N°12 July / September 2020

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FERNANDO FARIA DE OLIVEIRA

The Covid-19 pandemic has created an economic and financial crisis of unparalleled proportions, not only for Portugal but the entire world. In Portugal it will lead to an estimated fall in GDP of anywhere between 5.7% to 8% for 2020, unemployment of 9.7% and an increase in public debt not seen since the 1950s.

On the positive side Portugal has been praised by the international media and health agencies for its timely response to the novel corona virus by putting the country under lockdown from 14 March which, together with an uncommonly high level of common sense displayed by a stoic population, resulted in some of the lowest contagion and death rates in Europe and proved just how adaptable, flexible and united the Portuguese are as a people.

Large swathes of the business community too showed just how capable it was to embrace change with, in many cases, business continuing under a new normal from people's homes via IT platforms such as Zoom and Skype.

In this Issue 12 of Essential Business we have also kept a united front, communicating and working with our team and stakeholders at a distance using remote technology which surely will now become a constant feature of our working lives going forward.

The result is an edition that puts the spotlight on Portugal's banking sector which has been in the headlines for years for all the wrong reasons, but which has largely stepped up to the plate in times of crisis to help businesses and families through the crisis, while having to receive a torrent of criticism from the media and public for sins past, present and imagined that it is making a valiant attempt to redress.

We also focus on two other essential pillars of the Portuguese economy, Tourism and Real Estate which, without sensible Government measures in terms if fiscal incentives, will find it difficult to recover quickly from the crisis.

And while we like to analyse the present and look to the future, sometimes a reminder of Portugal's glorious trading past is important to understand how despite past economic crises and wars, commerce between it and her oldest ally England found a way to flourish in the midst of a chaotic Europe blighted by continental and civil wars, and yet trade adapted, continued and recovered as we will surely recover now from the present economic challenges.

Chris Graeme, Editor

Estatuto editorial
A revista Essential Business pretende dar a conhecer à comunidade empresarial e internacional em Portugal e a quem visita o país em trabalho, para eventos profissionais ou para investimento, a realidade e atualidade sobre negócios em Portugal.
Os conteúdos são focados em Lisboa, mas sem deixar de parte acontecimentos importantes noutras zonas do país. Enquanto temas relacionados com a imobiliária e o turismo são uma presença constante, a revista e os seus suportes digitais cobrem todas as áreas de negócio, incluindo a saúde, o retalho e as mais diversas indústrias.
A revista Essential Business assume o compromisso de assegurar o respeito pelos princípios deontológicos e pela ética profissional dos jornalistas, assim como pela boa-fé dos leitores.

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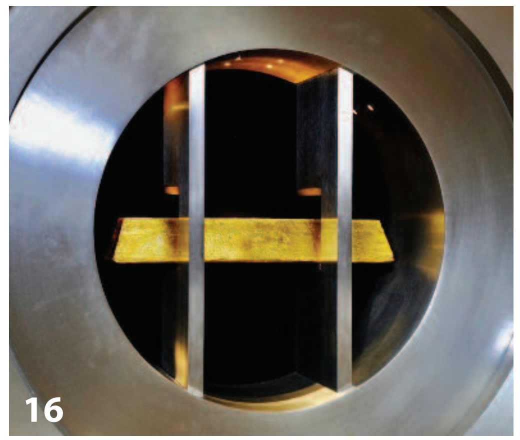
Essential Features



The UK and US - two opportunities in the coming years

Portugal's Minister of Foreign Affairs, Augusto Santos Silva, said that redefining economic relations with the United Kingdom post-Brexit and closer economic ties with the United States were among five opportunities for Portugal in the coming years.
Addressing more than 200 people at an event organised by the International Club of Portugal in March at the Sheraton Hotel in Lisbon, the minister said that he was optimistic regarding US relations and an eventual trade deal with the European Union.

Augusto Santos Silva (Minister of Foreign Affairs) and Manuel Ramalho (President of the International Club of Portugal)


Ambassador of Panama Pablo Garrido Araúz and Miguel Frasquilho (Board Chair TAP)


Emily Kuo Vong, Manuel Ramalho and Ambassador of the Philippines Celia Anna Mallari Feria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Minister Augusto Santos Silva, Manuel Ramalho and Emily Kuo Vong


Frédéric Fines-Schlumberger

Minister Augusto Santos Silva


Pedro Pessoa e Costa, Ambassador of Panama Pablo Garrido Araúz and Anne Taylor


Marina Prévost-Mürier, Paulo Betti and Conceição Caldeira

Trump and the US elections — a disruptive but not transformative president

With the US elections on the horizon, Alan Draper, Professor of Political Science at St. Lawrence University, Ambassador Francisco Seixas da Costa, former Permanent Representative of Portugal on the United Nations and political analyst Nuno Rogeiro author of the book 'The Donald Pact - Trump: New contract with America or fraud?' take stock of the likely outcome on November 3, 2020 at a joint lunch event with the American Chamber of Commerce in Portugal (AmCham) and the American Club of Lisbon (ACL).


Prof.Alan Draper / Nuno Rogeiro / Embaixador Cruzeiro Seixas / Monica Silvares


Embaixadora Nienke Tooster / Antonio Martins da Costa / Cruzeiro Seixas


Carlos Loureiro / Lara Campos Tropa / Pedro Penalva


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Otilia Reis / Prof Alan Draper


Rita Faden /Cruzeiro Seixas

ONE Portugal
Top of the class!

This year has seen rough seas so far for Europe's container shipping sector with 11% or a total of 302 shippings cancelled in May on all the main line trades, according to maritime intelligence company eeSea. But how has ONE Ocean Network Express, which has a vigorous presence in Portugal, been steering a choppy market?

TEXT **CHRIS GRAEME**
PHOTOS **ONE SHIPPING**

Covid-19 has had an impact on global shipping. Bearing in mind that the first cases of Covid-19 emerged in December 2019, the report 'Covid-19 impacts on Global Container Shipping Trade' by Maritime intelligence company eeSea showed that the pandemic had seriously impacted global shipping container capacity.

To date, a total of 1,675 sailings have been cancelled, or 11%; which comes out at 13% for shipping groups 2M, 17% for the Far East's Ocean Alliance and 17% for THE Alliance, while only 8% of non-alliance sailings have been cancelled.

Essential Business spoke to Shunichiro Mizukami, the Managing Director of ONE Europe and Africa who says that despite the crisis ONE has effectively managed its container fleet to ensure that customer needs continue to be met.

"There are continuing challenges to all shipping operators and logistic partners, as a result of COVID -19. A downturn in global trade means a reduction in booking demand, together with quarantines, lock downs and ensuring all our colleagues and business partners are able to operate safely with minimal risk whilst providing a reliable service to our customers is certainly a challenge. But, ONE and its business partners are dedicated to keeping the logistics chain moving, delivering your everyday, in times of crisis," explains Shunichiro Mizukami.

"While we cannot foresee the future, ONE is following the situation closely and preparing for the market to pick up so that we are well positioned for the future and can continue to meet our customers' needs," he adds.

The company says that the end of 2019 and the beginning of this year saw a smooth transition to low sulphur fuel to meet IM02020 regulations.

"We also succeeded in quickly adjusting our network to meet customer requirements. When COVID-19 broke out, we immediately activated our Business Continuity Plan all around the world. When the company was created, a key objective was to enable remote access to our systems anywhere in the world. Therefore, as countries imposed quarantines, we were able to continue working seamlessly. I hope that our customers benefitted from our flexibility and efficiency" he says.

Shunichiro Mizukami believes the shipping industry is very resilient and used to adapting to the market, whether adapting to meet new international regulations such as IMO 2020, or disruption to China and US trade activity, ONE has been able to flex its services in the market.

"The formation of ONE two years ago from its merger of K-Line, NYK and

Essential **Shipping**

MOL liner business has meant we have successfully increased network and service coverage and this has put us in a strong position to compete in a more consolidated industry".

ONE Shipping Portugal used to be called K-Line Portugal and further back in time Garland. "Garland is a long-trusted partner in Portugal for one of our legacy companies. The trust and friendship have been smoothly integrated into ONE Portugal, the new joint venture between ONE and Garland," notes Shunichiro Mizukami.

BEST IN CLASS

Despite Covid-19 ONE Shipping Portugal has retained its strategy in Europe to be one of the 'Best in Class' carriers.

"ONE is not aiming to the join mega carriers of the industry, but we would like to be one of the 'Best in Class' in Europe and Portugal, sailing along with our customers as their trusted partner. As a part of our roadmap, ONE has been and will continue to enhance digitalisation to improve service quality and customer user experience".

ONE Shipping in Portugal operates services from the ports of Leixões (Porto) and Lisbon to Rotterdam.

Through its partner Garland which offers Sea Freight forwarding services to and from Iberia to world-wide destinations, last year saw 257,700 TEUS shipped equating to 9,656,000 Sea Freight tons.

Whilst ONE Shipping does not provide a breakdown for the financial results on its Portuguese-Europe stretch, ONE enjoyed a profitable year by the end of 2019 after posting three consecutive quarters with a positive result. It was the first annual profit since the carrier began operations in 2017.

ONE's FY third-quarter earning from October to December show the carrier just managed to remain in profit by US$5 million and profits grew US$121 million in the second quarter.

MERGERS

In April 2018 the Japanese shipping companies Kawasaki Kisen Kaisha ("K" Line), Mitsui O.S.K. Lines (MOL) and Nippon Yusen Kabushiki Kaisha (NYK) merged to create Ocean Network Express (ONE). This made ONE the sixth largest container shipping company in the world with over 250 ships and a capacity of 1,563,000 TEUS, with a market share of 7.1%.

As a result of this ambition, ONE Europe set up commercial companies in strategic places around the world including Portugal and it was within this context that ONE Shipping Portugal was founded.

The Garland Group, which had already been a partner of "K" Line Portugal, was selected to participate in the ONE joint venture in Portugal, "being obviously extremely proud to feel that our success over various years with "K" Line had been recognised internationally and would be continued," as Mark Dawson the director of the Shipping area at Garland said at the time.

Since 2018 ONE increased the ships working for IBESCO (Iberia, Europe & Scandinavia loop) to over 1000 TEUs of capacity, corresponding to 40% growth with a major focus on the Portuguese market.

PORT MODERNISATION AND INSTABILITY

Portugal as a market has not been without its problems in recent years, largely due to port worker union run-ins with the Portuguese Government over pay, contracts and working conditions which resulted in stevedores downing tools and going on strike.

The most recent case in March involved the union SEAL (Union of Stevedores and Logistics Activity) which prolonged its strike at the Port of Lisbon to mid-April against "collective layoffs" but was only the latest in a long string of disruptions stretching back to 2016 and before largely over union insistence on maintaining collective contracts which port operators at both Lisbon and Porto say are economically unviable, alleging that they are "totally maladjusted to the reality of losses in cargo and clients since 2016."

"Industrial disputes have an impact on the competitiveness of ports. The port of Leixões has benefited from labour stability and consequently is seeing its movement grow steadily over the past few years. The industrial actions in Lisbon have created a less favourable image of the port. It would be desirable for these disputes to be resolved, thus allowing shipping lines and the market to regain confidence in this port," says Shunichiro Mizukami.

"GARLAND IS A LONG-TRUSTED PARTNER IN PORTUGAL FOR ONE OF OUR LEGACY COMPANIES. THE TRUST AND FRIENDSHIP HAVE BEEN SMOOTHLY INTEGRATED INTO ONE PORTUGAL, THE NEW JOINT VENTURE BETWEEN ONE AND GARLAND".

On the positive side, the Portuguese Government has made considerable strides in modernising and expanding Portugal's ports as part of a long-term investment plan which began in 1997 with investment and modernisations programmes at all five ports in order to make them more able to compete within a international context after years of decay and decline through the 1980s and most of the 1990s.

This also includes ambitious plans to invest heavily in the Port of Sines near Setúbal south of Lisbon, making it one of the largest and most modern ports in Europe, with transatlantic connections between Europe and the United States and a proposed high-speed freight rail link to Madrid and France.

This involved changing the business model from the existing Tool Port to Landlord Port with a simplification of processes, namely by cutting red tape via the introduction of the Single Port Invoice and the Unique Port Window and Unique Logistics Window.

"Twenty years on the Government doesn't see any reason not to now look at the ports and the way the port authorities work in another way, making them more agile, capable of cooperating with other agents, making them more competitive and profitable in service to the national economy" says José António Contradanças, an economist and advisor to the company Sines Port Authority Administration (Administração do Porto de Sines, S.A.).

"Port infrastructures must effectively modernise and adapt to market changes. The two ports where we operate, namely Leixões and Lisbon, have projects to expand and modernise their structures, which has already partially taken place. When the works are finished there will be many more facilities available to port stakeholders and all will benefit from the improvements" concludes Shunichiro Mizukami, the Managing Director of ONE Europe and Africa. ■

Portugal's banking sector as good as gold?

The reputation of Portugal's bankers among the general public has, perhaps unfairly, hit a new low this year. Yet despite the scandals and sins of the past, Portugal's banks are actually in better shape today than they have been for 20 years

TEXT **CHRIS GRAEME**

In April 2020 the unthinkable happened. During the peak of the Coronavirus pandemic, Portugal's normally mild, affable and non-confrontational President Marcelo Rebelo de Sousa did something astonishing.

He summoned the presidents of Portugal's main banks to the presidential palace and in no uncertain terms told the bankers that they had a responsibility towards economic recovery and told them it was now time to repay the tax payers for the help they had given the sector over the past decade.

Everyone in Portugal knew the president was referring to the many hundreds of millions of euros of public money that had been used to bail out Portugal's banking system after a catalogue of reckless lending, casino-like banking and mismanagement which, when the financial crisis took hold from 2008 onwards, revealed just how close parts of the banking system in Portugal were to collapse.

Today, in the wake of the Coronavirus pandemic, it seems increasingly likely that Portugal, in common with most Euro Zone countries, will face at best a recession similar to that of 2007-2014 and at worst, the Great Depression of the 1930s.

