to the daily life of the general public. The influence of traditional thought on individual, organisation can be seen even more in these domains. In a sense, this research has carried out a particular vital analysis of some representative Chinese and Indian companies. In the future, it can also combine with the theory of International Political Economy (IPE) to gain insight into the role of enterprises in the economic relations between the two countries. Besides, in the course of the research, it has been attempted to make a combined study with the impacts of Psycho-Culturology to analyse the behavioural characteristics of the two countries at the national level, but these aspects have not been covered extensively in this study. The research on the characteristics of national behaviour could also be integrated with more actual cases in the history of China-India economic relations.

The single core value of each culture deserves to be explored in depth and linked to the behavioural characteristics of individuals, organisations and the nation. The existing literature has the interpretation of the single classic concept such as “*lun*” of Confucianism with an altitudinal generalisation of the particular cultural features. Moreover, there is a recent trend in Chinese and Indian academic circles to study the relationship between classical values and diplomatic thoughts (Song 2013; Xu and Sun 2014; SIRPA 2018; SIRPA 2019; Bourne 2018). This aspect can also be further explored. In particular, the analysis of Indian traditional values and the comparison of traditional values between China and India can be more vigorously encouraged.

Besides, this study mainly focuses on the BJP government of India, which is more influenced by Hinduism/Hindutva philosophy, and also covers some analysis of religious concepts and practices of the other central government’s main ruling party, Indian National Congress. Future research can also deepen the interpretation of the influence of Hinduism at different levels of Indian development under the leadership of the Indian National Congress. Moreover, this thesis covers more Chinese companies’ that complain of doing business in India. Indian companies’ attitude about doing business in China could be further explored.

The outcome and research frame of the GLOBE research project could be used in the interdisciplinary field. One of the main objects of the GLOBE research project is to interpret leadership and its differences among 61 societies. The main research level of analysis is individual. Although some scholars have pointed out that individuals can influence organisations and nations and the three levels of behavioural characteristics have some similarities, further studies can be initiated on the characteristics of the nation (government) or organisation in each cultural dimension, such as exploring the performance of China and India in multilateral cooperation, to show the characteristics of Collectivism of China and India at the national level. This study ranked cultural conflicts and the associated impacts on economic relations. The conflict theory in international relations theory and the international political economy still have a valuable reference to improve and upgrade related research, especially how the political tensions impact on the business of enterprises as well as the coping strategies during and after conflict.

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Appendix 1 Chinese Companies in India

	Industry	Company	Scope of Business/Headquarter
1	Power	State Grid of China (India) Office	
2	Steel*	China Steel Limited	
		Shougang India Ltd	
		Indian steel company	
		Baogang Group	Shanghai
		Angang India Ltd	Steel products
		Nanjing Iron & Steel Co., Ltd., India Office	Steel products
3	Construction/Engineering*	Shandong Electric Power Construction Corporation	
		China Water Power Group Company India Office	
		Shanghai Urban Construction International Engineering Co., Ltd.	
		Gezhouba Group	Construction and engineering, Wuhan City, Hubei
		China Railway 14th Construction Bureau Co Ltd	
		Panzhuhua Guanghua Group	Real estate
		Hubei Electric Power Construction	
		Tianjin Electric Power Construction Company	

		Shenyang Yuanda Aluminium Industry Engineering	
		Central Southern China Electric Power Design Institute	Power/engineering design and EPC contracting
		Northwest Electric Power Construction	
		Long Jian Road and Bridge Co	
		Jiangsu Transportation Engineering Corporation Project (India) Private Limited	
		Shandong Power Construction Company	
		State Nuclear Electric Power Design Institute	AP1000 third-generation nuclear power technologies
		China Fortune Land Development Co., Ltd	Building industry cities, regional economic zone
4	Energy	China Petroleum Technology Co., Ltd.	
		Shanghai Baijin Group	Carbon disulfide
5	Manufacturing*	Yantai Moon	Freezing, cold storage, and industrial refrigeration equipment, Shandong
		Shanghai Hitachi Electrical Appliances	Haili, manufactures and sells rotary air conditioning compressors
		China South Locomotive Group (Hunan)	Manufacturer of locomotive and rolling stock. Merged with China CNR Corp., Ltd to form CRRC Corp., Ltd.. in 2015.
		Changzhou Wujin Feng Communication Equipment Co., Ltd.	Electrical Components
		Shenzhen Precision Instrument Co., Ltd.	
		Sichuan Machine	Tools and hardware
		Guangdong Kin Long Hardware Products Co., Ltd.	Architectural hardware(door and window)

