

Lessons in cultural awareness

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Business studies: Brazilians study Mandarin to tap into growing links with China

It is 9.04am and a group of Chinese businessmen have assembled solemnly outside a hotel conference room in São Paulo. Brazil's stock exchange operator, **BM&F Bovespa**, was scheduled to kick off its first ever capital markets forum with China four minutes ago but, like many meetings in the Latin American country, it did not start on time. As the Brazilian guests arrive, complaining loudly about the morning's traffic and heading straight for the free breakfast, the huge cultural gap between the two emerging market powers becomes apparent.

Since China displaced the US in 2009 as Brazil's biggest trading partner, Brazilian company executives and politicians have been scrambling to understand better the Asian giant in their midst and work out the best way to deal with it. BM&F Bovespa, for example, has long wanted to list Brazilian stocks in Shanghai – as it has done in places such as Hong Kong and Paris – but wooing the Chinese mainland has proved painfully slow.

"They're not like the Americans or the Europeans," Edemir Pinto, the exchange's chief executive, explains in exasperation. "Sometimes, you have to sign a memorandum of understanding just to have lunch with the Chinese."

Embraer, the aeroplane manufacturer, has also experienced a long struggle to expand operations in China while deals in other sectors have fallen through over such seemingly trivial things as a misinterpreted e-mail.

"Aside from the language barrier, there is a lack of cultural understanding on both sides," says Charles Tang, president of the Brazil-China Chamber of Commerce and Industry. "Many Brazilians go to the Canton Fair [China's largest trade fair] and after they get back they don't manage to keep in touch with the interested Chinese company and they end up losing the deal."

Although doing business with China poses a challenge for companies worldwide, the stakes are particularly high for Latin America's biggest economy. Brazilian exports of raw materials to China jumped 35-fold in value terms between 2000 and 2010, while the export of manufactured goods to China rose only seven-fold during the decade.

If Brazilian companies cannot better integrate themselves into the Chinese economy and way of life, the country risks simply becoming Asia's commodity warehouse, says Alexandre Yambanis, an executive director at **Suzano**, Brazil's second-largest pulp and paper producer.

"By understanding these cultural differences, it will be much easier for the Brazilians to negotiate the bilateral agreements that will allow them to sell more finished goods to the Chinese," he says.

Suzano is one of a handful of Brazilian companies that has tried to branch out

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from the traditional export model by setting up its own office in Shanghai, forming a partnership with the South China University of Technology and encouraging its staff to master Chinese cooking as well as the language.

Part of the difficulty in relating to Chinese culture is that very few Chinese live in the country. Chinese residents accounted for less than 2 per cent of Brazil's immigrant population at the time of the country's census in 2000. Last year, only 2,160 work visas were given to Chinese nationals, fewer than the number handed out to Indians or Germans.

"Did you know you can order snake blood at restaurants over there?" a Brazilian government assistant tells his horrified colleagues in the back room of another forum in São Paulo, which was held to promote better co-operation between the Bric countries.

For those whose livelihoods now depend on doing business with the Chinese, the urgency to get to know this alien culture is even greater.

One evening, in the south of the city, a group of young Brazilians is taking a Mandarin class at Chinbra, São Paulo's biggest Chinese language school, which has also provided in-house tutoring at the stock exchange.

About half the lesson is devoted to cultural issues, when the students, who mostly work for import businesses, bombard the native Chinese teacher with panicked questions: "Do you have to give everything with both hands? Even your business card?"; "Why are their tables round?"; "Does the number four mean happiness or death?" and "What should you give as a present? Something Brazilian? What about passion fruit?"

But according to a number of heads of the nascent "China desks" at some of São Paulo's consultancy and law firms, aside from mastering the language and business etiquette, the biggest challenge will always be timing. This means not only turning up on time and meeting deadlines, but also adapting to China's pace of getting things done.

Hsia Hua Sheng, director of the Brazilian risk consultancy Luz Engenharia Financeira, says chronic hyperinflation during the 1980s and early 1990s left Brazilians unaccustomed to long-term planning, meaning they typically spend most of their time on the execution phase, improvising as they go along and opting for the most pragmatic solutions.

The Chinese could not be more different. "They take so long to make a decision, but that's not the problem," he says. "The problem is that when they do finally decide, they want it done in two days, but by that point the Brazilians have given up any hope of a deal and are totally unprepared. Many partnerships have fallen through because of this."

The issue of hierarchy is also a big stumbling block in many negotiations. Brazilians often remark at the number of questions Chinese executives ask. "If you offer them 'Y' or 'Z', they want to know why 'C' was never an option," says Luis Antonio Semeghini de Souza, a partner at the Brazilian law firm Souza, Cescon, Barrieu and Flesch.

The reason is that the Chinese executive who is asking is unlikely to be the one making the decisions. Instead, his or her job is often to gather as much information as possible and report to the boss back home.

This practice tends to feed into Brazilians' paranoia about China's state intervention in their economy as it is never clear if the person calling the shots thousands of miles away is actually working for the government. Brazil has already clamped down on foreign land ownership because of fears over sovereign wealth funds buying up chunks of the country, and some economists see a risk of further protectionist measures ahead.

"This is all very new for us," says Sérgio Amaral, a former Brazilian minister of development, industry and foreign commerce. "You never know if you're dealing with a private company or the state. Should we be responding to them as a government or playing by the rules of the market?"

However, it is too late for Brazil to turn its back on China now, as the experience of one of the youngest students in the Chinbra Mandarin class shows. Adriano Amaral, a 22-year-old assembly line worker at the city's General Motors plant, was planning to learn German so he could get a better job in the auto industry. But then his mother asked for a second opinion from one of the plant's directors and the response was unwavering: "No way. Most of the parts and materials come from China nowadays. The best thing you can do is learn Chinese."

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• Understand the big picture:

"Read the Chinese 12th five-year plan. If you cannot explain to a Chinese government official how your company is relevant to them achieving that plan, then you're wasting your time."

Mark Spelman, global head of strategy, Accenture

• Face-to-face is important to dealmaking:

"I've never seen the Chinese take a decision electronically. They always want a personal meeting, to be honest lots of meetings."

Luis Antonio Semeghini de Souza, lawyer, Souza, Cescon, Barrieu and Flesch in São Paulo

• Involve the Chinese:

"China is a very particular market and having a local player on board can make all the difference."

Lucy Pamboukdjian, international business development manager, BM&F Bovespa

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