The European Central Bank (ECB), the Bank of Portugal (BdP) and Portugal's Minister of Finance, Mário Centeno, current president of the EU's group of finance ministers Eurogroup, all agree that Portugal's banks are, despite some lingering systemic weaknesses, in a better shape to deal with an external shock such as the current one provoked by the Covid-19 pandemic.

MEETING TARGETS

Even so, Portugal's central bank, in line with the European Central Bank (ECB) admits that some banks in Portugal may fail to reach their capitalisation targets.

These are underpinned by the Basel III reforms built on the lessons learned from the 2007-2014 crisis about the costs for taxpayers of imprudent risk-taking, speculative liquidity management and undercapitalised banks.

The Portuguese banking system was particularly hard-hit by that crisis, both for external and internal reasons, with a number of banks failing not just because they lacked liquidity, but rather because they had made so many high-risk and ill-judged investments. They had ended up with a crop of toxic debts on their books which made them look generally unsound.

In the wake of that crisis a number of Portuguese banks either disappeared or ended up seriously undercapitalised. The result was that the Portuguese State had to step in and rescue them. From 2008 to 2016 it spent an estimated €14Bn of public money on shoring up the banks, with much of this money written off.

The overall losses at the time, according to the Court of Auditors and National Statistics Institute, represented nearly 8% of Portugal's GDP and led to the ratings agency Moody's warning that the Portuguese banking system was one of the most vulnerable in Europe.

The first bank to collapse in 2008 was the Banco Português de Negócios (BPN) which had to be nationalised to prevent €1.8Bn of losses affecting the financial sector. The president of the bank, José Oliveira e Cost who had run the institution since 1997 ended up

being arrested on suspected tax fraud, money laundering, forgery, abuse of credit and illegal gains.

The bank was sold to the Angolan Banco BIC for just €40 million in 2014 leaving the tax payer out of pocket by an estimated €3.2Bn. That bank in turn, more recently headed by the former finance minister of the discredited Socialist government of José Sócrates, Fernando Teixeira dos Santos, was again plastered all over the national press for the wrong reasons.

In 2019 it emerged that its main shareholder, Isabel dos Santos, with 42.5%, may have bought her shareholding with dirty money allegedly stolen from the Angolan State.

On 19 January 2020 the International Consortium of Investigative Journalists (ICIJ) published a detailed report on how dos Santos had amassed her wealth over the years. The report, called Luanda Leaks, provides evidence of how she made a fortune at the expense of the Angolan people and then used that money to buy a considerable share in Banco BIC.

When the scandal blew up, Nuno Ribeiro da Cunha, her private financial manager and director of Private Banking at EuroBic (the bank's name had been changed from Banco BIC to EuroBic in 2017) was found dead at his home in January after taking his own life.

In 2009 the Banco Privado Português (BPP) failed and was wound up after the Portuguese Government refused to bail it out after it emerged that the bank was associated with crimes of falsification of accounts and money laundering.

In July 2009, former BPP board members Paulo Guichard and Salvador Fezas Vital were suspended by the Bank of Portugal while Jõao Rendeiro was charged with falsifying accounts, tax crimes and money laundering.

Nevertheless, by the time the bank collapsed, the Government had already stood guarantor to considerable monies and the tax payer was once again saddled with €650 million in debts.

THE FALL OF BES

In 2014 the country's most respected high-street bank Banco Espírito Santo collapsed when it was discovered that the bank had whitewashed its balance sheets to cover up losses of around €3.5Bn.

The Governor of the Bank of Portugal, Carlos Costa, gave reassurances that BES, run by Ricardo Salgado famously nicknamed 'Mr. I own the whole lot' was as safe as houses. His words were that it was "sound, robust, solvent and quite a wonderful business".

From the ashes of BES emerged Novo Banco, created by the Bank of Portugal using BES's good assets. The Portuguese State and the other banks through a Resolution Fund initially Injected €4.9Bn to recapitalise the bank.

The new bank, however, has continued to lose money. First, under the leadership of Vítor Bento who resigned after realising that the bank, if sold, would lose the State billions of euros. Then came Eduardo Stock da Cunha who quickly went.

The Resolution Fund was the bank's only shareholder until 2015 when the Government received various binding and tentative offers from the Spanish

"DESPITE THIS TECHNOLOGICAL BANKING REVOLUTION IN PORTUGAL AND A RETURN TO MORE TRADITIONAL BANKING VALUES WHEN IT COMES TO LENDING, THE SECTOR HAS YET TO RECOVER THE TRUST OF THE GENERAL PUBLIC IN ITS FINANCIAL INSTITUTIONS".

banking group Banco Santander SA, the Chinese insurance group Fosun International Limited, the privately owned Chinese insurer Anbang Insurance and the American private equity firm Apollo Global Management. However attempts to sell the bank were hampered by low bids with the Government reaching the conclusion that the offers were unsatisfactory.

In 2016 the Resolution Fund received a new crop of offers from China's Minsheng Financial Holding, Apollo, Centerbridge and Lone Star. Early the following year Aethel partners made a bid.

But it wasn't until March 2017 that the Portuguese Central Bank announced that a US vulture fund Lone Star Funds would acquire 75% of Novo Banco in return for a capital injection of €1Bn with the other 25% held by the Resolution Fund.

More recently, the bank under the leadership of António Ramalho, has continued to improve its business, attracting healthy deposit growth and offloading toxic assets and Non Performing Loans despite still having one of the worst single evaluations from the European Central Bank of any of Portugal's banks.

Yet in 2020, as the Covid-19 crisis hit home, Ramalho and his senior management became almost public hate figures for all the perceived ills and pent up grudges the Portuguese public had built up over the past decade when they failed to convince some MPs, the press and public that a further loan unwritten by the Government and already accounted for worth €800,000 was money well spent. Nevertheless, for the second year on the trot, the ECB has relaxed its capital ratio regulations for Novo Banco which registered a loss of just over €1Bn thanks to its toxic legacy from BES.

SHIPSHAPE WITH A FEW LEAKS

Even so, despite the crop of scandals and plain mismanagement over the past decade, Portugal's banking system has made a remarkable recovery since the global financial and sovereign debt crisis.

In the post crisis period the regulatory and supervisory framework was considerably reformed and banks in Portugal, like elsewhere in Europe, underwent significant changes and restructuring. The result is that, with few exceptions, banks balances are of a better quality and they have deleveraged which has led to higher levels of liquidity.

In Portugal's case, this meant reducing Non-Performing Loans (NPL) and clearing both commercial and residential property portfolios accumulated because of defaults off their books through auctions, roadshows or selling them on to real estate asset management companies.

The core capital at Portugal's banks is more robust which means a greater capacity to withstand shocks, at least they were before the Covid-19 crisis and shutdown of international commerce and trade.

Another big improvement in the system was structural in terms of a shakeup at a shareholder level.

In the past, both before and after the 1974 Revolution, private banks in Portugal were largely held by companies owned by entrepreneurs and powerful families. There are no longer today any banks in private individual or family hands. Some, like Banco Espírito Santo no longer exist, at least as they were, while others are owned by shareholders while the capital in the larger banks is controlled by international financial organisations.

And in terms of how they are run, Portugal's banks are more efficient and profitable, and even Novo Banco, which, as referred, is over €1Bn in the red, would actually be nearly €180 million in profit if it weren't for the toxic assets and bad loans it had inherited from BES. That said, the profitability of Portugal's banks is still below capital costs.

Risk management practices have been reined in, greater due diligence is being exercised and with the current Governor of the Bank of Portugal, Carlos Costa's term in office coming to an end, likely to be replaced by Portugal's current thrifty and prudent finance minister Mário Centeno, so too should banking supervision.

Other areas too, such as Anti-Money Laundering (AML) — this didn't work so well with EuroBic - compliance, auditing, digital security, data treatment and protection have all developed significantly.

Technological innovation, in particular digital, has revolutionised many day-to-day bank operations to the benefit of customers and operational efficiency. And after the Covid-19 crisis, when whole swathes of the older Portuguese population, hitherto still preferring to pop into their banks to conduct their business transactions face-to-face, this revolution in laptop and mobile banking is likely to accelerate and become widespread even among them.

In fact, during the Covid-19 crisis Portugal's banks such as Millennium bcp and Novo Banco have even run online campaigns showing teenagers helping their elderly grandparents get to grips with home banking applications.

THE BIG CHALLENGES

Portugals banks, in line with most others in Europe, face a mountain of challenges not made easier by the current Covid-19 pandemic.

For starters, financial margins are being eroded making the traditional banking model increasingly unsustainable because of current monetary policy.

The emergence of dynamic and technologically driven no-frills branchless banks with little or no overheads such as Revolut, Lydia, Monese, N26, WiZink, Open Bank and Banco Best have all put pressure on traditional banks hampered by the costs of supporting nationwide branches and a higher workforce.

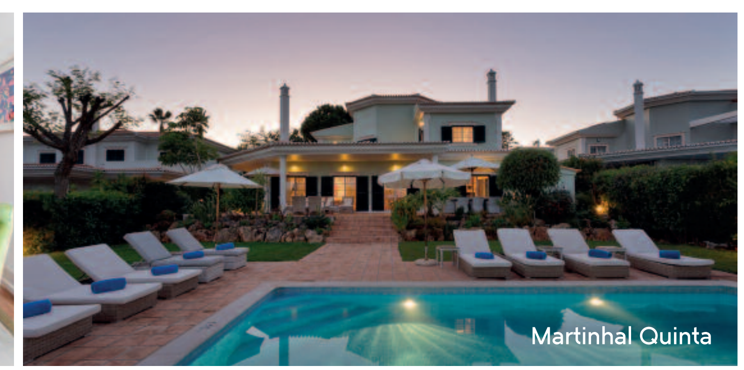
REGAINING TRUST

Despite this technological banking revolution in Portugal and a return to more traditional banking values when it comes to lending, the sector has yet to recover the trust of the general public in its financial institutions.

For many ordinary citizens in the streets, banking in Portugal is still synonymous with the cronyism, corruption and incompetence which has tarnished the image of the sector as a whole, including, unfairly, those banks which were not involved in the series of scandals which had taken place nearly a decade earlier.

And yet the televised parliamentary enquiry into what went wrong with Portugal's banks, with a stream of senior banking and supervisory figures saying they knew nothing, including the cynical sneering of a maverick art collecting entrepreneur during hearings, only reinforced that image and public distrust.

At the end of the day, despite both internal decadence and external shocks, Portugal's banking sector is more robust, transparent and better managed that it has been for over 10 years. It is just a shame that it took a major world economic crisis and a loss of reputation and public confidence for it to make that change. ■



Riding the storm

The President of the Portuguese Banking Association (APB), Fernando Faria de Oliveira has had to navigate the sector through some of the stormiest seas in Portugal's recent banking history. Yet despite one or two shipwrecks and a few leaking vessels, its members are finally sailing into calmer waters.

TEXT **CHRIS GRAEME**

The Portuguese banking sector has undergone a huge revolution over the past decade, with many Portuguese banks and family owned banking interests vanishing. Does it worry you that there is no longer a strong Portuguese presence in what have become largely multinational banks?

The Portuguese banking sector has indeed gone through a very significant restructuring over the past few years. Today it is in a much stronger position and better capitalised than in the previous crisis and has more liquidity. Just to get an idea, today, Portugal's banks have a capital ratio of 14.1% whereas back in 2011 it stood at 7.8%

It is important for any country to have banks whose centres of decision-making is at a national level. But, more important than where the capital comes from is having shareholders with the financial capital to invest and bolster the capitalisation of our banks whenever necessary, so they can fully fulfil their functions, namely financing the economy and its citizens.

Would you say that the sector in Portugal is more robust and agile in terms of liquidity and being able to withstand external shocks such as the current Covid-19 crisis?

The sector today is much better prepared to deal with adverse shocks than it was at the start of the last financial crisis. The banks are more solid and capitalised, with greater liquidity. The ratio of credit/deposits has fallen from more than 150% in 2011 to less than 90% now while the ratios of Non-Performing Loans have seen a sharp decline. The ratio of liquidity cover is more than 220%, very sustained by client deposits which represent two-thirds of bank finance.

That said, despite the achievements and progress of the last few years, the banks also face various challenges, namely improving their profitability, adapting their business models to new behaviour, both in terms of clients and the competition of new players, the massive amount of regulations imposed on the sector which require multiple data reports and which demand additional efforts to remain agile in carrying them out. The banking sector also needs to continue to mend its reputation. To these now is added the crisis caused by Covid-19.

We are facing a great economic recession, one without precedent in recent history, that introduces new variables while intensifying others that had already began to be apparent. This crisis, apart from the tremendous impact that it is having on the economy (placed in an induced coma), particularly for some sectors, on employment and on the income of citizens, will inevitably affect the banks, namely their profitability, in increasing provisions and in terms of capital consumption, in Portugal like in other countries.

The real impact of this crisis, however, will depend on multiple factors which are not yet clear, in particular the public stimuli packages aimed at the economic return, namely the European financial aid, which will be implemented.

We have seen the closure of many branches and the visibility of physical banks in the street is less today than a decade ago. Do you think physical banks in Portugal will be totally replaced by online and mobile banking in Portugal?

This trend is global and not exclusively seen in Europe or Portugal and is an inevitability created by the emergence of the digital economy.

However, physical bank branches will not disappear. The new banking sector business model looks to serve both digital and traditional clients. Many clients will not give up going to branches, that personal human contact and advice. And many digital clients too will continue to use both forms of service. And although the use of cash (and even credit and debit cards) for payments: use of these will also decline but won't disappear.

But the shift to digital isn't just restricted to the level of client relationship channels but what is certain is that the lockdown to which citizens were forced

to adhere speeded up the use of digital payments.

The banks have adjusted — and will continue to adjust — including their internal structures and have sought to attract new talent and retrain existing staff, not just to meet the new requirements and expectations of clients, but also to increase productivity, efficiency and quality of service. To keep up with the digital revolution will require new "banking partners". Just as virtual bank branches will not completely replace actual branches, the introduction of automised models of banking will not replace bank staff. Confidence will always require a human aspect in banking.