		Yapp Automotive Parts (Chennai)	Supplier and manufacturer of plastic fuel tank, plastic fueling pipes, Yangzhou Jiangsu
		The Zhe Jiang Jinfei Machinery Group Company	Manufacturers of aluminium alloy wheels for motorcycles
		Harbin Coslight Battery CO., LTD.	Producing valve-regulated lead-acid storage battery
		Zoomlion India Company	Construction machinery equipment
		Changlin Construction Machinery India Private Ltd.	Construction machinery,
		Wolong Electric Group	Motor and Control, Transformer and Battery
		TBEA	Electrical equipment
		China Power Equipment Group	Amorphous alloy transformer cores and amorphous alloy distribution transformers
		Shandong FIN CNC Machine Co Ltd	CNC machine tools for steel structure industries
		Jinan Liaoyuan Machine Co Ltd	CNC Machine, Door & Window Machines and Glass Machine
6	Heavy Industry	Liugong India Heavy Industry India Company	
		Henan Xianghe Aluminium Co Ltd	Aluminium alloy plate, strip, and foil
7	Bank	National Development Bank	
		Industrial and Commercial Bank of China Mumbai Branch	
8	Electricity	Dongfang Electric Engineering India Headquarters	
		BYD Electronics India Ltd.	
		Harbin Electric Group India Office	
		Shanghai Liangxin Electric Company	

		Shanghai Electric San luan Group Yantai	
		Pinggao Group	High voltage switchgear, Henan, Subsidiary of State Grid Corporation
		The Runh Power Corp. Ltd (Shandong)	Power plant equipment and contractor of power plant construction,
		Dongfang Electronics	Automation control products, power products, converters,etc. Shandong
9	Technology (Telecom)*	Huawei telecommunications (India) Ltd	
		ZTE telecommunications (India) Ltd	
		China Telecom India representative	
		Wuhan Posts and Telecommunications Research Institute	Hardware, communications equipment/Wuhan city
		Maipu Communication	Networking solution supplier
		Dongxin and Smart Card Corporation (Delhi)	
		Shenzhen high-tech stock company (Chennai)	
		Heidelberg Science and Technology Co., Ltd.	
		The CSTC Card Technology Pte Ltd	
		Longtel technology	Supplier and manufacturer of mobile handsets
10	Mining	China Minmetals India Office	
11	Healthcare	Shenzhen Mindray Bio-Medical Electronics Co., Ltd.	

		Tiens Group	Health and Wellness, as well as bio-tech, education, retail, tourism, finance, international trade and e-business, etc.) Tianjin
		China National Biotec Group Company	Subsidiary of China National Pharmaceutical Group Corporation (SINOPHARM)
		Sinopharma International	Medical and healthcare group
12	Consumer Goods*	Dong Fang Electric Engineering (India) Ltd.	
		Haier Electronics India	
		Aokang Group	Shoes and other leather products
		Jiangsu Overseas Group	Chemicals, electrical and mechanical equipment, metals, building materials, consumer goods, textiles, pet products, etc. (Nanjing city)
		TCL	Mobile phone, LED TV
		Feida Group	Agricultural product manufacturer, Shandong
		Midea Group	Electrical appliance manufacturer, Guangdong
13	Transport	China Shipping Company (India) Ltd	
		Air China International Delhi Sales Department	
		China Eastern Airlines India representative office	
		China Southern Airlines Company Limited, India	
		Sanya Holiday Travels India Pvt Ltd	Supporting and auxiliary transport activities; activities of travel agencies.
		The Hopewell international freight forwarders	
		Uni-top Airlines	Cargo airline, Wuhan-India

