A Study of Brazil Business Negotiation Strategy

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INTRODUCTION

On 9th of March 1500, Portuguese expeditionary team of thirteen ships, after departing Lisbon, discovered Brazil soon on 22nd of April 1500. Brazil was then called “Terra de Santa Cruz” and was announced a Portuguese colony. As the Portuguese colonists began plundering with the cutting Brazilwood, the word “Brazil” gradually replaced “Terra de Santa Cruz” and became the name of the nation up until now. The transliteration of Brazil in Chinese is “Ba-xi” (Travel Online, 2008).

Brazil is located on the northeast side of South America between latitude 05°16’20”N, 33°44’32”S and longitude 34°47’30”W, 7°59’32”W. It borders French Suriname, French Guyana, Venezuela, and Columbia in the north; Peru and Bolivia in the west; Paraguay, Argentina and Uruguay in the south; and Atlantic Ocean in the south with a coast line of 7,408km. The breadth of territorial sea is 12nm and the Exclusive Economic Zone outside the breadth of territorial sea is as wide as 188nm. The territory of Brazil constitutes 46% of South America. Brazil is the fifth largest country in the world, only after Russia, Canada, China and the United States. Brazil is divided into five regions as: North Region, Northeast Region, Central-West Region, Southeast Region and South (Global Taiwanese Businessmen Service Site, 2008).

The total area of Brazil is 8,511,965 km2. The total population is 184 million (2007) in which 54% are White, 39.9% are Pardo, 5.4% are Black, 0.5% are Asian and 0.2% are Amerindian. The population in Brazil is the fifth largest in the world, less than that in China, India, America and Indonesia, and accounts for 1/3 of the Latin American population. There are 24 States, 5 Regions and 1 Federal District (where the capital city situates) in Brazil. The capital city is Brasília and the currency is Real (BRL). The official language is Portuguese (dljs.net, 2007).

LITERATURE REVIEW

Brazilian Culture and Tradition

The features of the Brazilian culture and tradition are described as below:

(1) Brazil is a cultural melting pot with rich migration culture and immigrants from places such as Europe, Africa and Asia. The locals treat immigrants with merciful and friendly manners benefitting the immigrants to blend into the Brazilian society (Yuloo.com, 2008).

(2) Combining European culture, Indian culture and African culture, Brazilian culture has abundant and various folk creation.

(3) As Brazil is a matriarchal society, women are treated with highest respect. In most social situations, men would give precedence out of courtesy to show their manner. Examples showing the Brazilian politeness are: when leaving home, men would open the door for women and the host would open the door and accompany the guest to the door.

(4) Keep a close distance when talking with Brazilian, show your enthusiasm but avoid discourteous behavior (CEO Online, 2006).
(5) There are extreme differences among music and dance. Among the various cultures, the most dominant one is the Portuguese culture. The language, religion and most traditional customs originated from Portuguese culture.

(6) Brazilian culture is strongly influenced by Indigenous and African cultures. Most Indians in Brazil speak the Tupi-Guarani language. Many modern Brazil Portuguese words are derived from this particular language.

(7) In Amazon Basin, the influence of Indian people to Brazilian culture is the most prominent. However, the influence of African people is reflected on Brazilian folk music, especially the noticeable rhythm, samba.

(8) There is an interesting custom of the Indians in Brazil. As bath time and dinner time are the most important events in their life, they invite guests to jump into the river to take a shower repeatedly. Sometimes they do that for more than ten times in one day. As the story goes, it is the etiquette which shows highest respect to the guests. In addition, the more bath invitations they make, the more politeness and respect they show to the guests.

(9) The Brazilian customs are quite interesting as well. Men like to paint a tiger on his chest to show his braveness or paint arrow to show he is the best archer. They regard the rare “birch fruit” as a symbol for blissfulness (Wordpedia.com Taiwan, 2008).