Low interest rates have become a feature for the banking sector for many years now. What innovative ways can the banking sector positively react to this and if the interest rates continue low what is the incentive for people to even use banks for their savings?

The traditional banking method, essentially based in financial margins, faces huge challenges because of the current content of very low or even negative interest rates.

The banks have tired to manage their financial margins so as to minimise these effects while developing alternative ways of revenue generation, namely by offering additional banking services to clients, including diversifying products offer and services based on digital innovations.

As to deposits, I think that confidence is the greatest asset that the banks have right now. Even with interest offered to clients being at historically low levels, in Portugal client deposits have been consistently growing onwards and upwards.

"WHAT WE HAVE QUESTIONED IS THE BILL THAT THE BANKS HAVE HAD TO PAY THROUGH THE CONTRIBUTIONS TO THE RESOLUTION FUND AND WHICH IS VERY HIGH. AND WHILST IT IS AN INESCAPABLE REALITY THAT THE BANKS HAVE HAD TO FOOT THE BILL FOR THIS MEASURE, WE CONTINUE TO HEAR THAT THE BURDEN HAS FALLEN ON THE TAXPAYER".

The Portuguese banking sector got a bad reputation in 2019 following a heated and nasty parliamentary inquiry into "reckless lending and mismanagement". Was the media and Parliament justified in calling the banks to account and how have you been able to improve the image of the sector?

The APB cannot discuss specific cases involving its members.

What we said at the time, and which we mention again now, is that the Portuguese banking sector was hard hit by the sovereign debt crisis which caused a very deep recession that hit Portugal harder than the majority of other European Union countries, which inevitably resulted in an increase in default and losses. And since in our country the level of State, company and private debt was already very high, as a result of the economic policies pursued and excessive structural dependence on bank loans, the impact of the recession had inevitable consequences. This was by far and in fact the main cause of the losses suffered by various banks in Portugal.

It is also important to mention that the regulatory and supervisory framework that the banks are subject too was profoundly remodelled and tightened up following the financial crisis, including regulations governing risk evaluation and the solvency of its clients. Naturally the banks are the first to have a vested interest in ensuring that clients have the right conditions to be able to pay their loans.

Corporate governance, due diligence rules and accountability procedures are also today much clearer and better audited.

Regarding political scrutiny on the way banks operate — inevitable and healthy in any democratic society — this will always matter — and this has been the main focus of the APB - taking account of the current context and bank management and relations specifically. Effective risk management does not mean eliminating them.

As to improving the reputation of the banks, the results of the recovery efforts undertaken after the sector had been affected by the sovereign debt crisis, is the most convincing argument.

But it has to be recognised that the banking sector is not held in high regard: on the one hand, people recognise that it is vital for economic and social development, on the other it is a useful scapegoat for downloading everyone's frustrations. And since the previous world financial crisis arose from the financial system (We'd like to point out that this was not the case in Portugal, that was hit especially hard by the sovereign debt crisis) in which various banks collapsed, some of which because of fraud, it is very difficult for the banking sector to entirely recover its good reputation.

All sectors of the economy are changing with the rise of startups, alternative means of funding such as venture capital, crowd funding and other investment funds all competing with the banks in lending money to finance new companies, particularly in the technology field. How are the banks able to compete with that or is their strategy different now?

First of all, it is important to mention that rather than a challenge or a threat, this transformation has been viewed as an opportunity. The banks look at changes in consumer behaviour and technological innovation as an opportunity to be taken advantage of. Having said that, we think competition between banks and non-banks can be healthy for the market and should be encouraged.

It is important, however, that regulation and supervision is equal for all and in particular that investors all have the same level of protection. The contribution towards an innovative and competitive ecosystem requires that the same regulatory and supervisory framework applies to all players — financial institutions, large tech companies, and Fintech startups — within a logic of "same activities same risks — same rules same supervision".

In the concrete case of the FINTECH startups, more than competitors, these have arisen as important partners for the banks.

Finance Minister Mário Centeno recently said that the Resolution Fund was the "worst of its kind in Europe" regarding Novo Banco. In your opinion and in hindsight should the banks have had to pay to support Novo Banco or should the good assets have been simply transferred to a state bank such as Caixa Geral?

As referred, the APB cannot discuss specific cases involving its members.

The resolution measure adopted at the time was the one which the authorities believed to be the best for the banks and for financial stability.

What we have questioned is the bill that the banks have had to pay through the contributions to the Resolution Fund and which is very high.

And whilst it is an inescapable reality that the banks have had to foot the bill for this measure, we continue to hear that the burden has fallen on the tax payers. Why? Because, as the Resolution Fund had already been set up and didn't have funds, the State which created it, had to do so through a loan with the participation of the banks to the Resolution Fund with an adequate amount of compensation. This loan is being paid and will continue to be paid over 30 years from the contributions that the banks make to the Fund.

And, meanwhile, we also have to make contributions to the European Resolution Fund which penalises the banks a lot in relation to its European peers.

There seems to be a general campaign of criticism levied by the media in Portugal against the banks which the Government seems happy to allow. In other words the banks are being painted the bad guys in the story. Is this fair and has the Government done enough to support the banking sector through this crisis?

The national banking sector is absolutely committed to lending its support to the Portuguese economy at this particularly challenging moment and proof of this is the vast raft of measures that the banks have adopted. On the one hand, by reducing the monthly payments that families have through bank services, be that through moratoria, the reduction on exemption of various bank charges; on the other hand by injecting more liquidity into the economy through financing, especially loans to companies and activity sectors most affected by the current situation.

For example, the moratoria created, both by the Portuguese State and by the national banks are among the most favourable in the European Union in terms of terms and due dates, scope and conditions applicable, covering companies and private individuals, mortgages and personal loans. And the public guaranteed credit lines are also particularly beneficial for companies.

Therefore, the banks are actually a part of the solution to the current crisis and so it is completely unfair and populist to claim that they are not doing so. The main criticisms about the long time it's taking to get the money to companies cannot be laid at the door of the banks which have even significantly reduced the normal time it takes to draw up the contracts for these operations. To this we would add that the internal procedures and rules set out to study, decide whether to make the loans, even within the context of the pandemic still have to be met.

We live in an exceptional time. It is important not to forget that there has been an abnormally high number of applications to the credit lines made by the Government and the usual procedures in place were not prepared for that reality. But adjustments have been made to the processes underway within the timeframes that are contractually foreseen. It is also important to mention that the approvals granted indicate an insufficiency in terms of the amount of money available in these credit lines which could also be behind some of the discontent, namely on the part of companies which have yet to see their needs met.

And naturally we really must emphasise that the banks must thoroughly evaluate risk, not just because we are obliged to do so, and for the sake of banking sector financial solvency and stability, but also in terms of ensuring a prudent use of public funds. We should not forget that we are talking about loans which are backed up by public guarantees.

The banks have put aside €200 million in offsets (provisions), do you think it is enough? Can the banks really put aside any more?

The level of offsets announced correspond to estimates at the end of March.

It was difficult then — and still is — to predict the dimension of the impacts from this crisis in family and company defaults as it is for the type of recovery that will be registered.

Naturally, as in any economic crisis, this will affect the banking sector. The dimension of this impact and its reflection in terms of impairments will also be rather dependent on the level of public aid given to families and companies, it being fundamental that there should be a strong aid package at a European level.

We are facing a global crisis that is transversal but also asymmetrical in its after effects which derives from an exterior cause which is beyond the responsibility of States and which fully justifies a direct intervention from the European Union, making proportional means available to all and which do not make existing asymmetries worse and do not cause distortions at a competition level, not just in terms of the company matrix but also the banking system.

From your surveys and research what today does the public expect from a banking sector. What products and services do they want? Do they want to go back to traditional face-to-face banking or are they happy for faceless on-line banking?

We will continue to have traditional clients who prefer the personal contact and ever more digital clients who value the immediacy and ease offered by digital channels.

In Portugal and despite the use of digital banking becoming more popular and widespread especially among the younger generations, we have seen a growth in digitalisation among bank clients (56% of users in 2019 compared to 38% in 2010).

The current context caused by the Covid-19 pandemic has significantly increased the use of online banking and digital payment services. In the month of April alone purchases using contactless technology grew in comparison to the like-for-like period by 44% and 123% in value while immediate transfers increased 197% in quantity and 58% in value.

The future - How do you see the Portuguese banking sector in 10 years from now? Will the banks in Portugal have finally cleared all their toxic assets and NPL from their balance sheets? How will technology change the sector for the good and bad? Do you see the rise of new Portuguese banks with Portuguese capital?

The level of uncertainty that characterise the world currently only allows us to respond in terms of what is desirable, without, however, failing to take into account the big trends underway and the incentives derived from the European project and, in this case in particular, the Banking Union.

Therefore, digital transformation and the importance of the client will be the dominant foci.

But other factors will determine the configuration of the national banking system: for example, the interest of investors (which will fundamentally depend on the profitability of the sector and the expectations of the evolution in demand), the evolution of the Banking Union, of financial integration and the formation of pan-European banks, the competition of new players, be they from the payments area or financial brokerage. What is important is having banks that are solid, modern, efficient and trustworthy, that can guarantee to provide financing to companies and citizens with a view to the economic and social development of the country.

A banking sector that is diversified and competitive, maintaining some centres of decision-making in Portugal.

Banks that meet the needs of clients, competitive in international terms, which are concerned with their reputations and ethics, with better governance and a heightened sense of responsibility fiduciary, social and ecological responsibility.

Are you worried about the banking sector's exposure to Angola given the fall in oil prices?

The banks presence in the Portuguese speaking countries is natural and strategically understandable. We have intense historical links which justify them.

Naturally, the banks will take into account the situation and current context since they have to ensure not only the sustainability of their participated companies in these countries as well as their impacts on the headquarters of these banks. Having said that the levels of exposure are bearable. ■

David Sampson
Inhouse Contributor

How can it be personal when the personalities are gone?

An Irish writer in the Guardian commented recently that watching the Cummings 'road show' made him think of his mother. She was, he wrote, "for almost all of her life, a devout Catholic. She was a kind and compassionate woman, and she did not judge other people. But she followed the rules. There was one rule in particular she found awfully hard: the church's ban on contraception. But she believed in the authority of the church. She made the sacrifices, and did what she was told. I will never forget her rage and disgust when, in her late 70s and early 80s, she discovered that the same church she loved and obeyed had been covering up the sexual abuse of children for decades."

The ongoing story of Dominic Cummings, the personal adviser to the Prime Minister Boris Johnson, is that he broke the lockdown rules which he had helped to get the UK government put into force. When it emerged that he and his wife and child had driven, probably infected with the virus, to quarantine in the North of England, there were howls of rage and disgust at his behaviour. He expressed no regret and made no apology.

My first thoughts on hearing the story were not about my mother. In fact, I have had a sneaking admiration for Cummings' iconoclasm and his willingness to challenge the status quo in many areas and I did not relish the idea of seeing him taken down by the tabloids, whatever his sins, but the Guardian article did make me stop and think about public trust and ways it can be so easily lost.

The comparable people in Portugal who have lost the trust of the general public are bankers. Many people in Portugal do not pay income tax but almost everyone has, or had a relative who had a bank account with one of the three leading banks: Caixa Geral, BCP and Banco Espirito Santo. It was therefore particularly shocking that over the last decade many of the country's leading bankers have been shown to be not worthy of being trusted with our money.

The State owned Caixa bank looks after the savings of many families, and its directors were shown not to have cared what security they were getting for the loans they made and not to have heeded risk warnings from their own staff. The directors of BCP were willing to pretend that the Bank's increase in capital had been taken up when in fact they were making fictitious unsecured loans for friends to subscribe for the bank's shares. The former secretary of state who headed the BPN bank created a phantom subsidiary in Cabo Verde and indulged in disastrous speculative real estate deals. Worst of all the directors of the Banco Espirito Santo not only used offshore banks to make undercover payments to government and other officials, but led the bank into bankruptcy after admitting huge losses in its Angolan subsidiary, and leaving customers with unsecured loans to property companies in the group having misled such customers into thinking that their money was safely on deposit with the bank.

So the result is that nobody trusts the bankers to look after their money and nobody wants to pay them to do so. But we need them now more than ever. We need them to help clear up the mess their colleagues left behind, and to help us get back on track. There is no use in blaming those who are helping to clear up the mess for the sins of their predecessors.

> **"IT IS SHOCKING THAT OVER THE LAST DECADE MANY OF THE COUNTRY'S LEADING BANKERS HAVE BEEN SHOWN TO BE NOT WORTHY OF BEING TRUSTED WITH OUR MONEY".**

LONE STAR AND NOVO BANCO

Nowhere is this issue more evident than in the Novo Banco which is the name for the new bank carved out of the corpse of the Banco Espirito Santo. Since the government stepped in and effectively took over the bank in 2014, the main political parties agreed that the best way forward was for the bank to be cleaned up and then sold to the highest bidder. So, after one failed attempt, the government agreed in 2017 to sell 75% of the shares in Novo Banco to the American vulture fund Lone Star for nil consideration on the basis that Lone Star injected €1Bn into the bank, in addition to the €4,9Bn already injected by the Government and local banks.

From the beginning of the sale to Lone Star the Government committed itself to injecting up to a further €3,8Bn into the bank in case the assets of Novo Banco turned out to be less than hoped for, and there had to be more write-offs of bad loans. In the budget for 2020 the government made provision for it to make a large further injection into Novo Banco and this budget was approved by parliament. But shortly after the payment was made it became clear that the Finance Minister had not told the Prime Minister that the payment was being made and a few days later it was revealed that the directors of Novo Banco were going to get bonuses for 2019, and that the new financial director from Ireland got a huge signing-on fee at the start of his employment. The local media reacted with horror to the news that the government is pumping thousands of millions of euros into a foreign owned bank whose owners have always been clear that they want to make a profit and sell their shares as soon as they can.

