

# TESTIMONY OF THE INTERVENTION

## PANEL I – INTERNATIONALIZATION, TRENDS AND CHALLENGES

### Business opportunities in the U.S. market

Graça Didier

Moderation: Clarisse Nunes, Journalist in USA



*“These are all key words that characterize the American market: innovation, quality, technology and entrepreneurship. If we want to export a product to the United States and if this product has technology, innovation, quality and if it has modernity, it will succeed in the American market. “*

“A good day to all.

Thanks to AIDA for the invitation, it is a pleasure to be here with you, sharing some information and experience about the American market.

I will start by talking about the relations between Portugal and the United States of America, very quickly, because they are things that always have implications and influences also in economic relations.

Diplomatic relations between Portugal and the United States are, as we all know, biotic relations. For example, Portugal was the first country to recognize the United States as an independent non-allied country; the second American protection to open abroad was in Madeira, the oldest permanent consulate in the Azores and US independence was celebrated with the Bailinho of Madeira.

Portugal has created three pillars in international relations that are the European Union, the PALOP, and the United States of America. Independently of the political power of one side or the other, diplomatic relations between Portugal and the United States have always been strong over the years. In diplomatic terms there is nothing to point about the relationship between Portugal and U.S.A.

With regard to the US economic side, we can look at the “half-full, half-empty glass” as we want to address the issue. The US is the 5th destination market for Portuguese exports. They are the first destination outside the European Union. Now, what does this actually mean by looking at the “half-empty glass”? From the American perspective, it represents about 15% of its imports, which is very little indeed. But it also means a great prospect of growth, since the US is an immense market to explore and grow.

In terms of the companies that export to the US, we currently have about 3,500 companies exporting to this market. Most are well-known companies, cases of success of good examples and good practices. For example, Galp represents around 25% of exports to the American market, then we have the Amorim Group, among other companies that are well known and that can represent about 80% of exports.



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In the last section we talk about people and this is always fundamental, as in all relationships.

We have about 1.5 million Portuguese and Luso-descendants living in the United States and this creates a very strong diplomatic relationship.

Looking at the part that interests us most, which are the great explorations at economic and commercial levels, we also find opportunities here, because the Portuguese spread around the world are always open doors, bridges, people who are present and willing, within their limitations and influences, to help other Portuguese. So, we should take advantage of it and use it.

However, I think we still do not do it well, particularly in the USA.

Where are these 1 million and 500 Luso descendants in the US? We have a group in California that are about 330 thousand Portuguese and Luso- descendants, in Massachusetts about 280 thousand, in Rhode Island about 160, in New Jersey about 78 thousand.

In New Jersey, Portuguese is spoken. The streets have Portuguese names and even in the restaurants there are cod!

In Florida we find about 49 thousand and in Hawaii 48. They are destinations where the Portuguese are present.

Generally, they correspond to the emigration wave of the 50s / 60s, mainly coming from the Azores, who arrive in the United States in a less favoured economic situation, looking for the "American Dream". They are now very well-positioned people in society, with their companies and their networks, which can be really important aids.

Beyond this wave of emigration, we are also talking about the 2nd and 3rd generation. They are people who go to the US with some information already. In recent years, we have witnessed the arrival of the new generation, the new start-up economy, looking for opportunities and contacts.

What is the image of Portugal in the United States?

Unfortunately, there is still little knowledge of Portugal, taking away the coastal regions where Portuguese communities are concentrated, the answer is always "who?" Or "where?". Whenever we talk to people from the interior of the United States, they do not know Portugal, they do not know where the country is and they do not have any image built on Portugal. I remember, for example, a few years ago being in Central Park, with Americans and a lady asking me if my shoes were Italian. When I answered that they were Portuguese, the question was "Portuguese? What is it?". Even in meetings that I have had, including other Councils, it has happened they integrated Portugal with Spain on the map, and I have had to explain that there has to be a line of separation, because Portugal and Spain are two countries. This is indeed a difficulty.