Brazilian Religion and Taboo

Most Brazilians are Catholics but there are some people who follow the precepts of Christianity, Judaism and other religions. The taboo number is “13.” Brazilians in general consider 13 as an unlucky number that brings misfortune or disaster. Therefore, Brazilian people do not like to see or hear this particular number. It is a taboo to discuss political topics related to Argentina when talking with guests. However, Brazilians value signatures. They sign their names carefully in letters or even notes to show respect and manner. The handkerchief is a taboo for gifting; as Brazilian believes the handkerchief bring quarrel and unhappiness. Purple is a big taboo for Brazilian as they consider it a sad color. They do not like flowers of dark reddish purple color as this flower is usually seen in funerals. As the deceased are treated as fallen leaves in Brazil, therefore brownish yellow represents the color of grief and loss which is also a taboo. In addition, Brazilians are tabooed to connect the tips of the thumb and the index finger to form a circle and have the rest of finger pointing upwards to make an “OK” sign as they believe it is the most uncivilized gesture (Brazil Exhibition Site, 2007).

Brazilian Catering Features

As for food and beverage, because Brazil is the gathering place for European, Asian and African immigrants, the eating habits are influenced greatly by these countries. The eating habits are different in different regions in which all are of local specialty. As there are many farms in South Brazil, due to rich soil, BBQ is the most common cuisine. In Northeast Region, people mainly live on tapioca and black beans. The staple foods for people in other regions are noodle, rice and beans. Vegetable consumption is more popular in Southeast and South regions. Famous Brazilian dishes are: Feijoada, a must-eat dish for all Brazilians, is a stew of beans and other foods; BBQ, the best dish of the country, can be seen everywhere in Brazil and is a typical Brazilian dish. Fish consumption is still not very popular in Brazil. Brazilians normally eat fish only on Friday and during Easter. However, they all like to eat shrimps which are expensive and rarely consumed. Brazilians can not have any social activity without alcoholic beverages. They like to have a jug of cold beer to ease the hotness during hot climate. Brazil is also
known as the “Kingdom of Coffee,” which means it is the country in the world with the largest coffee consumption. Drinking coffee a national habit for Brazilians (Brazil Exhibition Site, 2007).

**Analysis of Brazilian Advantages and Disadvantages in Negotiation Strategies**

1. Advantages:

I. Employ Legal Experts for Assistance to Get the Initiative in Trade Negotiation (Wu, 2000)

   As Brazil gets more and more involved in global economy, many foreign-funded enterprises flock in, international trade business for Brazilian enterprises increases and the requirement for legal services also increases. Hence, the level of involvement of lawyers in international trade dispute negotiation is getting higher.

   Advantages of lawyers in negotiation and the main functions of lawyers: (Ministry of Foreign Affairs of the PRC, 2003)

   (a) Before negotiation begins, the lawyer should assist the pleading enterprise in preparing all the legal documents and making use of all available resources to provide relative reference to the enterprise, including the work style, living habits and personal preferences of the chief negotiator of the prosecutor. The lawyer should try his or her best to create the most beneficial situation for the pleading enterprise.

   (b) If participating in the trade negotiation personally, the lawyer shall assist the enterprise in gaining optimal negotiation results from the perspective of the law. The lawyer shall suggest adjournment in time or adjust negotiation strategy according to the negotiation progress. After negotiation agreement is made by both parties, the lawyer shall assist the enterprise by guarding the final negotiation contract.

II. Lead Regional Economy Integration (Mercosur) and Aggressively Expand Multilateral (WTO) and Bilateral Trading Relationships (Ou-yang, 2006)

   During the last few years, Brazil became very enthusiastic in the participation of regional free trade negotiation and has made great contribution to the negotiations in Mercosur, South American Community of Nations and Free Trade Area of the Americas (FTAA). The first objective of Brazil’s enthusiastic participation is to guarantee its dominant position in regional trade. The second objective is to solidify its position in multilateral trade negotiation and influence multilateral trade negotiation trend. For example: In the FTAA negotiation between Brazil and the U.S, the U.S refused to include agriculture subsidy as a negotiation topic, wished to synchronize with EU and Japan, was not willing to give in during the negotiation and insisted on including agriculture subsidy under the multilateral negotiation framework. Brazil on the other hand considered agriculture problems very important to developing countries such as Brazil itself. For topics like services, while investment and intellectual property protection are aggressively promoted by the U.S, Brazil felt they are not necessary to be included in the negotiation. As Brazil’s strategy is to raise the price through the FTAA negotiation with the U.S and to urge the U.S to put pressure on the EU, Brazil’s position in WTO agriculture subsidy negotiation is thus changed (Ministry of Commerce of the PRC, 2006).