In Portugal, as elsewhere, it is to everyone's benefit that the banks are well run. The EU already has in place rules under which limits are imposed on the salaries paid to the directors of banks receiving state aid, but the public still feels that all bankers whatever their origins or personal histories are out to rip them off. The delays in bringing charges against the guilty bankers and their ability to play the system through multiple appeals only increase people's frustration.

WE NEED SOLUTIONS BEYOND THE PERSONAL

The Guardian commentator wrote that "if Cummings were half as smart as he is supposed to be, he would have shown in his press conference some glimmer of understanding that this kind of betrayal is of a completely different order to the one he and Johnson engage in so routinely. The ordinary treachery of saying one thing and doing another — there will be £350m extra every week for the NHS; there will never be a border in the Irish Sea – is mother's milk to them. Perhaps because it is so habitual or because they are so used to getting away with it, their sense of how it works has become dulled. They missed the crucial fact that this time it's different. This time it's personal."

But in Portugal the problem is now the reverse. Portugal has always been a country where personal connections are especially important, but there is little of the personal left. Previously the bankers were Portuguese and were well known in the country, and they publicly supported keeping businesses and banks under Portuguese control. That battle has been lost and many Portuguese banks and businesses are now controlled by foreign banks and companies. Everything is decided remotely, there is little opportunity for personal interaction.

No one is there to take responsibility for the abuses of the past, nor to apologise for them. The hope for the future is that a new model will emerge across the EU which is environmentally and socially friendly, and able to support initiatives which improve the lives of its citizens.

Essential Property

Covid-19 - revolutionising the Algarve's residential housing market

The Algarve residential market will gradually recover from the Covid-19 crisis with the region expected to remain as popular as ever. However, technology and client-centric products and services will be the rule rather than the exception in the post-Covid world, according to sector pundits who took part in a webinar 'The Algarve Property Market - Overcoming C-19' organised by the Algarve Resident in association with the British-Portuguese Chamber of Commerce.

TEXT **CHRIS GRAEME**

How the current Covid-19 pandemic is affecting the Portuguese economy, the tourism sector and businesses has been thoroughly debated in recent weeks. What has been less discussed is its impact on the Algarve's residential, resorts and second home markets, begging the question of what factors will motivate buyers in this sector post pandemic?

Miguel Palmeiro, Sales Director of Vilamoura World is reassuring when he states what has become a reliable mantra of truisms for many in Portugal for years: that the Algarve region has the best to offer when it comes to relocation — good weather, excellent infrastructure (including a refurbished airport), state-of-the-art health facilities, fine food and wine and wonderful beaches all of which mean it scores top of the list when it comes to that well-worn cliché 'location, location, location'.

The Algarve also has the second highest GDP in Portugal and the second highest property values per square metre after Lisbon.

The holiday region, he says, is a consolidated destination in terms of real estate, where you can find a wide range of investment opportunities from apartments and homes in resorts to guaranteed income generating investment properties.

"Buyers will discover that being in the south of Portugal, away form concentrated conurbations, will no longer be a competitive disadvantage in a post-Covid world, but rather an advantage as social distancing becomes a premium since the Algarve has one of the lowest densities per inhabitants in Portugal. It also has the country's largest foreign community will brings a dynamic of its own in terms of the real estate sector with a balanced, quality stock and no over-supply," says Miguel Palmeiro.

MOVE NOW

But if the Algarve has it all, UK buyers should not be blind to the potential threats arising from Brexit and should use the current lockdown period and the Brexit transition period to December wisely.

Gavin Scott, CEO of financial advisors Blevins Franks, flags up a number of threats which need to be planned for in the transition period. Top of the list is the impact on sterling pensions.

Pensioners used to get €1.50 per £1 but are now very close to Euro parity, with relative net worth falling 35%. There could also be a 25% overseas transfer charge on pensions once the transition period ends, so he stresses that people have a short window of opportunity now to move.

Scott says there are also other tax incentives like the Portuguese Government's Non-Habitual Resident (NHR) scheme which is "unlikely to change". He advises potential movers to use the furlough time to "make those plans now rather than later" and adds that so far the response from potential buyers has been encouraging.

On 1 April there was a change in Portugal's pensions tax whereby pensions from overseas which had been subject to zero tax will now face a 10% tax from the UK. However, tax-free dividends from overseas, with no capital gains tax to pay, remain unchanged in Portugal on property sales in the UK. "Brexit will not affect any of these benefits since agreements were already in place before," he says.

"Movers need to match their Euro liabilities, take adequate tax planning steps, think about when to capitalise on ISAs, offset UK allowances against tax so that these remain the same regardless of Covid-19 and Brexit, and focus on pensions and maximising the opportunities to come," Scott advises.

Tiago Chaves, Senior Property Consultant at Fine & Country Algarve said they had used the lockdown to maximised digital technology with online marketing, creating new ways of increasing exposure of their properties through video listings, slide shows and videos, virtual tours and improving property listings.

"An increase in home working will likely have an impact on the residential market with higher demand for combined home-offices with good wifi a priority," he says.

"We were very busy up until the Covid crisis, but enquiries tailed off giving us more time to concentrate on existing clients. In the past few weeks, however, enquiries have been increasing again," he adds.

PRICES REMAIN STABLE

Regarding prices and whether the Covid-19 crisis and ensuing recession was likely to drive prices down, Miguel Palmeiro says that since the last crisis prices have risen by 20% on average and are back at 2007 prices.

"I think we have to establish a differentiation on pricing depending on second hand or new build properties. Regarding second hand it depends on the need for individuals to sell. The demand is there and yet there is not an over supply," he says adding that the timeframe to sale may be longer. These will come into the market fast and sell at lower prices.

However he says in the case of new build where there is a totally different market structure regarding developers.

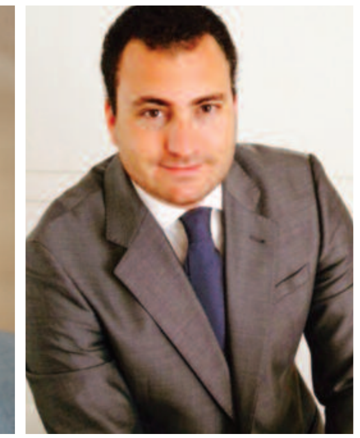
"Today we don't have an over financed market and at the same time we don't have an over-supply of stock. In our case in Vilamoura which is still under construction we have over 50% sold, I don't have any reason to lower prices. We have to look at the market over time and calmly see how it will react," he adds.

In Portugal he says there was a 1.2% increase in January and 1.4% in February while in March there was an increase of 0.4% meaning that for now there are no conditions to warrant cutting prices for new build.

"I THINK WE HAVE TO ESTABLISH A DIFFERENTIATION ON PRICING DEPENDING ON SECOND HAND OR NEW BUILD PROPERTIES. REGARDING SECOND HAND, IT DEPENDS ON THE NEED FOR INDIVIDUALS TO SELL"


ANDREW COUTTS


GAVIN SCOTT


MIGUEL PALMEIRO


TIAGO CHAVES

Tiago Chaves backed up the forecast by stating there is still demand backed up by supply and the crisis was not caused by lack of demand or over supply. "The interest is still here and I don't see prices dropping unless private individuals find the need to sell.

"Yes, we are seeing some vultures circling around looking for opportunities but I don't see such opportunities happening in the short term, if ever," he said.

TECHNOLOGICAL LEAP

Miguel Palmeiro says that Vilamoura World has had to adapt very quickly, with Artificial Intelligence (AI) and digital technology coming into the business fast as a result of Covid-19, with online viewings, webinars and virtual launches while construction has continued as normal.

"Our clients are the most important aspect for us and we've been giving them updates and news about the new online tools that we have developed."

Palmeiro does not think prices will drop dramatically, if at all, because there is no market over surplus. "Real estate has a long-term cycle and we don't make snap decisions over an event like Covid-19. We have to see how this evolves over time, but we have made a leap with technology which will make us more efficient with clients and partners."

BOUNCE BACK IN DEMAND?

While it is difficult to predict what will happen post Covid-19, Fine & Country's Tiago Chaves sees the recovery being more of a gradual U-shape rather than a sharp V-shape with "clients gaining confidence gradually."

The estate agent believes that with all the good press and international awards Portugal has won over the past few years, and more recently the international praise it has garnered for the way it has handled the crisis, will all contribute favourably, particularly the latest accolade from Forbes magazine which trumpeted Portugal as the 'Best place to live and retire post Covid-19'.

Moderator Andrew Coutts of the ILM Group, a sustainable property and resorts development consultant, says it is important to remember that the Algarve residential property market is now "very balanced in terms of supply and demand" which is a positive post-financial crisis legacy as investors are careful not to overdevelop.

Tiago Chaves thinks that for those looking for a holiday property there would not be significant changes in their requirements for a low-maintenance, easy-lock up and go property, with pool and beach proximity and amenities, as well as investment return potential.

There may be, he says, a change in demand in the residential market with 'relocaters' who will be more specific and selective in their requirements for good-quality homes with more space, high specifications standards, including insulation and energy efficiency and good internet connection. And these will not necessarily be looking for properties in resorts, but increasingly in the community.

Miguel Palmeiro says that the biggest shift for resorts will be for more human-centric developments where people will become the protagonists when buying property. There will be more remote working and meetings and therefore an adaptation to a hybridisation of home space as properties serve multiple functions as home, office and holiday retreat.

"We will see more cost effective, technology-driven construction, the industrialisation of the manufacture of concrete and other materials with pre-fabricated modules and units being put into place" he says.

"We will also be using 3-D technology, and in terms of customer relationships we will also see the importance of 'gamification' where screen-by-screen with the client we can decorate the entire home so when they arrive they will be able to immediately close the deal," Miguel Palmeiro concludes. ■

Essential Tourism

Tourism and the day after Covid-19 what needs to be done?

The tourism and tourism-related property development sectors in Portugal have been hard hit by the Covid-19 crisis, but there is room for cautious optimism providing the government opens up the tourism sector now and provides a package of fiscal stimuli to help struggling companies, developers and guesthouse owners in the sector survive. Former Secretary of State for Tourism, Adolfo Mesquita Nunes, the President of the Portuguese Association of Real Estate Investors and Developers (APPII), Hugo Santos Ferreira, the President of the National Golf Industry (CNIG) Luís Correia da Silva, and the Co-founder of the Local Accommodation Association of Portugal (A Loja do AL), Carla Costa Reis discuss what needs to be done.

TEXT **CHRIS GRAEME**

Portugal's tourism industry has been hit by a triple blow as a result of Covid-19. First, as an economic activity it has, like all sectors in Portugal suffered in terms of wealth creation and employment.

But it is arguably suffering more than other economic activities because it is the last activity to open up after confinement in terms of hotels and local accommodation which were effectively closed for three months.

But it has also suffered in terms of tourist demand since borders have largely remained closed and will do until June while air transport has strident rules in place which reduce flights and passengers numbers, not to mention the restrictions in place in Portugal's main tourist source markets overseas, particularly in Europe, and generalised fears over travelling and holidaying abroad.

Not only that, there will be a structural change in how humanity will view tourism with many people not wanting to travel or be in cities as fear takes over much as it had done after 11 September attacks in New York.

PROMOTING A LOW-RISK DESTINATION

It is natural that the hotel sector would pursue a policy of more hygiene and sanitisation but the question is does Portugal have the conditions to preserve its tourism sector during the confinement and aftermath period?

Former Secretary of State for Tourism Adolfo Mesquita Nunes thinks so. "This sector will suffer more than the others and for longer which demands a specific recovery programme for the sector".

Nunes says that if the Government and all players involved at national and local levels can't preserve sector, the effects on Portugal's economy in terms of jobs and revenues will be dire and extend far beyond just the tourist sector itself.

"It will impact people's lives because of its huge importance to the economy," he says, adding that the authorities need to project the perception that Portugal had successfully tackled the crisis and can offer holidays that are relatively safe and risk-free form a public health point of view.

Luís Correia da Silva, President of the Portugal's National Golf Federation (CNIG) says the impact of the pandemic has been "brutal" for the Tourism industry, for the companies and hotels in the sector that rely on it and the economy as a whole.

"We've faced nothing like this in past memory and although we have gone through various crises, I can't remember anything remotely like this," he says.

"We have the perception that this crisis is having a huge impact on family incomes and this could determine significant changes in the spending habits of tourists and how they will travel in the future," he adds.

THE IMPORTANCE OF TOURISM

On the positive side, and for the first time in Portugal, both politicians and the general public have a more precise idea of the size and importance of the tourism and travel sectors for Portugal and the relevance that it has in terms of its direct and indirect economic importance for all the economic activities that work in the networks linked to it.

"I think this surprised a lot of people. From one moment to the next people understood that a vast amount of people would pay a heavy price in an area that has been trumpeted for its success, but not always taken seriously by some economists," says the Golf Federation chief.

Portugal, Correia da Silva says, has a perception of being extremely dependent on tourism and the hospitality sector, and yet all the business people, the municipal councils, and all those involved in the sector have successfully met an international demand, promoting different regional destinations and various types of tourist products.

He says that in the coming months it is evident that the first tourists will be Portuguese and those foreigners already living in Portugal.

"These are very important for the residential leisure market. These second-home non-habitual residents are vital in building the perception that Portugal is a safe country for their fellow citizens overseas to come on holiday to visit" he says.

THREE-PHASE RECOVERY

In terms of tourism market recovery, Portugal will go through three or four phases: 1) Portuguese tourists and overseas residents living in Portugal holidaying in June, July and part of August; 2) As airlines begin to resume limited services there will be some reduced capacity for overseas tourists coming to Portugal from August and September; 3) Regarding long-distance markets such as the US, Brazil and Africa, these tourists will probably only return from November and December and into 2021.

