

Barometer of China – Portuguese Speaking Countries: The Impact of Culture on Commercial Relations

This project studied the impact of cultural relations in the commercial relations between China and the Portuguese-speaking Countries (PLP, in its Portuguese acronym) having the Macau International Fair (MIF) as a privileged space to assess these impacts. Despite existing macroeconomic information on the subject, the cultural aspects and their impact have been undervalued. This project aims to fill this gap, focusing on evaluating the relevance of cultural and linguistic factors to the establishment of successful economic relations. It aims also to obtain useful data for the respective governments, Chambers of Commerce, Trade Associations and companies at large. Lastly, we seek to make a contribution by putting an important, but largely ignored topic in the daily practices of companies, on the research agenda, namely the importance of cultural aspects, explicit and tacit, in shaping the values and behaviours of economic agents.

1. The Importance attributed to the Macao Special Administrative Region (MSAR) and the Macao Forum for China-PLP relations varies according to the historical, political and economic background each PLP has with Macao and China, as well their greater or lesser interest in developing these relations via Macao. In the case of Portugal, this interest is high, as a safeguard of its historical, cultural and language heritage in Macau, and via Macau. The opposite happens with Brazil, which favours direct economic relations with China and has a strong presence in other *fora* and places like Hong Kong and Guangdong and therefore less need to use Macao as an intermediary platform. The remaining PLP see Macao as a potential platform to enable development activities, such as language training (Portuguese and Chinese) and the promotion of commercial relations with the PLP. Despite their different interests and situations, all stakeholders are aware that their political relations with China are crucial to the development of any economic cooperation project.

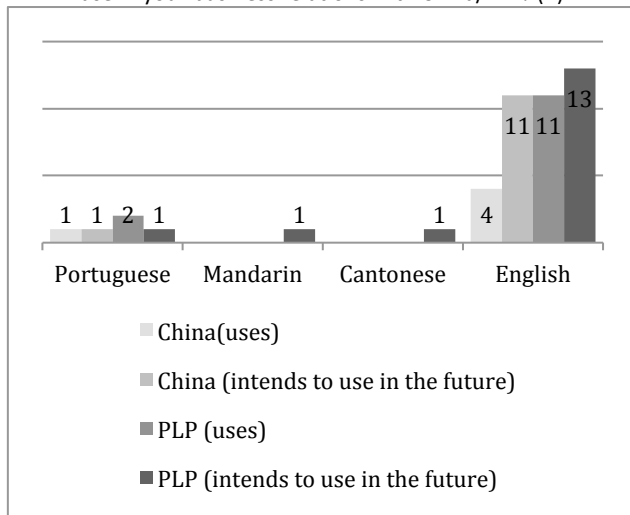
2. How is the Forum Macao's strategy understood regarding the China-PLP relations? The Forum complements the political and diplomatic relations between these countries, as a platform to enable investment, trade, and facilitate the transfer of raw materials. The PLP have different strategic visions regarding their presence in the Forum: for Portugal, preservation of heritage, language and culture in Macao, as well as commercial interests; for Brazil, a less visible presence, given the successful bilateral relations outside the scope of

the PLP; for the remaining PLP, an opportunity to capture investment, seek technology transfer opportunities and develop strategic economic sectors. The challenge of the Forum is to reconcile the different strategic interests of the PLP with China's own interests and scale.

3. In this context, what role does MIF play in the trade relations between these countries? The role of the MIF is complementary to the existing relations, a trade show that provides an opportunity to explore and facilitate new investment opportunities. However, given the large differences between the PLP present at the Forum, the MIF does not have the same strategic interest for everyone. Its commercial inclinations make it less attractive for African PLP, which have less to offer in terms of exports and are more interested in attracting investment. Also to Brazil the MIF has little strategic importance, considering the scale of existing direct trade relations. For Portugal, the presence at the MIF reflects the commercial interest in increasing exports to China, particularly in the area of Food and Beverages, where Macao already plays a key role as a logistical centre for further distribution into China, through local intermediaries.