III. Bring WTO Dispute Settlement Mechanism into Full Play

   Dispute Settlement Mechanism is to solve trade disputes between WTO members, adjust trade relationships between countries and promote multilateral trade liberalization. Meanwhile, Dispute Settlement Mechanism provides guarantee to the rights and obligations regulated in the contract for the contracting party so the WTO agreement can be well implemented. Dispute Settlement Mechanism offers a steady and predictable problem solving approach when members are in disputes (MIS, 2005).
Brazil is a country that is good at trade wars and bringing WTO Dispute Settlement Mechanism into full play. Up until now there have 35 trade disputes relating to Brazil that are filed to WTO Dispute Settlement Body. Among the cases, Brazil acts as the plaintiff in 22 cases and the defendant in 13 cases. The number of cases filed by Brazil ranks the 4th among the WTO members, only after that of the U.S (169 cases), the EU (123 cases) and Canada (39 cases) (Ministry of Commerce of the PRC, 2006). The reasons for Brazil being able to use WTO related regulations and mechanisms freely to settle trade disputes are that Brazil is the contracting country for GATT which is useful in good goods trade negotiation during GATT period and service trade, intellectual property and investment negotiations after WTO is established. In some important negotiations, Brazil acts as the leader amongst many developing countries and has certain extent of significant influence in regulation establishment. Therefore being benefited by the regulations, Brazil itself is able to gain various experiences in the process.

IV. Attempt to Integrate the South Americas and Have Unity as the Core Concept

The barriers between developed countries and least developed countries are getting bigger. Environment and energy crisis are becoming more and more serious day by day. Core countries should try to enact international regulation to ensure the core countries have all the privileges obtained during the making of history. In the case of Brazil, it is vitally important to be able to contact with South American countries and participate in international trade. Brazil treats co-operations with its border countries as the first priority and is getting more active in reducing the influence which bureaucrat constraint has on labor force movement, in order to avoid blocking compromising negotiation related to political rights for all South American countries. The alliance with border countries allows Brazil not only to have all kinds of benefits in a much more efficient way, but also allows playing an important role in international negotiations (Guimarães, 2008).

2. Disadvantages:
I. High Tax Liability and Lots of Government Scandals

In terms of foreign relations, Brazilian president Lula united many developing countries and released pressure to developed countries using problems associated with agriculture free trade, which made Brazil a key member in global trade negotiations. However, high tax liability, mere formalities, corrupt and low efficient judiciary organization and incomplete labor market all contribute to weakening of Brazil’s international competitiveness (STNN.CC, 2008). 37% of Brazil’s GDP comes from taxes. Brazil’s tax liability is the highest among the emerging economic bodies. Such social and environmental problems as child labor, crime, unlimited tree cutting in the Amazon Forest have inhibited the Brazilian national development.

II. Protected by high tax rates, the electronic industry has inhibited the corporate development nationally.

Brazilian government imposes high customs duty, industrial product tax and good circulation tax on imported electronic products. All products must pass the inspection done by the inspection institute In Metro before sold out in the market. In addition, the Preferential Duty Programs of the Southern Common Market favors Brazilian electronic products to be exported to South American countries such as Argentina. All of the above are the advantages for Brazil’s national electronic industry in which the only flaw is the lack of peripheral electronic component industry. Therefore most of the electronic components are imported from other countries. If the market demands suddenly increases, Brazil is then facing electronic component shortage. Although Brazilian electronic industry enterprises are under the protection of the government’s policy, smuggled goods are everywhere as, for example, 65% of the IT goods are smuggled from other countries. Also, the lack of R&D staff and funds in electronic industry makes Brazil less competitive than other countries. These are all of the current market disadvantages in Brazil (TAITRA Electronic Newsletter, 2005). Because Brazil overprotects its electronic industry operators,
their high technology development is not as competitive as those countries in Europe and America. In international negotiations, Brazil causes many disputes due to problems relating to importation restraint, which is a big disadvantage.