"IF THE GOVERNMENT AND ALL PLAYERS INVOLVED AT NATIONAL AND LOCAL LEVELS CAN'T PRESERVE THE SECTOR, THE EFFECTS ON PORTUGAL'S ECONOMY IN TERMS OF JOBS AND REVENUES WILL BE DIRE AND EXTEND FAR BEYOND JUST THE TOURIST SECTOR ITSELF AND WILL IMPACT PEOPLE'S LIVES". ADOLFO MESQUITA NUNES

What worries Luís Correia da Silva most, however, is the situation in the United Kingdom which is Portugal's most important overseas market for tourists, particular for the Algarve, Madeira, Lisbon and Porto and the North.

"If the situation does not improve soon in the United Kingdom we will face more difficulties than we have had before," he said, adding that the situation involving the Spanish market was also deeply worrying.

The tourism sector in Portugal has a particular weakness, in that it consists of relatively few large economic groups, most in a strong financial position, but many more smaller ones that have considerable exposure in terms of financing and credit, both regarding tourism projects that are operating, and others that are preparing to come on line in the future.

A grand swathe of the tourism is made up of micro and small and medium size companies (SMEs) and it is these players that are facing the greatest difficulties when it comes to making sure that the restart takes place in conditions capable of attracting tourists while providing quality services.

"The coming months will be very complicated, with very low hotel uptake rates across all offer classes, from hotels and local accommodation to golf resorts and convention centres. All areas linked to tourism will suffer reduced demand" says Correia da Silva.

"These companies can hold on for two or three months with some capacity with financial support from the Government, but if the situation continues longer than this, a whole host of these companies will not be able to survive, or will make many of their staff redundant" he warns.

"It is very important that this Government introduces measures to help these companies over this two to three month period," he adds.

LOCAL ACCOMMODATION

Carla Costa Reis, Co-founder of the Local Accommodation Association of Portugal, is in no doubt that many of those running guest houses aimed at tourists are having to turn to the residential rental market as tourists dry up.

"We are going through a very challenging situation and from 15 March local accommodation landlords began receiving cancellations for bookings that had looked to represent a significant contribution for the tourism sector in 2020" she says.

In March turnover fell 40%, while in April cancellations in many areas reached 90% and in May to 0 bookings virtually across the board.

"This is a sector is particularly seasonal, and even in Lisbon and Porto we have four good months and eight off-season months, and have to make our money in the summer months to offset the long winter months," she stresses.

"Considering that we are a sector made up of small micro-companies, it is normal that the first impact would be on our cashflow situation, and no one was prepared for the impact of this Covid situation, particularly when you take into consideration the investments in renovation and adaptation works undertaken by the landlords," she adds.

Carla Costa Reis says that most of these landlords have no savings to get them through the crisis and the winter months that follow, and with water, electricity and tax obligations to pay, even the measures proposed by the Government, which are loans, would not be enough to make up for the loss of tourists and revenue caused by the crisis.

"The truth is we don't have ready cash and that's a problem, while many apartment owners in local accommodation were excluded in the State Budget for 2019 for social security which means now they can't even claim that. They have been excluded from any kind of financial help set aside for the companies sector," she complains.

This has led to local accommodation landlords having to rely on loans, and even then, with the season effectively cancelled, and the prospect of winter ahead "who is going to have the confidence to borrow more money from the banks to keep going until the spring of 2022?"

However, she does praise the excellent promotional work done by the Portuguese tourism board, Turismo de Portugal, with its campaign 'Can't skip hope' as well as Department of Health's (DGS) sanitary measures prepared for local accommodation which represents "an increase in confidence for both national and international tourists, which means we will be seen as having the sanitary conditions in place to safely welcome them".

CONVERT TO RENT

One solution is to convert these guest houses into accommodation for rent to individuals and families in order to meet the chronic lack of affordable housing in the centre of Lisbon and Porto and other large cities that normally attract tourists.

But there is a problem for many. "Our members can't simply convert from local accommodation to residential rental because they don't have the money to pay for the fiscal obligations required to do so. Basically, they have a ball and chain around their legs, especially because of the oscillations in taxes our members will have to pay moving from one segment to the other" she says, pointing out that the owner runs the risk of paying in IRS tax almost the entire amount they had earned in tourism receipts throughout their activity as a guest house.

"Obviously, our members are terrified while all this remains uncertain and face considerable tax risks by converting their properties from local accommodation to residential rental use" she adds.

In fact, in the State Budget for 2020 there was an effort to correct this injustice, providing the property will be put out to residential rent for five years on being taken out of local accommodation. "There is no confidence on the part of landlords or tenants to take out a five-year contract," she stresses.

"WE HAVE THE PERCEPTION THAT THIS CRISIS IS HAVING A HUGE IMPACT ON FAMILY INCOMES AND THIS COULD DETERMINE SIGNIFICANT CHANGES IN THE SPENDING HABITS OF TOURISTS AND HOW THEY WILL TRAVEL IN THE FUTURE." LUÍS CORREIA DA SILVA - CNIG

REAL ESTATE NEEDS TO BE RESPECTED

Hugo Santos Ferreira, Vice-President of the Portuguese Association of Real Estate Developers and Investors (APPII) points out that real estate investors and developers represent 15% of national GDP and captures €30Bn in investment for Portugal per year, similar to the amount generated by tourism. He laments that the real estate sector in Portugal has been treated as the poorer cousin to tourism by the Government because it "isn't so sexy".

The sector, in his opinion, had been vital for the Portuguese economy in attracting overseas investment to Portugal, including development projects aimed at

“THE REAL ESTATE DEVELOPMENT SECTOR HAS SO FAR HAD NO HELP WHATSOEVER FROM THE GOVERNMENT’S EMERGENCY FUNDS, LET ALONE ANY OF THE TAX BREAKS SUCH AS A 6% VAT LEVY ON NEW BUILDING PROJECTS WHICH THE APPII HAS CAMPAIGNED FOR, FOR SO LONG”. HUGO SANTOS FERREIRA, VICE-PRESIDENT OF THE APPII

tourism, while the investors themselves operating and living in Portugal, including Non-Habitual Residents and Golden Visa holders have represented an annual investment attraction of around €5Bn. To give an idea, since the end of the last financial crisis in 2013-2014, €25Bn has come into Portugal via these investors.

The APPII also represents hotel developers and owners and indirectly the interests of local accommodation which is also linked to the real estate sector.

“We are navigating unchartered waters, the times are uncertain now, but in the short term we have companies that are capitalised, highly professional, and which are trying to survive from their cash reserves and cashflows, but have naturally suffered from falls in revenues, yet even so they have managed to retain their activities active despite this falloff in revenues," he points out.

In terms of property sales and rents, there has been some decline for patrimonial entities, but on the activity side, the construction sector has seen its projects that were underway, continue. There has been a decline in new projects, but the majority of overseas investments say they will continue to invest, and these overseas investments represent 50% of Portugal’s real estate investment and developer players, including the largest international funds.

Says Hugo Santos Ferreira, “We are pleased to report that we are seeing an appetite and intention from these overseas investors to continue to invest in Portugal. The majority of these international funds, despite this uncertainty, see the prospects for recovery within six to 12 months.”

And in a time of crisis, the real estate sector has found an opportunity to turn digital and put sales online, with many high-end investors, viewing and buying property and even completing sales all online.

“The activities of these companies serving the upper middle class market has managed to continue because the real estate sector today is much better prepared than it was in the last crisis. We don’t see the kind of slump that we had seen in the Great Recession because these players are less in debt and using fewer loans,” says Santos Ferreira.

The APPII vice-president points out that the majority of real estate investment in Portugal following the crisis was not as a result of internal demand since companies were not well capitalised. We had to mostly look to overseas investment which is less affected by national slumps,” he adds.

LONG TERM OUTLOOK

Hugo Santos Ferreira believes that the outlook for the real estate development market in terms of tourism and other property sectors is “cautiously optimistic”.

“Speaking to construction companies and developers, they say the commitment on the part of international financiers and funds has not gone away”.

The APPII vice president insists that Portugal’s real estate sector can once again help kick-start the Portuguese economy after Covid-19 because it still has the existing real estate investment from funds. He emphasises that it is important for the Government not to forget these companies like it did during the Great Recession.

“Our companies will be able to withstand two of three months with the cash that they have, but will not cope with many more months than that without cashflow coming in,” he warns stating that the sector must not be overlooked by the Government in terms of emergency help and a raft of measures.

Hugo Santos Ferreira explains that Portugal’s real estate development sector has so far had no help whatsoever from the Government’s emergency funds, let alone any of the tax breaks the APPII has campaigned for, for so long.

These include tax incentives such as reducing VAT to 6% to encourage development, particularly for much needed new-build homes for the Portuguese middle classes, tax incentives without which, considering the sector’s importance to the national economy, don’t make sense.

“If we want to continue to capture and maintain overseas real estate investment, developers need to be able to startup again immediately, investors need to be told they are very welcome in Portugal, Golden Visa applicants should be welcomed in this country, and we have to make the real estate market attractive again for both investors and developers,” he said.

TAX AND RED TAPE

Part of the problem is that the rising cost of building materials, the high cost and lack of manpower and Portugal’s continued resistance to reducing red tape and high taxes makes it almost impossible for a developer to build new affordable residential homes and make a profit.

The APPII, to this end, has set up a programme called “Relaunch the Economy” with a number of measures that the sector needs. These have been divided in temporary measures until the end of the year, and more medium to long-term measures.

These include a suspension or reduction in the property taxes IMI (Property Tax) and IMT (Municipal Tax on Property Sales) to help provide liquidity for the companies to get back to work and continue.

Also, an extension of the moratoria in fiscal terms as well as suspending administrative deadlines on licensing and planning permission applications, including the three-year property resale fiscal deadline.

Third, speeding up and streamlining municipal urban planning permission processes whose current red tape is the one singe aspect that most puts off overseas investors.

Four, make long-distance property deals legally viable because of the current exceptional circumstances, eventually paving the way for online planning permission and contract processes.

Other measures the APPII vice president suggests is an exemption or extension period to pay IRC tax due by July 2020 (regarding 2019 fiscal year) and a suspension of capital and interest payments on real estate investments for a period of six months.

In conclusion, Portugal’s industry has suffered across the board and the Government expects a recession that will wipe of over 7% of her GDP in 2020.

But Portugal’s tourism and real estate development sectors are a vital driver for the economy both in terms of getting Portugal’s economy going again and assuring its long-term future. It is time, say the players, to start treating the two with the respect their importance deserves. ■

“THE TRUTH IS WE DON’T HAVE READY CASH AND THAT’S THE PROBLEM, WHILE MANY APARTMENT OWNERS IN LOCAL ACCOMMODATION WERE EXCLUDED IN THE STATE BUDGET FOR 2019 FOR SOCIAL SECURITY WHICH MEANS NOW THEY CAN’T EVEN CLAIM THAT. THEY HAVE BEEN EXCLUDED FROM ANY KIND OF FINANCIAL HELP SET ASIDE FOR THE COMPANIES SECTOR”. CARLA COSTA REIS, CO-FOUNDER A LOJA DO AL

Manuel Alçada
Executive Director of Happy Work

"BY MAINTAINING THE PERSONAL TOUCH WHILE AT A DISTANCE FROM EMPLOYEES, CHAT, VIDEO CALLS, TELEPHONE CALLS AND EVEN SOCIAL NETWORKS CAN BE EFFECTIVE WAYS OF COMMUNICATING. WHILE NOT EXACTLY THE SAME AS FACE-TO-FACE CONTACT, THEY CAN ACTUALLY HELPTO MAKE THE TEAM FEEL MORE SUPPORTED".
MANUEL ALÇADA, EXECUTIVE DIRECTOR HAPPY WORK.

The difference between being a boss and a leader in times of Covid-19

It's one thing being a 'Sr. Doutor,' but quite another when it comes to effectively managing teams and being respected as a leader in times of Covid-19 than taking home a fat cheque. Executive Director of Happy Work, Manuel Alçada, a consultant and coach in customer service, sales and leadership explains why.

Challenging times reveal true leaders and unmasks those who have disguised themselves well.

Just ask the many company employees that are teleworking right now who are more often than not sharing confined spaces at home with their children, who are doing online lessons and have family members in risk groups, but are not feeling like they are getting any support from their bosses or worse, their bosses are making their lives even more difficult.

Or ask a frontline employee who has to cope with the public on a daily basis, and a cowardly boss who doesn't get involved when the tough gets going which inevitably happens, and now more than ever.

In challenging times like these, the leading role of a boss is more important than ever.

The bosses too are also very often overloaded with work, which they didn't have to worry about too much before because the processes they were working with were, for better or worse, defined and workable. Now everything has changed, and is new and a lot of extra and unexpected responsibilities have fallen on their shoulders.

Meanwhile some things have not changed.

The boss's main responsibility isn't doing reports with pretty graphs or responding to complaints. The main responsibility now, more than ever, is knowing how to manage his team.

And many bosses, as cogs in a well-oiled corporate working machine go unnoticed in 'normal times'. They may not be brilliant, but they will be fulfilling their role with reasonable competence, at least in everything that doesn't involve people management.

If the economy is working, the team has a good working environment, and the company is half decent, the boss can cope with rain showers and simply let the team get on with doing their job while staying in his office answering e-mails and calls as they come in.

The team may not even think that much about this boss, but prefers him to the one from the morning shift who creates a bad atmosphere, or even to the one who is super demanding and who does the night shift, and who is preferred to all the others.

But these times are over. The 'okayish' boss now isn't good enough.

For all the more new requests that he now gets, the boss's main role is to make sure that his team does the best possible effort with the resources that they have.

And each member of the team is facing fresh challenges, many not undertaken before and few of them clear, but challenges that always imply the need to have guidance and clarity on the part of their boss.

But doesn't the boss himself have much information about the company's future? It is preferable to be clear in relation to this, sharing the little that he does know rather than simply not talking about the matter?

Doesn't the boss have his entire team at home, and so each one has to go about doing their work? No! It is up to the boss to regularly contact the members of his team and not just via email. The email is the means of communication that is the most impersonal and which creates countless misunderstandings, and yet has a pivotal role in information management.