			Madras-Delhi (2011.04)
		Hong Kong Aviation Co.	Aircraft leasing and financing services
14	Automobiles	SAIC-GM joint venture in India	
		BAK Battery, Inc.	Lithium battery, electric vehicle and battery recycle
15	Media*	Media Xinhua Group	
		Xinhua News Agency	
		Wen Wei News	
		China Central Television	
16	Consult	South Asia Investment consulting firm	
17	Other	Harbin Boiler Factory	
		Shandong Yantai Sheng ho Company	
		Yuncheng Engraving	
		Hong Kong pure Global Co., Ltd.	Operating health clubs, spas, and other physical fitness Facilities
		Shenzhen Launch Tech	
		Tongmao International India Limited	
		Polar Transmission	
		Zhejiang Sunshine Group	International trade, ocean shipping, coastal shipping, real estate development and investment, industrial equity investment, pawn, fund management and investment and many other fields.
		Jianghe Curtains	
		Du an Environments	
		The Zhe Jiang Jiangjie Adhesives Limited	

		India Home	
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Appendix 2 Indian Companies in China

	Industry	Company	Scope of Business/Headquarter	Headquarter/Location in China
1	Infrastructure	Adani Global	Infrastructure (resources, logistics, energy and agro)	Beijing
		Va Tech Wabag Water Treatment Technology Co. LTD.	Water supplier, wastewater treatment plant design, construction and operational management	Chennai/ Beijing
		BEML Limited(Bharat Earth Movers Limited)	Mining & Construction, Defence and Rail & Metro	Bengaluru, Karnataka/Guangzhou, Guangdong ; Shanghai
2	Pharmaceutical	DR. REDDY'S LABORATORIES LIMITED	Active Pharmaceutical Ingredient products, Finished Dosage plants	Hyderabad/ Beijing
		Matrix Pharma Group	Manufactures and supplies fine chemicals, active pharmaceutical ingredients, and formulations	Bangalore/ Xiamen, Fujian
		NCPC Orchid Pharma Co. LTD.	designs, manufactures, markets, and distributes bulk drugs	Chennai, Tamil Nadu/ Shijiazhuang, Hebei province
		Amol Biotech Limited	Manufacturing of	Jaipur/Shanghai

			granules(herbals, minerals, vitamins, amino acids and dietary supplements raw material)	
		Aurobindo Pharma	Pharmaceutical ingredients and formulation products	Hyderabad/Shanghai
		Ranbaxy Laboratories Ltd.	Pharmaceutical	Gurugram/Guangzhou
3	Manufacturer	Faw Bharat Forge Co. Ltd	Auto components	Pune/Changchun, Jilin(JV with China FAW Corporation Ltd)
		Ashok Leyland	Commercial vehicles, buses, trucks	Chennai/Shanghai
		Asiatic Colour Chem Industries Limited	Chemicals and dyes	Ahmedabad/Shanghai
		Bharat Heavy Electricals Limited	Power plant equipment manufacturer and engineering and manufacturing company	New Delhi/Shanghai
4	Steel *	Electrosteel Integrated Limited		Beijing
		ISPAT INDUSTRIES LIMITED		New Delhi/Beijing
		JSW STEEL LIMITED	Steel, coated products, (power, infrastructure building and cement)	Mumbai/Beijing
		Jindal Steel & Power Limited	Steel, power, mining, infrastructure, fuel	Haryana New Delhi/Beijing
		Mishra Ispat Pvt Ltd	Basic iron and steel	Kolkata/Beijing
		Rashmi Group (Rashmi Metaliks Limited)	Iron and Steel products, cement, power and ferroalloys	Kolkata/Beijing
		Steel Authority of India Limited(Sail)	Indian state-owned steel-making company	New Delhi/Beijing