III. Careless attitude towards time and work, a weakness often caught by the negotiator

Time is a key factor in negotiation. Negotiators often use deadlines to give the other party pressure and make the other party tell their real intentions. Therefore time is power. If one party is restrained by time, the other party would enhance the advantage relatively (Chang, 2007). Due to Brazil’s nationality differences and sluggish, carefree life style, Brazilian people do not have good sense of time which becomes the weakness the opponent likes to complain about in business negotiations. For example, a Brazilian company went to the U.S to purchase complete sets of equipment but the Brazilian negotiation team was delayed due to shopping. When they arrived the negotiation site, it was 45 minutes after the scheduled time. Being dissatisfied with the delay, the U.S representatives spent lots of time on criticizing how late and how untrustworthy the Brazilian representatives were. The Brazilian representatives knew they were in the wrong position and had to apologize to the U.S representatives over and over again. As the U.S representatives seemed still be unpleasant with the delay during the negotiation, the Brazilian representatives thus negotiated passively and in embarrassment. The Brazilian representatives had thus difficulty in making bargaining and signed the contract without giving careful consideration to the requests brought forward by the U.S representatives. Not until the contract was signed could the Brazilian representatives be calm down enough to realize they were extremely disadvantaged but it was too late (WTObbs, 2006).

In general, Brazilian government has been successful in global trade negotiation. For example, in WTO summit, Brazil invited other developing countries to appeal for supporting agricultural free trade during the meeting and opposed rich countries’ spend one billion U.S dollars in protecting own agriculture. It thus can be seen that Brazil has certain extent of vital influence in international negotiations.

CONCLUSION AND SUGGESTION

Conclusion

The study mainly aims at providing Taiwanese businessmen references for strategies being used in business negotiation or investment partnership discussion.

(1) Regional Integration Trend and Multinational Enterprise Development

As the trend of global economy integration and regional collectivization development goes, it is no longer feasible to regard each “nation” as an individual unit in the strategy development. The establishment of such systematic regional organizations as EU, NAFTA and Mercosur is to serve the goal that every nation must aggressively participate in regional integration in order to maintain its economic benefits and enhance the international competiveness for its multinational enterprises(Chen, 2006). BRICs will still be the essential places every international enterprise wants to be in while people are hoping to increase income and profits in BRICs. Therefore, when developing a country, a multinational enterprise must understand the local culture, thinking logic, perception and values of the country to avoid making mistakes during business negotiation.

(2) The Relevance of Negotiation Strategy Application to the Nation’s Culture

From the progress of international negotiation development, we understand that: different races, countries, and living habits etc. influence the emphasized discussion topic and the usage of strategy
during negotiation. As the international development trend goes, negotiation can no longer be in control and be decided by one party. When facing development such as this, a multinational enterprise must conform to the world trend, increase communication with enterprises in each country to understand the local culture and enhance the competitive advantages as to stand out in the competitive global market.

**Suggestion**

(1) Taiwanese Enterprise Shall Avoid the Risks Brought by a Single Customer

When investing in Brazil, any Taiwan enterprise will face such two variables as government risk and customer risk. Because Brazilian government protects its local industry heavily, any change in policy could affect the operation of Taiwanese enterprises in Brazil. However, as policy risks are usually harder to deal with for multinational enterprises, thus the government from the home country government shall assist in handling most of the risks.

(2) It is necessary to understand the how the Culture influence the business Negotiation to help decide the Use of Strategy

As different cultural environments results in different values and nature, the negotiation methods adopted will thus be completely different from each other. Not until we use the strategy improperly in foreign business negotiation do we understand how cultural differences matter. Understanding how the cultural differences influence can benefit not only strategy planning in cross-culture negotiations but also cross-culture negotiation progress.

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