But the e-mail is dreadful when it comes to creating a group spirit, or listening to the team's needs. If the boss uses email for this, then the team might just as well speak to a robot than the boss.

By maintaining the personal touch while at a distance from employees, chat, video calls, telephone calls and even social networks, can be effective ways of communicating, while not exactly the same as face-to-face contact, can actually help to make the team feel more supported.

So what can be done in this phase? One doesn't have to be that mega-guru leader that you read about in all the management magazines and who a few years down the line falls into obscurity. But here are some tips that may help:

1. To your team aligned, keep it as well informed as is possible. Information that there is about the future of the company, even if it isn't that positive, should be shared with the team. It's better they hear what you've learnt from your own lips than hear it from whispering voices in the company's corridors that they may not believe, but will fuel more speculation than ever.

2. Hold regular team meetings, even if in small groups, to maintain the group spirit of cooperation which is now more necessary than ever.

3. Be understanding in relation to the specific needs of each team member — it's not worth insisting on a rigid hourly turn, for example, if your employee clearly can't work at specific times of the day because they are doing the lunch for the kids or settling them down for bed.

4. Give feedback to each one about their performance. If you can't manage that, from everything you know that's going on, form an opinion on their performance, impart information from what you do have about their little successes (and failures) that you can make out.

5. Go from being the passive listener to an active one. Being a good listener is always a good quality. But now one should do so actively. Ask people directly if everything is fine, if they need anything from your side.

Covid and the factory floor how Portugal's cork industry is adapting

Portugal's cork industry is worth around €990Bn a year in exports with 95% sold to 130 countries around the world, 72% of that going to European countries. But how far has the industry been affected by the Covid-19 pandemic and what are the prospects for the future?

TEXT **CHRIS GRAEME**

There is no doubt that Portugal's cork industry is an important agricultural sector which employs around 8,310 employees in 685 companies nationwide.

Of that, 72% goes into making wine, port and champagne corks - 40 million a year in fact — while the industry is responsible for approximately 1% of Portugal's total exports having grown on average by 4.5% annually for the past 10 years.

Collectively, Portugal's cork industry, like most others, is facing an unprecedented challenge caused by the Covid-19 pandemic, although through March and April production remained stable.

However, with restaurants and hotels closed around the world, and tourism at a standstill, the expectation is that output will decline in line with orders as wine sales serving the hospitality and catering sectors plummet.

In a webcast organised by AON Portugal, its CEO Pedro Penalva talks to João Rui Ferreira, President of APCOR (The Portuguese Cork Association) and CEO of cork manufacturer Waldemar Fernandes da Silva SA on how the production and supply chain has been affected by the downturn caused by the Covid-19 pandemic.

THE IMPACT

The impact of the Novel Coronavirus has been felt by Portugal's industries in various ways and to different degrees of intensity. Based mostly in Portugal, the local cork processing industry has managed to instigate various contingency and risk management measures to deal with the eventuality of any supply chains having to shut down. However, so far, there has been no disruption in the client supply and delivery chain to date.

João Rui Ferreira says that the cork industry operates within a panorama of global competition, but has contingency plans in place if there should be a problem in supplying its clients, and in particular to those within the wine sector.

However, supply chain problems might not come from other wine sector competitors, but rather other types of competitors in other sectors, many overseas. Problems from the supply of packaging and wrapping, tapes, logistics and, ultimately, the final hospitality clients such as the hotels, restaurants, bars and events that represent an overwhelming slice of customers catering to consumers which now aren't there.

"We have always tried to keep our supply lines open and we've achieved that despite knowing that at any moment there could be a disruption in the supply chain logistics. However, in some of the countries worst affected by the crisis, like the United States, France, Spain and Italy, the wine production chain has been maintained and prioritised because it is seen as part of an essential agricultural sector and so has not seen its activities suspended" says the AOPCOR president.

HEALTH AND HYGIENE EFFECTS

In terms of the raw material, cork has to be harvested during a season which runs from mid-May to mid-August depending on weather factors and while cork oak growers don't have a problem in terms of its forthcoming 'extraction' campaign going forward, estate visits will go ahead as normal albeit with some social distancing contingencies while "trying to keep things as normal as possible".

And although reps and sales agents have been restricted by lockdown and travel constraints, most of Waldemar Fernandes da Silva's 8,000 employees have continued working since for most of these factory workers teleworking from home is simply not an option and the only physical measure that had been adopted is the use of protective face masks.

"The difficulties most felt within the industrial factory environment were the coffee breaks, going to the bathroom and social interaction moments, so regulating social distancing has not been easy in terms of limiting who and how many could go for lunch at a time" he says.

In fact, Ferreira believes that these social distancing rules, if they become a regular feature or the new normal, could call into question "the very concept of team spirit philosophy".

"We've had to change the rules governing morning meetings and the staff adapted very quickly" he says while admitting there had been "some difficulties initially accessing PPEs (Personal Protective Clothing), masks, visors, gloves and disinfectant items such as gels.

Other measures that have been put into practice include voluntary lockdown for staff who had been recently overseas, and the cancellation of overseas business trips by reps and sales managers — but hardly surprising given the airlines situation.

The APCOR president also mentions that he has closely studied the measures that had been announced by the Government in March and believes that some of them need to be more detailed and specific in terms of how they will be employed and adapted over time.

"Journeys weren't a particular problem since most staff live fairly close to the factory" he says, adding that in the first phase it was left to the individual company to decide the degree of intensity while having to deal with the mixed messages of "stay at home" but the "machines cannot stop" and which reflects the Government's dilemma of balancing people's health and the health of the economy which sustains their livelihoods.

Ferreira says that obviously there will be a new contingency framework in general for dealing with pandemics in the first instance, since before pandemics were low down on the scale of risk assessments to business.

"On the whole, industries were not prepared for a pandemic before February, but now all industries, including ours, will now have to be prepared in terms of risk management and having the capital and financial structure to withstand a temporary crisis such as this one will be decisive in future" says the APCOR president.

DEALING WITH FALLS IN ORDERS AND PRODUCTION

João Rui Ferreira says that in terms of demand — and clearly this will vary from sector to sector — orders have not yet been cancelled for his company and those of his association members.

There have not be big disruptions and both wineries and cork manufacturers are continuing as normal. The bottling lines have not stopped, despite some operational and logistical changes.

However, a reduction in demand, and consequent production, may well, he says, be inevitable since 60% of the world's wines are sold though the restaurant and catering wholesale channel Horeca which serves hotels, restaurants and bars whose activity had fallen to almost zero.

And the increase in off-licence and supermarket wine sales, as people are stuck at home, has not compensated the sales to the hospitality sector, with reductions of around 50% in Europe and the US. The traditional retail outlets simply cannot absorb all this loss.

"Up until to a few weeks ago, we really didn't feel any effects but, and this is speculative, we could eventually feel the fallout from a falloff in demand going forward, although in terms of the open-border policy between Spain and Portugal for the circulation of goods and raw materials, apart from some temporary situations, supply and production capacity looks unlikely to be affected" he says.

As for packaging, since this is done locally as subsidiaries are spread around the world, the issue of packaging and wrapping is managed on the ground by the client, and so far cork producers have not encountered specific feedback on problems.

"Providing there is not a second wave of the pandemic in the winter affecting Spain, Italy and France, and economies start to open, I do not anticipate problems in terms of components and packaging supplies" he says, stressing that risk and contingency management in terms of stock will have to be reassessed and redesigned.

OPPORTUNITIES FOR MODERNISATION

With a huge change in industrial paradigms worldwide, the cork processing industry is no exception when it comes to technological and innovative manufacturing processes involving AI and digitalisation.

Cork is a national, but also a global patrimonial asset, with a huge impact socially, culturally and economically for the communities it sustains and therefore a territorial responsibility.

"It is one of the few activities in certain areas of southern Europe and North Africa which creates the economic security vital for social cohesion, as well as an important sustainable ecological and environmental heritage, one which APCOR has, in its role as a facilitator, driver and guardian of this rich agricultural heritage, worked hard to maintain and preserve" Ferreira explains.

This includes factors such a protecting bio-diversity, maintaining a barrier between forest and desert, preventing the latter encroaching on the former, as well as water management and all the other responsibilities these factors bring.

Repetitive processes have been automated and digitalised, business models and production processes are being modernised, and the industry was already working within this mindset well before the Covid-19 crisis which, he believes, will only serve to strengthen and act as a catalyst to speed up the technological changes to the sector.

In terms of business innovation too, the association has launched programmes in the recent past aimed at creating and supporting startups in areas as diverse as fashion, architecture and the foodstuffs industry, as well as promoting business models that are more geared towards technological and internationalisation processes.

"In terms of progress and APCOR'S role as facilitator, there needs to be more education, transparency, knowledge sharing and showcase success stories" he says.

"One of the lessons Portugal needs to take away from this crisis is capitalising on the great image we now have in the world because of the way we have tackled the Covid-19 pandemic and add that to the fact that we had already experienced and successfully overcome an economic crisis and harness this experience to further make our economy more specialised and niche" he concluded.

**This article is based on a webinar organised by AON Portugal - a large global professional services company that sells financial risk mitigation products — in conjunction with the American Chamber of Commerce in Portugal (AmCham).* ■

Essential Industry

Essential Bi-lateral relations

Ireland and Portugal standing shoulder to shoulder in times of crisis

Irish Ambassador to Portugal, Ralph Victory says that despite the inevitable downturn, Covid-19 could bring business opportunities for the two countries in the online, medical, manufacturing and hospitality sectors and services during a webinar with the Ireland-Portugal Business Network (IPBN)

TEXT **CHRIS GRAEME**

Until March this year Ireland and Portugal had both been in a strong economic position. Portugal's GDP was up 2.2% by the end of 2019 while Ireland enjoyed growth of 1.8% to December that year.

Portugal exports from Ireland stood at US$419 million (€376 million) in 2019 according to the United Nations Comtrade database on International trade while Ireland exports from Portugal were already worth €1Bn including tourism by last year according to Portugal's external trade agency AICEP.

The main products were pharmaceutical, iron and steel, vehicles, electrical and electronic equipment, plastics, wood products, organic chemicals footwear and paper-based articles but tourism and hospitality sector products and services are also hugely important.

Then came Covid-19 and despite almost total paralysis, both the governments and health authorities of Ireland and Portugal have reacted well to bringing an ongoing and challenging public health situation under control.

"I've been struck by how the Ireland-Portugal Business Network (IPBN) has continued to grow and develop, as well as the exchanges on how the network would have to change, develop and adapt further over the next year and beyond," said Ireland's Ambassador to Portugal Ralph Victory.

In Ireland negotiations are underway following a general election in February with the current government publishing a roadmap for reopening society and business to ease Covid-19 restrictions for Ireland's economy and society in a five-phase approach to increase economic and social activity.

The ambassador said that in economic terms the challenges involved are "stark". As outlined in the stability programme update published by the Irish Finance Minister Paschal Donohoe on 21 April, Ireland's GDP is projected to fall 10.5% in 2020. Portugal's economy is expected to contract between 9% and 15%.

Unemployment in Ireland is expected to reach 22%, while the government deficit is projected to be €23Bn or 7.4% of GDP. Ireland's recovery in the second half of 2020 will hinge on successful containment of the virus.

The target for 2021 is to achieve 6% GDP and for unemployment to fall below 10% with economic activity reaching its pre-crisis level in 2022. "The journey will be difficult but Ireland faces it from a position of strength," said Ambassador Victory.

"Our economy had been performing well throughout 2019 and the early months of 2020, both in terms of domestic economy and exports and all of this strengthens the Irish position in terms of the current challenges," he added.

Maintaining this economic resilience is essential for the Irish economy and steps have been taken towards this including a €250 million restart fund, with up to €10,000 each for micro and small businesses and a three month waver for local taxation and a €2Bn Covid-19 stabilisation and recovery fund for medium and large enterprises.

There is also a further €2Bn credit guarantee scheme to support lending to SMEs repayable from three months to six years at below market interest rates. In addition, business tax has been warehoused for a period of 12 months in which time no debt enforcement actions will be taken by the Irish authorities and no interest charged.

Despite the differences between the two economies, there have been some similarities in the Covid area with Portugal being ahead regarding its timings plan for reopening. "The Portuguese economy, like Ireland's, had been performing well before the pandemic with a range of measures adopted to support businesses and workers alike," said Victory.

And continued, "Portugal has deservedly won international praise for its handling of the Covid-19 crisis, and we wish the Portuguese every success as they undertake their own reopening measures now that they have begun".

EU INVESTMENT

Ralph Victory says that the two countries' membership of the EU will be another key element in their economic recovery; measures which include a €540Bn package and instruments allowing EU governments to spend up to 2% of their GDP on emergency economic and healthcare measures which amounts to some €240Bn.

Another EU instrument allows for €200Bn of finance for companies, particularly SMEs, and a €100Bn employment insurance scheme.

The European Central Bank too has launched a temporary massive purchase plan for private and public sector securities with an overall budget of €750Bn.

The European Commission has put forward its proposal for a recovery fund which will have a combined investment of €1.85Tn to 2027 and is designed to kickstart Member State economies by sharing priorities and bolstering solidarity.

BREXIT

The EU's importance as a trading bloc will be another vital ingredient to both countries' recovery and future, and this has implications for Brexit. There are negotiations on a future partnership and the implantation of a protocol — both EU-UK and a UK-Ireland protocol on the future of Northern Ireland.

"Its fair to say that these negotiations haven't achieved as much as Ireland and our EU partners would have wished" said Ralph Victory.

"Significant gaps remain between the two sides and further progress needs to be made by June when the two sides take stock. But the difficulties can be surmounted if there is the political will, realism and mutual respect," added the ambassador.

He added that Ireland would continue to work with Portugal and EU partners to ensure that: "Our collective approach to these negotiations reflects our shared values and interests".