4. What is the relevance of language and cultural factors in fostering business relations? Among the participants in the 2014 MIF, Portuguese or Mandarin take a secondary role in terms of being the language used for communication between companies, with English being the most commonly used language. Moreover, participants expect this trend to accentuate in the future.

Figura 1. What is the most common language used/planning to use in your business relations with China/PLP? (n)



Few companies reported having promoted language courses for its employees that deal with partners in the China / PLP (6 Chinese companies organized these type of courses, 9 PLP companies). None of the Chinese companies reported having trained its employees specifically in doing business in the PLP, whereas 12 out of 34 (35%) of the PLP companies stated having trained their staff on doing business in China. Similarly, it is mostly PLP companies that send their employees to China (23 PLP companies, in comparison with only 2 from the PRC) to participate in business meetings, trade shows or conventions (23 PLP companies reported sending staff to these events), join business delegations (5 PLP companies), studying or training courses (5 PLP companies). In summary, PLP companies are the ones investing in providing their staff with competences on doing business in China, in an effort to promote a deeper understanding of its business partners and target market. This investment is nonetheless small, reflecting these companies' short-term orientation.

5. How to improve communication with business partners?

The aspects emphasized by PLP (n = 30) to maintain good business relations are those relating to knowledge of tacit codes of Chinese culture (e.g. understanding the codes of conduct, having appropriate behaviour), and informal relational aspects (e.g. having a good personal relationship with the business partners), and macro (e.g. being aware of the socio-political context).

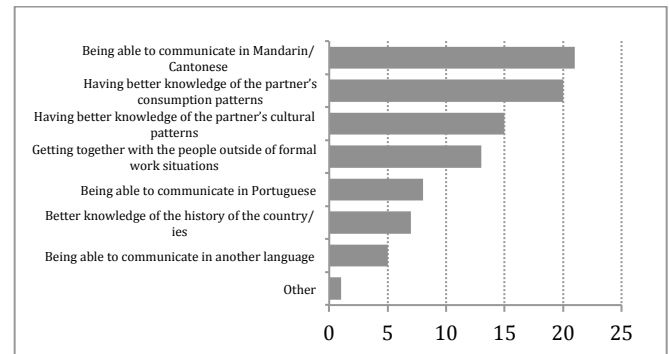
Table 1. Of the following factors, which does your organization consider most important to develop a good business relationship with China/PLP? (multiple, n)

	China	PLP
Having a command of Chinese / Portuguese (local language)	6	15
Being aware of the codes of conduct / knowing how to act appropriately	6	26
Having good personal relations with the business partners	8	23
Behaving in accordance with the country's values and customs	4	24

Being aware of the socio-political context	2	21
Being aware of the customs in regards to one's outlook in business setting (e.g. clothing, grooming, etc.)	4	14
Others	0	2
Total valid responses	17	30

The linguistic aspects appear at the top of the solutions to improve communication between partners. For participants from the PLP, to communicate in the native language (Mandarin or Cantonese) of their partners is the most common answer given (21). Although the English language (see Figure 1) is the language that these companies intend to use in the future, being "able to communicate in another language" (like English), comes last (n = 5). Thus, what seems more desirable or designed to improve intercultural communications (i.e. ability to communicate in Mandarin) appears to be in contradiction with a more short-medium term, pragmatic approach (English as the *lingua franca* of business). The ability to communicate in Portuguese appears in fifth place only (n = 8), distant from the priority given to communication in Mandarin. The communication in the native tongues is perceived as a factor that can lead to closer relations but is not critical, as English enables the basic conduct of business.