		Bralco Steel Processing(Shanghai) Co. LTD.	Steel processing	Shanghai
5	Mineral/Materials	Ashapura Group (Ashapura Minechem Limited)	Multi-Mineral, bentonite, bleaching clay, refractory material, proppants etc.	Mumbai/Beijing
		Essar Group	Conglomerate group, energy, metals& mining, infrastructure and services	Mumbai/Beijing
		CUMI Abrasives and Ceramics Co. LTD.	Abrasives and ceramics	Chennai/ Sanhe, Hebei
		Liaoning Birla Carbon Co. Ltd.	Carbon Black	Liaoning
6	Commodity	Essel Packaging (Guangzhou) LTD	Packaging	Mumbai/Guangzhou
		Guangzhou Havells Sylvania Enterprise Limited.	Lighting(lamps and fixtures)	Noida,UP/Guangzhou
7	Food	Paprika Oleo's India Limited	Spices, chillies	Virudhunagar, Tamil Nadu/Qingdao, Shandong
8	Textiles	Gateway Global	Home textiles, fabrics, yarns, and apparel	New Delhi/Shanghai
9	Entertainment	Zee TV	Indian cable and satellite television channel	Mumbai/Guangzhou
10	Energy	Suzlon Energy Limited	Wind energy	Pune/Beijing
11	Banking *	Bank of India		Mumbai/Beijing, Shenzhen
		Union Bank of India		Mumbai/Beijing
		Allahabad Bank		Kolkata(Founded in Allahabad, UP)/Shenzhen, Guangdong
		Bank of Baroda		Vadodara,

				Gujarat/Guangzhou
		Indian Overseas Bank		Chennai/Guangzhou
		UCO Bank		Kolkata/Guangzhou
		Axis Bank Limited	entire spectrum of financial services to customer segments covering Large and Mid-Corporates, MSME, Agriculture and Retail Businesses	Mumbai/Shanghai
		Canara Bank		Bengaluru/Shanghai
12	IT/Software/ Communication	Krsna Sourcotech Solutions Private Ltd	Software publishing, consultancy and supply	Pune/Beijing
		Sasken (Communication) Technologies Ltd.	Product Engineering and Digital Transformation	Bengaluru/Beijing Shanghai
		Cognizant Technology Solutions	Digital technology	Teaneck, New Jersey, US/ Shanghai
13	Transportation	Jet Airways(India) Ltd.	Airline	Mumbai/Hongkong
		Air India	Airline	Delhi/Shanghai
14	Services	Genpact	Artificial Intelligence Solutions, Digital Transformation Services, Professional Services	Delhi/Dalian, Liaoning
15	Group *	Reliance Anil Dhirubhai Ambani Group	telecommunications, power, financial services, infrastructure, media and entertainment, and healthcare sectors	Navi Mumbai /Beijing
		Reliance Industries Limited	hydrocarbon exploration and production, petroleum refining and marketing, petrochemicals, retail and telecommunications	Mumbai/Shanghai

		Tata Group	Tata Steel, Tata Motors, Tata Consultancy Services, Tata Power, Tata Chemicals, Tata Global Beverages, Tata Teleservices, Titan, Tata Communications and Indian Hotels	Mumbai/ Beijing
		Apollo International Limited	Logistics, Digital Cinema, Leather Garments & Accessories, International Projects and Marketing & Distribution of tyres.	Gurgaon, Haryana/Qingdao, Shandong

Appendix 3 Research Questions

I. To Indian business people in China

1. What are the Chinese culture or behaviours that you feel difficult to understand?
2. What kind of cultural differences form hindrances in your work?
3. Which part of your culture do you hope your counterpart should understand to improve the cooperation?
4. What kind of business do you think is lacking between China-India?
5. What kind of products do you think are influenced by the culture of China?

II. To Chinese business people in India

1. What are the Indian culture or behaviours that you feel difficult to understand?
2. What kind of cultural differences are hindrances in your work?
 - What cultural differences have created problems in your work?
3. Which part of your culture do you hope your counterpart should understand to improve the cooperation?
 - Do you think Indian should understand *guanxi, mianzi, li (li-shang wang-lai)*?
 - What else Chinese culture do you think Indian should know?
4. What kind of business do you think is lacking between China-India?
 - Do you think the scale of trade, investment and economic cooperation between (mainland of) China and India is at the level where it should be?
 - Do you think the character of Hinduism (caste, Jugaad, manthan, time value etc.) have hindered the economic cooperation?
5. What kind of products do you think are influenced by the culture of India?
 - How far do you think the understanding of Indian culture (especially the Hinduism) would be helpful to do business in India for Chinese?