IRELAND-PORTUGAL ECONOMIC RELATIONSHIP

What will the Ireland-Portugal economic relationship look like? On the Irish side and through Enterprise Ireland, the embassy and partners are working hard to retain the existing export connections and prospects, while also looking to develop new ones. On the Portuguese side, the Portuguese export and overseas trade and investment bureau AICEP's colleagues are doing likewise.

"Clearly we can expect that the overall economic downturn and public health related restrictions will effect consumer confidence for some time to come, particularly in the tourism and air transport sectors, with knock-on effects for supporting services."

"At the same time, there may be new opportunities arising in areas such as medical research and devices and even online services and e-learning, manufacturing, hospitality and tourism as these sectors open," he added.

Are these the opportunities that we can engage in together? If so, what are the best ways to go about doing that? How can we overcome the hurdles and challenges that lie in our way, while at the same time protecting the hard-won progress achieved so far?

"Clearly we want to see economic activity resuming as fully and as soon as possible, and as part of that air connectivity and transport connections are very important. It has to be done as the public health situation allows" said the ambassador.

In the case of Ireland, the reopening of the country is conditional on no new Covid-19 cases being imported but the plan is to reopen in a coordinated way as soon as public health considerations allow. "Unfortunately, we are looking at months rather than weeks".

"SIGNIFICANT GAPS REMAIN BETWEEN THE UK AND EU AND FURTHER PROGRESS STILL NEEDS TO BE MADE, BUT THE DIFFICULTIES CAN BE SURMOUNTED IF THERE IS THE POLITICAL WILL, REALISM AND MUTUAL RESPECT." - AMBASSADOR RALPH VICTORY

EMBASSY'S ROLE IN TRAVEL ARRANGEMENTS

"Our global advice is still to avoid all essential travel and it calls upon all of us to exercise judgement and responsibility. If a trip is absolutely necessary, that is understandable but people have to take all the necessary precautions and the requirements for 14-day self-isolate are in still place and the exceptions are very limited" says the ambassador.

Regarding the support to the Irish-Portugal Business Network from the Irish Department of Foreign Affairs, the Irish Ambassador to Portugal said it was unlikely that the Government would be expanding its budget for supporting business networks, but would aim to preserve as much funding as possible. ■

Why Portugal is trending

Chitra Stern, owner and founding partner of the Elegant Group of Martinhal family hotels and resorts and the Lisbon United International School was invited by TEDx Funchal to provide insight as to 'Why Portugal? - The real reason Portugal has been attracting foreign investment.'

TEXT **CHRIS GRAEME**

Chitra Stern is probably the most accomplished and successful female entrepreneur in the tourism sector in Portugal today.

The Singapore and British national of Indian descent came to Portugal with her Swiss husband, property developer and visionary Roman Stern in 2001 because one of the main business opportunities at that time were in hotels, resorts and real estate. They still are today.

In 2001 Portugal had been a member of the EU for 15 years, infrastructure funds were pouring in with new motorways connecting the country from north to south and east to west. Airports were increasing capacity while connectivity was improved with the advent and spread of low-cost airlines revolutionising travel in Europe.

"Portugal for us as foreigners was an undiscovered country in Western Europe, but we discovered it was an amazing tourism destination," said Chitra.

Starting their business from the basement of their house they bought in Lagos, their initial plan was to stay for five years. Nineteen years down the line, with four children and a real estate portfolio empire later, the couple are still here and have advised the Portuguese government on investment attraction.

Chitra says that there is no doubt that Portugal is "trending" as a country and tourism destination today. It has amazing restaurants, talented chefs, chic, cool boutique hotels, and lots of interesting products and brands. "You know you're trending when magazines like Monocle are writing about you" she stresses.

For the Sterns Portugal is an authentic country which is modern, European and yet still has an old-world charm about it. "Portugal has a huge history behind it for such a small country," she points out.

"The thing that most amazed me from history was this venture capitalist from the 15 th century, Prince Henry the Navigator who poured the crown's resources into the research and development of navigation. He can be credited for catapulting Portugal to punch above it weight during the Age of the Discoveries," Chitra explains. This era bought a lot of wealth to Portugal for decades and generations.

POWERED BY ECO

Portugal is in the forefront of sustainable energy. For one month in 2018 Portugal produced enough power from renewable sources to sustain the whole country. "That is something to be proud of. There is a commitment going forward to increase renewable energy production and decrease reliance on fossil fuels".

Most people, says Chitra, know it is a beautiful country. Portugal has over 900 km of lovely coastline, amazing islands like Madeira and the Azores, hectares of cork and olive plantations, scenic vineyards, beautiful rivers and mountain ranges."For years I have been calling Portugal the California of Europe," she says.

More recently, Portugal has been getting recognised for other factors: lifestyle quality which also means connectivity. Portugal is only seven-nine hours from the Western seaboard of the United States and Americas as well as the Middle East.

"Portugal is only a few hours away from other destinations in Europe and Northern Africa. That is important for a foreigner who is thinking about relocating. Lifestyle is also about convenience. Portugal has late-night and Sunday shopping, ease of access to goods and services. Lifestyle is also living in a temperate climate throughout the year. It's not too hot or cold, lots of sunshine and clean air," says Chitra Stern.

Lifestyle is also about access to nature and high-quality food. It's about living in safety and security with Portugal ranking highly on all these points.

EDUCATION

The Lisbon United International School founder says Portugal is a great place for education. Portugal's universities turn out a high number of engineers, IT graduates and scientists that are needed by many companies that have moved or are thinking or moving to Portugal, while a high number of foreign students coming to Portugal for masters programmes taught in English.

"Education can also become a successful export as it has for so many other countries. An example is the Nova School of Business and Economics at Carcavelos near Lisbon," says the founder of the new Lisbon International School which opens this autumn.

Portugal has been getting exposure as a tech startup scene for some years. But since Web Summit, the world's largest tech conference announced that Lisbon would be its host city in 2016, the tech startup scene has been attracting a lot of attention and indeed has been seeing immense growth.

"Portugal has had its first two unicorns, companies valued at over US$1Bn which have been focusing the world's attention, while Lisbon will be Web Summit's home for the next 10 years," the entrepreneur says.

The Portuguese Government has also introduced some measures to simplify procedures and processes by removing red tape when it comes to venture capital and private equity companies and companies that want to set up shop in Portugal.

It has also offered a series of investment initiatives and incentives over the past few years such as residence programmes, startup and tech visas, tax incentives (flat rate of 20%) for Non-Habitual Residents, subsidies for film production and Government co-investment for startups.

These also include the Golden Visa and Green Visa and Startup Visa, and there is no doubt, she says, that all these incentives have bought lots of foreigners and immigrants, human and financial capital to Portugal. Billions have flown into the country.

"PORTUGAL FOR US AS FOREIGNERS WAS AN UNDISCOVERED COUNTRY IN WESTERN EUROPE, BUT WE DISCOVERED IT WAS AN AMAZING TOURISM DESTINATION." CHITRA STERN, CEO ELEGANT GROUP

"I have observed an emotional reason in the eighteen years I have lived in Portugal and that's the people. Portugal ranks very highly on the Global Peace Index. The Portuguese are very welcoming to foreigners to whom they show warmth and hospitality which is why the hospitality industry is doing so well."

"Portugal is the most open, tolerant and liberal society I have ever lived in. People here welcome those from other countries with other religions, beliefs, colours, and welcome them with open arms, and this is worth a lot, especially in today's times. After all, we are human beings and not robots. We need to feel welcome where we invest and live," concludes Chita Stern. ■

José Araújo
Head of Real Estate at Millenniumbcp

"THE REAL ESTATE SECTOR IS MUCH BETTER PREPARED THAN IT WAS FOR THE PREVIOUS CRISIS TO WITHSTAND A DIFFICULT PERIOD. WE NEED TO BE ALERT TO AND RESIST OPPORTUNISTIC FUNDS THAT ARE ALREADY ON THE MARKET LOOKING FOR FRIGHTENED OWNERS TO BUY FROM ON THE CHEAP".

Confidence as a key factor in the real estate market

How is the crisis affecting the residential real estate sector? And will the recovery be quick when the crisis is over? José Araújo, Head of Real Estate at millennium bcp sheds some light on the market.

The current crisis, caused by the Corona Virus, brings many uncertainties, both in terms of when it will end and in terms of the final impact that will remain once the health problem is resolved. The health effects are still with us and they are affecting all sectors of the economy: families, companies and businesses. And the real estate sector is no exception.

However, the real estate market is an experienced market that emerged in better shape after Portugal's economic and financial crisis that started in 2013. For this reason, at this moment, when there are still many uncertainties, confidence is very important. I believe that the experience and trust that all the players operating in this market have accumulated will be essential to managing expectations, with new approaches and new ways of doing business. We are all already working on that!

As in other areas, the real estate business has not stopped; on the contrary, it continues active in all segments, despite there being fewer transactions and with some delays in the contracting process. Possible buyers, for their part, have to analyse the possible post-Covid-19 scenarios, as regards employment and economic recovery and, for this reason they longer to make decisions.

Because of my experience in the sector, and because of all the activities of our business partners and customers, I feel the sector is very much alive and will once again demonstrate that it be a driving force of the recovery. There will be changes, but they will be positive as there is a palpable sense of optimism as to the development of decisive new technology and digital tools.

The technological evolution has already been incredible, from virtual and 3D visits, proposals via digital means, digital signatures, bank transfers, etc., etc. These are now realities and that is why business and proposals can flow even in times of social distancing.

As for prices, I am convinced they can stabilize, at first – indeed, that was already the market trend this year thanks to the arrival of more properties available for the national middle class, as well as the various plans to increase the supply of rental properties in city centers at controlled prices.

The market's evolution will also depend on the promoters' greater or lesser health, because with the existing liquidity in the market and the current low spreads, I do not believe there will be a snap reaction to lower prices drastically. Instead, they will try to defend as much as possible the values when marketing until we see a clearer recovery of the economy and employment.

Another factor the question of whether the same fiscal and political conditions will continue to exist in Portugal, in order to maintain incentives for foreign and private investment. The real estate sector is responsible for the steady inflow of funds and jobs from abroad that have impacted the national economy since 2014, given that capital does not abound in Portugal.

In the second-hand market, some opportunities may appear as unemployment levels force some second homes to return to the market. Even the recently-observed shift of purchases from the city center to surrounding areas thanks to increased teleworking, thus not requiring so much daily proximity to networks of companies and with a better price, which may cause prices to drop in these sub-segments, but not dramatically. In all likelihood, customers looking for a home in the coming months will benefit from the one they bought to resell. And the market for rental property will continue to be present, because demand will certainly increase.

Some segments in the sector may take longer to recover, since they depend on tourism, air travel and open borders, such as local accommodation and hotels. The psychological factor of confidence for tourists will be decisive for the speed of recovery, and I have no doubt that, like after 11 September (in terms of the means created for security against explosives and othr dangerous materials), airports, airlines, hotels, restaurants, city transport and many other sectors of our economy will have to establish appropriate conditions to guarantee health and safety to encourage customers to return.

The general confidence in the country, also a facet of health and safety issues, will be decisive for the global recovery. Portugal will remain attractive thanks to the climate, prices, food, security, and the friendliness of the people. And I expect there will continue to be economic incentives after Covid-19 like the ones in place through the end of 2019.

Several international and national analysts speak of a phased, U-shaped recovery of the world and national economy, and note it may take more than a year to returns to the trends seen in the beginning of March this year. But as for the real estate sector, the vast majority believe the recovery will in a V-shape, that is, this year with a general declin until December followed by a faster recovery during 2021. Especially because there are sub-segments that will emerge stronger, such as co-living, co-working, offices and smaller buildings, land in areas close to large cities, construction for rent and even local commerce. In fact, one question that's still unclear is whether shopping centers will be able to reinvent themselves, given that large crowds aren't advisable until there is a reliable vaccine that protects all of us from this deadly virus.

All told, the real estate sector is much better prepared than it was for the previous crisis to withstand a difficult period. We need to be alert to and resist opportunistic funds that are already on the market looking for frightened owners to buy from on the cheap.

According to some large international houses, in a recovery time curve, real estate will be at the upper midpoint of the main economic sectors affected by the virus, so we must be attentive, but confident.

At Millennium bcp, we are well prepared to continue in the market supporting our customers and assets in the sector, returning to the market as quickly as possible and at the right price, with the sale of properties the bank took on in the previous crisis as a result of the financial incapacity of their owners.

We have been successful in the past 9 years with the help of many partners in the real estate brokerage sector, and the bank's commercial networks – the entire internal team from various areas, with a commercial team that handles real estate exclusively. And, of course, from investors, clients, developers, international and national funds that have chosen us and acquired our properties with the confidence born of an honest and lasting relationship.

Covid-19: The new digital marketing landscape

In the post Covid world, the digital experience economy and shop-streaming will become the new normal for retail brands says marketeer Filipe Monteiro

Everything is Going Digital! There is no question that the new pandemic (COVID-19) is a major disruption for all of us. Luxury brands produces free hand sanitiser for hospitals; artists are playing live concerts on Instagram to combat isolation; Audi or McDonalds "separates" their logotype elements to promote safe physical distancing; universities have turned entirely to e-learning in a few days; technological communities like Tech4-Covid19 (+5000 volunteers) are developing disruptive concepts like 3D-printed ventilators, mobile apps to track infected people, virtual triage assistants and many other projects in the fight against the Covid-19 virus. So, what brand reinvention are we seeing today?

Portuguese consumers continue to feel the economic effects of the crisis, and their concerns about health, safety, and the economy are increasing. They expect to cut their spending across almost all activities, and home entertainment is the only category with positive online shopping intent. A majority of consumers believe that the personal and financial impact of Covid-19 will last well beyond four months.

According to the McKinsey Survey 2020, Portuguese consumers expect to increase their online shopping for food, household supplies and at home entertainment. As most people might expect, Portuguese consumers have picked up on the new digital activities since the start of Covid-19. Procter & Gamble (P&G), Galp, Prozis or Science4you are great examples of brands that implemented effective digital marketing strategies, reinvented their core activities and have offered more human interaction during this trying time. So, are Portuguese organisations ready to run their businesses online?