Figura 2. Of the following, which do you consider could improve communication with the Chinese business partner (s)? (PLP, n = 30, multiple answers)

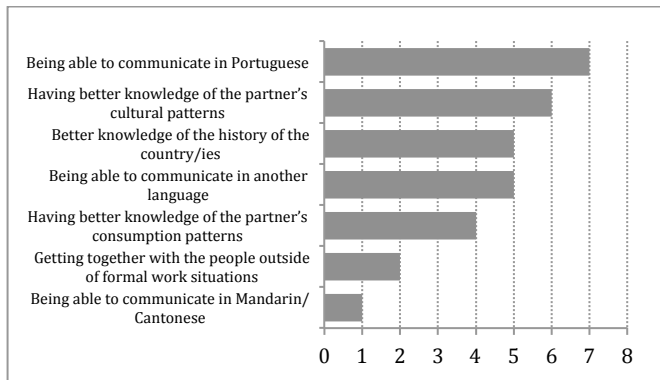


Besides language, other cultural aspects arose on the list of responses given by PLP, namely to: "know consumption patterns" (n = 20); "Better understand the cultural patterns" (n = 15). The more relational aspects ("to develop a relationship with these people outside the formal work situations") appear in fourth place only (n = 13), revealing an unconcern with the importance of soft skills in establishing relations of mutual trust and reciprocity, as well as to the completion of deals.

Among the Chinese respondents the most frequent answer was the ability to communicate in Portuguese (n = 7), followed by the need to have a better knowledge of the culture (n = 6) of business partners, as well as of its history (n = 5). Most participating Chinese companies (11 out of 17 respondents) consider important to have training on the culture of the PLP in order to improve communication with the organizations in those countries. However, almost none

of the participating companies provided its employees any specific training in this area, neither in language or cultural aspects (see Table 1).

Figura 3. Of the following, which do you consider could improve communication with your (potential) business partner (s) of the PLP? (RPC, n = 17, multiple answers)



6. As conclusion of this pilot project we highlight the acknowledged importance of language for business relations, as a factor that may hinder, or even prevent communication. Cultural and linguistic issues are seen as critical in these economic and trade relations, by both the political / institutional stakeholders and the representatives of these organizations in the MIF. English is undoubtedly perceived as the language of international business, even in the context of the PLP-China relations, a fact that is reflected in the intention of increasing its use in the future. This intention to use English is noted even though events like the MIF allow access to intermediaries and translators in Macau, which are however insufficient. Even though Chinese and PLP businesspeople do not have high levels of fluency in English, the lack of human capital that can speak both Portuguese and Chinese (Mandarin or Cantonese) still makes it the key language for conducting business.

The mutual lack of knowledge about the partner's culture and the little interest and investment in promoting further cultural understanding and language skills through specific training courses was also noted.

The findings in this pilot study lead to the following recommendations:

- Businesspeople from China and the PLP should actively promote language courses to equip its staff with the minimum required language skills to facilitate initial contacts and reduce barriers for business development.
- Training should be offered to employees on the culture of the countries concerned, focusing training on the provision of interpretative tools that prevent the diffusion of stereotypes, which are likely to lead to prejudice.
- To complement short-term training courses with long-term initiatives, such as internships and/or placement of staff in the other country to foster a deeper cultural understanding.
- To promote informal meetings and company visits that aim to have, or already have, commercial relations to foster closer personal networks by enabling business

partners and key workers in both companies to meet face-to-face, increasing the quality of communication, personal bonds and mutual understanding.

- A greater involvement of institutional actors such as the Macao Forum and respective delegations in support of such initiatives, to promote business between enterprises of China and PLP.

Methodological summary. This project followed a mixed qualitative and quantitative methodology, including ethnography in the MIF, in-depth interviews to privileged actors and questionnaire surveys to representatives of participating organizations in the MIF. The project took place between September 2014 and August 2015 and was developed by an interdisciplinary team of researchers at the University of St. Joseph in Macao; the Portuguese Catholic University (CESOP - Center for Studies and Opinion Polls); and the University of Lisbon (*Instituto do Oriente*). Fieldwork took place in October and November 2014, for the qualitative part; and between January and March 2015, for the quantitative part. The survey questionnaire was conducted online through email, to a sample of 542 organizations participating in the MIF (businesses, chambers of commerce or trade associations), 455 from China and 87 from the PLP. Data collection for the quantitative study took place between the first week of January 2015 and the third week of March 2015. A total of 69 valid responses were received, from 34 organizations of the PLP and 35 Chinese organizations. The data collected, even though not representative of the population enabled the research team to test the methodology, which may now be used in subsequent editions of the Barometer, providing also exploratory clues for further research.