However, we have seen some changes, especially in the last two years. There were factors that, although not directly related to the business world, influence the dynamics. For example, the fact that António Guterres is now Secretary-General of the UN, has become a Portuguese flag that lead to Portugal being recognize in the United States.

Football and Cristiano Ronaldo are also factors that lead to the recognition of Portugal. Although in the United States the practice of football is not very evident,



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it also ends up being a reason for recognition, even if it is just for a part of the population.

Now, something that was very important for the recognition of Portugal, and in this case, it has everything to do with the United States, was to bring the Web Summit event to Portugal last year. Five thousand Americans attended the Web Summit. And these are five thousand Americans who are very important at the level of opinion makers, they are influential people and investors. They are people who are aware of what is happening, especially to innovation and what happens in the new world. The fact that one of the biggest events in this area happens in Portugal, awakens them and makes them look at Portugal in another way. When we bring them here, they love the country and from there half the way is done.

We also have the issue of tourism, which in global terms is a success. Portugal is “fashionable” everywhere and also in the United States. There have been several reference articles in the USA talking about Portugal. For all intents and purposes, tourism has grown and this naturally increases the country’s recognition.

About business opportunities in the United States, we’re speaking about the world’s largest economy, which dictates market prices.

The Chinese economy is parallel to the US economy and in terms of future projections should not exceed the United States.

Nowadays, at market prices, the US continues to be the best economy in the world. They account for about 16% of world GDP. They have 328 million inhabitants and a birth rate of 0.8%. This means that it is a country that is still growing in population terms and these 328 million inhabitants with high per capita power, guarantee the country an immense potentiality.

Americans are traditionally consumerists, they like to buy, they buy everything because they have power.

There are some advantages in the American market. There is economic and political security. There are risks when companies refer to international trade and should be careful to do so. The American market is a market with security and stability and this is visible. It is an open economy and very receptive to the external market. It is an extremely liberal market, with regulation and low state cost, and is therefore open to private initiative.

There are strong incentives for investors and entrepreneurs in the US. It is the country of entrepreneurship and is the country of innovation.

There is also a great deal of momentum from investors in the venture capital market and so there is a lot of money in the US. They are the main investors worldwide.

There is again a difference of philosophy, in relation to Portugal, about this capital.

In Portugal, when a company needs capital, the first thing to do is to resort to bank guarantees. Portuguese businessmen put their home and car as guarantees.

In the United States it is not at all like this, one does not resort to banking. Investors are being sought. The investor is open and is investing because he is betting and believes in the project and does not need guarantees. In the background, the guarantee is the project itself.

Here, again, there are very important cultural differences between the two countries.

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Professional and technological qualification is very high. There are many American colleges at the top of international rankings. There is high productivity. It is a highly competitive country, ranking 5th in the world competitiveness report. It is also a country that is friendly to entrepreneurs and brings new ideas.

All these are key words that characterize the American market: innovation, quality, technology and entrepreneurship. If we want to export a product to the United States and if it has technology, innovation, quality and modernity, it will succeed in the American market. If on the other hand, not adds nothing new ... it will be more difficult.

We talk about the American market, but often wrong. The American market in the United States does not exist. The United States has 50 states, so we're talking about 50 markets.

Each state has its own legislation. This means, for example, that in different states taxes are different. Ten states have the size of California that is three times larger than Portugal. Also, the accesses can be restricted. There are several aspects that must be taken into account, especially in product customization, according to the needs of the public in each state.

These are not constraints, rather they are openings. We have a world of very diverse people. An American from New York has nothing to do with a Texas American or an American from California or from an inland state.

When companies think about internationalization, they must consider their strategy. Something well thought out and planned taking into account these factors and according to the objectives of the company: what one intends to export, which partners and markets.

Nor can one think of internationalization without any economic investment or people. The United States is not a short-term market, but rather a medium- and long-term one, where it will be necessary to have the capacity to do this path and this way.

In order to guarantee success factors, they must guarantee everything I have said: an elaborated strategy, a value proposition, differentiation, technology and even adaptation to the market. It must be the product to adapt to the consumer and not the other way around. Then you need to choose a good team, good location and local support. All this in the USA is very important.

Doing business is always different because it varies depending on the customer you are dealing with. Doing business with Chinese, Japanese or Arabs is different, because cultures are also different.

But there is this idea that doing business with Americans is the same. Our cultures are very close, but in reality, it is not so linear.

First the American is punctual. There is a characteristic that is "Time is Money" and this is true. It is a very competitive market. It competes with the whole world and everyone wants to be in the United States. If we make an American waste time and we're late for a meeting, it's more than a lack of respect. If we are wasting his time, we are also making him lose money.

The American is direct. That characteristic that for us Portuguese is normal, where we get anywhere and start talking about time or football. For the American, not at all! Let's get to the point so we're not wasting time. They apply our saying "work

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is work, cognac is cognac". And so, they get out at 5pm, instead of 8pm like the Portuguese, and that's where they have their private lives.

They are also frontal. The frontality of the American is often, for us Portuguese, regarded as lack of education, but it is not at all. It's cultural, they go straight to the subject in an easy way.

It's all fast too. The meetings do not last three hours, they last half an hour. They are frontal and direct to the subject. They prefer to meet with decision makers, or with someone who has decision-making power. For example, if you meet with an American and he says it's expensive but he's willing to buy it for a lower price and if you do not grab the opportunity there, at that point, you just lost the deal.

Portugal is not recognized in the US because it does not have an image associated with the country.

In fact, the Portuguese are gaining a lot of blind proof and the quality of our products has been recognized for that. But there is still a lot of work to do in this regard. For example, if Italians want to sell textiles, shoes or anything to do with design, they succeed because Italian design is recognized. Germany, for its part, is recognized by technology. Spain is recognized for its food products. But Portugal does not have this brand image and is not recognized.

For example, we organized a mission to Miami with businessmen from the furniture department of Paços de Ferreira and scheduling the meetings was difficult. We've identified potential partners, but even so, it's not easy to open doors. In order to arrange the meeting, we had to say that we were from the Chamber of Commerce and that "are were a group of furniture entrepreneurs who produce furniture with the same or better design than the Italian, at lower prices. Do you want to receive us?" We can not paste an image into Portugal.

The United States is a highly competitive market, the domestic market itself is huge. American companies produce everything, they do everything and the competition is very big. The return is in the medium to long term. Justice itself is very expensive and sometimes things can go wrong. We usually advise you to have legal counsel for everything.

There are cultural barriers and there are effective barriers.

As cultural barriers, "Buy American" is a reality, we also say "Buy what is Portuguese", but I do not know if anyone is repairing if the product is Portuguese. Americans in cultural terms buy what is American. They put flags at the door of their house, buy hats and t-shirts with the American flag.

Then there are the effective barriers. Customs barriers or annual fees, for example. Although 70% of United States products have a 0% rate, there are rates that are high and all this is necessary to know. There are also product quota barriers, for example, for cheese and beef. There are still legislative barriers, that is, most federal contests can only compete with American companies.

It is relatively easy to set up a business in the United States and not only is it easy, but the United States are one of the best investors. There, too, there is a war for foreign investment. Not only at the national level, but also at the state level, that is, all states compete to attract foreign investment to their state. In this sense, it pays off to look at the states and realize which one will bring more benefits to the company and the investment.

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We reward companies and this year we will also do so. Brisa is in the US with a medium to long-term strategy. It's been two years in the United States, won two contests in 2016, of around 34 million. This year has won a new contest, also very high.

By sharing experiences, they assume that it was necessary to build trust in the market, to establish contact networks and to win. Introduce new people to the United States and prove they have differentiation and technology.

Another company, which exports packaging, opened the first factory outside of Portugal in the United States. All these innovation and technology companies are successful in the United States. They manage to attract investment, have offices in San Francisco, where they guarantee the administrative and commercial part, but all product development is done in Portugal.

In internationalization, the process is a collective process, and it is very good that it is. Portuguese companies can come together to be more competitive and reach out collectively to the vast US market. One only needs to have a good product, differentiated, with technology, with innovation, with design and having a good strategy.

Thank you all!"