"Digital Experience Economy" and "Shop-streaming" are the new normal. The brands that do this best will undoubtedly rebound most quickly.

> **"EVEN THOUGH PORTUGAL IS CLOSE TO THE EUROPEAN AVERAGE IN TERMS OF DIGITAL COMPETENCES, IT NEEDS TO REINFORCE ITS STRATEGIC MINDSET, COMMITMENT AND INVESTMENT IN THIS AREA."**

According to the Digital 2020 report, developed by We are Social and Hootsuite, the Internet penetration in Portugal stood at 83%, while social media users have passed the 7.00 million mark in 2020 (69% of penetration). Even though Portugal is close to the European average in terms of digital competences, it needs to reinforce the strategic mindset, commitment and investment. This applies to the entire human workforce, including all decision makers that need to understand the tasks that have to be done.

Business leaders will need to stay on top of market trends, embrace the data-driven mindset, while understanding that new consumer behaviours will be the key to moving forward. Now, even toilet paper is being purchased online! As Portugal pushes through this challenging time, brands should be the support for their stakeholders and society. Making sure that organisations take a compromise approach will lead to winning long-term consumer trust and loyalty. Let's think digitally. Let's keep finding solutions faster than the virus can spread and mutate. Let's keep fighting this together. Be safe. Be strong. Be Digital!

Filipe Monteiro is a Senior Digital Marketing Executive, Assistant Professor of Marketing at the Polytechnic Institute of Setúbal, and a contributing opinion writer. ■

Fabiana Clemente
Chief Data Officer at YData

Can we restore data privacy after the crisis?

There is no doubt that Covid-19 will accelerate innovation and change in the data economy with implications for data protection. Are we prepared as a society to sacrifice some elements of data protection and freedom of information following the crisis.

Since COVID-19 was declared a pandemic and given its contagion we now know that this is not just any pandemic. It is a once in a 100 years pandemic. Strict isolation policies were implemented in countries worldwide, from China to Europe. Societies are incredibly challenged; not only because the global virus is spreading quickly, but also because we've lost some of the things that we took for granted and have had to adapt both personally, and for many also professionally.

The global economic landscape is not looking good. Several reports about the pandemic's impact on countries and companies, and estimates and predictions for the short and mid-term make depressing reading. Only one thing is certain: a lot of people lost their jobs and a lot of companies closed doors.

But not everything is bad news! A lot of business verticals have accelerated their technological innovation strategies, so they can cope with the new reality, such as telemedicine and remote work, while others have been implementing exceptional measures to keep their business as normal as possible. Despite this, there is another very hot topic that has been discussed during this crisis: data privacy regulations and the impact they can have during an extreme situation.

In light for the current situation, opinions and measures around data acquisitions and data privacy are disparate between different countries and different cultures all around the globe:

• *As Hong Kong rushed to deal with the initial impact of COVID-19 in the region, a set of measures to track individuals' movements were set in place. On the other hand, on mainland China, the methods used for surveillance were even more intrusive — an app that not only tracks individuals movements, but also registers any close contacts, as well as names and IDs. South Korea followed a similar tactic in order to slow the spread of COVID-19 contamination, adopting a mobile-based GPS tracking system that is mandatory for anyone arriving in the country. Interestingly enough, South Korea has also a strong and transparent data sharing policy, ensuring daily updates on infected individuals through the Korea Center for Disease Control & Prevention.*

• *The Israeli government authorised mass data collection regarding the cell towers to which citizens' mobile phones are connected, to track those identified as carriers of the new virus. The objective is to warn those who have been close to an infected person for more than 10 minutes.*

• *In European countries the scenario has so far been different. Although there are huge concerns around the disease and how to control the transmission chains, no country has yet rolled out any technology to track its citizens. In fact, concerns around data privacy have been raised, with several entities stating that the methods adopted by Asian countries would not be appropriate for Europe. Instead, another method has been suggested, a non-privacy invasive tracking method - Pan-European Privacy-Preserving Proximity Tracing. In recent weeks, several equivalent control methods have been evaluated, with special focus on "analysing if their implementation is feasible in a European context aligned to our fundamental rules and values" said Daragh O'Brien, head of data governance consultancy Castlebridge, in statements to Euronews. Data has also been shared with a wider community, essentially on the geographic evolution of the disease among the infected.*

During the crisis, many governments and even people are willing to overlook privacy implications if that means that lives will be saved. For instance, in countries like Germany, a large number of people demanded a national curfew when faced with the reality that others were not respecting government guidelines for social distancing.

In the UK, the self-reporting app for Covid-19 saw 650k downloads in only in a matter of 24 hours. The objective of this app is to track the development of symptoms among the population, to provide more details about the development of the illness to be shared with medical research centres.

However, there is sensitive data that is being collected within the scope of COVID-19 that might not be exclusively gathered for public health organisations and government use. An example of these concerns is the Corona 100m app whereby users can see not only the date when a coronavirus patient was infected, but also other private information such as gender, age, credit card information and surveillance camera footage.

Under ordinary conditions, sensitive patient data cannot be shared and should always be kept private. Making this data easily available, specially to private entities, even for public health interests, can raise concerns as this data has a very high commercial value.

But there are other questions around the data that is currently being collected under the pandemics umbrella. - How long will this data be accessible, how will it be used and by whom? Will this data have a future use for other cases different from COVID-19? And, above all, how can we restore data privacy after this crisis?

The benefits of an open data sharing economy have been widely discussed in recent years, as more and more data-driven markets require data access as a resource to develop new products and services and as data availability increases with millions of users around the world sharing their personal information.

"DURING THIS CRISIS MANY GOVERNMENTS AND EVEN PEOPLE ARE WILLING TO OVERLOOK DATA PRIVACY IMPLICATIONS IF IT MEANS SAVING LIVES. HOW LONG WILL THIS DATA PERSIST? HOW WILL IT BE USED AND BY WHOM, AND HOW CAN WE RESTORE DATA PRIVACY AFTER THIS CRISIS?"

The ability to collect and share private data has now been shown to be very important in moving faster towards a global solution, especially in light of a global crisis. However, will we be able to simultaneously leverage a worldwide data sharing economy, while using the latest AI techniques but still safeguarding data ethics and privacy legislation?

This pandemic has raised many questions for governments and industry sectors, providing an opportunity to reexamine their positions on data protection and privacy.

The decisions taken during this period regarding the use of private data might result in two very different outcomes: in some regions, the risk of having made exceptions might well, in the long term, lead to the adoption of even more restrictive population surveillance mechanisms. Hong Kong is one of those regions, as the new rules set in place during the crisis might well be here to stay, becoming difficult to change or even remove.

In others, a need will be seen to adopt new Privacy Enhancing Technologies (PETs) that will allow for faster, more efficient and securer ways to share information in a truly privacy-preserving manner. PETs include methods such as homomorphic encryption, federated learning, or even synthetic data. If properly implemented, PETs will help industries and governments to leverage third-party data without putting users' privacy at risk or leaking confidential business information.

The International Club of Portugal promoting diversity

The International Club of Portugal is more than a networking club for business leaders. It is the place where investors, the media and diplomats gauge the business mood of the country and look for changes in Government policy direction. Essential Business talks to its president and government, property investor Manuel Ramalho.

TEXT AND PHOTOS **CHRIS GRAEME**

Since it was founded 15 years ago, the International Club of Portugal has played host to most of the great and good in Portugal's political, diplomatic, economic, cultural and sporting society. From ex-presidents of the republic and current prime ministers and members of the government, to media personalities, sporting celebrities, filmmakers, high-ranking military figures and ambassadors from many nations around the world.

The club regularly organises lunch events with guest speakers of renown for groups of anywhere between 100 and 300 members and guests. But what was the club's genesis and what of the man behind the ICPT?

"I have always had a very deep passion for associativism, for all those organisations that bring people together, particularly people from different political, religious, financial, cultural, and professional circles. People from a broad range of nationalities and the widest areas of knowledge," says Manuel Ramalho.

The ICPT president says he has held this passion from an early age, when he attended primary school and organised events such as picnics and discussions with his school fellows involving even the teachers and parents of these school friends.

In fact, he says it wouldn't be an exaggeration that he did so to such an extent that he was a "born group organiser" as though it was in his DNA.

Happily, Manuel Ramalho has retained many friends from his childhood with whom he still mixes and talks about what he calls his 'vocation' when they meet up.

Manuel Ramalho organised events, particularly in the groups which they were in, but he noticed that there was "something which sometimes aroused conflicts of interest among us, because we didn't know each other well enough," he says.

"I formed a deep conviction that the overwhelming number of situations that separate people, countries and institutions occur because of a lack of communication between parties. When we communicate, obviously we can identify many different points of view, but also a lot of things that unite us" he explains.

The ICPT president says that unfortunately a tendency exists to maximise ideas that separate people rather than those they have in common.

On the other hand, he believes we have to learn to live with a diversity of opinions and points of view, while never creating reasons for not getting on well with one another.

Later on, despite his busy professional life as a property dealer, Manuel Ramalho found time to be involved in the foundation of several associations both in Portugal and overseas, an example being the respected ANJE - National Association of Young Entrepreneurs, in which he was a member of its first governing body.

Today, Manuel Ramalho is a member of many business, cultural clubs and chambers of commerce, including the American Club of Lisbon and the American Chamber of Commerce in Portugal (AmCham), the Academia do Bacalhau de Lisboa and the Grémio Literário.

THE INTERNATIONAL CLUB OF PORTUGAL

Manuel Ramalho says he founded the International Club of Portugal (ICPT) because there had not existed in Portugal, not even in a centre famous for its associations and clubs like London, a club or association geared towards cultural and international diversity.

Up until then, there had been associations and institutions which focused on a particular professional group for lawyers, economists or nationalities such as the Angola or American clubs.

"I even noticed this in London because I visited many clubs where the members had interests in a specific area. There didn't seem to be a club celebrating diversity in that great world capital of associativism" he remarks.

"I thought there needed to be a club where people with different interests, expertise and knowledge and of different nationalities, with different cultural backgrounds and financial realities would feel at home," he explains.

"IN PORTUGAL THERE STILL REMAINS, AMONG SOME LEADERS OF SUCH ASSOCIATIONS AND CLUBS, A CERTAIN DISTRUST OF THE COMPETITION. IT IS IMPORTANT THAT ASSOCIATIVISM DOESN'T DESCEND INTO A KIND OF FOOTBALL GAME MENTALITY WHERE ONE HAS TO WIN AND THE OTHER LOSE"

"And if members of such a club could mutually become wealthier by sharing with each other their awareness and knowledge, if it didn't exist, which according to the research I did at the time, it didn't anywhere in the world, let alone Portugal, then one needed to be created" says the ICPT president.

In short, there is today no club that is so all-embracing as the International Club of Portugal, that is frequented by sports personalities, opera singers, football managers, economists, politicians of every shade of political opinion, bullfighters, bankers, great business leaders, ambassadors and people of all nationalities.

AN INTERNATIONAL AGENDA

The international Club, having achieved much over the past 15 years, is constantly on the national and sometimes international agenda.

But the ICPT president admits that it has so far only achieved around 10% of what he wants it to achieve. "There's still so much to do" he says, and one such objective is to attract speakers from overseas. "We will start to have speakers of other nationalities".

So far, it has enjoyed international after lunch speakers, but these have tended to be ambassadors such as those from the US, China, Israel, Italy, Angola, and in the near future the ambassadors of the United Kingdom and Israel, but also past speakers such as the CEO of Euronews, Michael Peters and EU MP Charles Tannock.

Manuel Ramalho recalls the unprecedented occasion when the ambassador of Cuba and members from the Cuban embassy were sat on the same table as guests from the US embassy in Lisbon at a time when the two countries had yet to begin a dialogue towards improving bi-lateral relations.

Another occasion highlighted was a lunch at which people linked to the Angolan government were sat on the same table as those with the National Union for the Total Independence of Angola (UNITA) - both representing parties which had been, in the not too distant past, involved in a bloody civil war that had torn the country apart - and which had never occurred before.

And the ICPT president reassures that the club is making contacts with other great speakers in different areas who have nothing to do with the diplomatic corps.

"This requires a lot of logistics and resources, particularly financial, because it implies international travel and accommodation but we are working on this," says Manuel Ramalho.

PROTOCOLS WITH INSTITUTIONS

One area in which the International Club has been involved in is the setting up of reciprocal protocols with institutions in different countries so that the club's members who tend to travel extensively, can attend other clubs in London, New York and São Paulo and enjoy the same access to benefits of membership that they currently have at the ICPT.

"This means that when the members of these overseas clubs and institution come to Portugal, they will be able to attend our events" says Manuel Ramalho.

Next year the International Club also plans to have premises where club members can lunch, have access to a bar and from which they can set up small meetings.

BALANCING THE BOOKS

Careful management of expenditure, balancing the receipts that members pay to attend an event is not always easy. Manuel Ramalho admits that these revenues are sometimes less than those which the club has to pay the hotel where most of its events are held - the Double Tree by Hilton Lisbon.

"I FELT THERE NEEDED TO BE A CLUB WHERE PEOPLE WITH DIFFERENT INTERESTS, EXPERTISE AND KNOWLEDGE AND OF DIFFERENT NATIONALITIES, WITH DIFFERENT CULTURAL BACKGROUNDS AND FINANCIAL REALITIES WOULD FEEL AT HOME."

Then, there are other necessary expenses, the sound technicians, musicians, photographers, the administrative staff.

"Fortunately we have a high number of members, including corporate members which pay their membership fees and the help us to meet our running expenses and overheads" says the ICPT president.

The ICPT is also lucky to have important sponsors such as the security firm Grupo8 Segurança, the real estate developer AM48, Carclasse, the multivalence Grupo Bel, Leaseplan and Duartare.

"Six sponsors is the limit from my point of view. We actually would have to think carefully about accepting more sponsors, otherwise we wouldn't be able to give them the adequate care and attention warranted for the investment support they give us" says Manuel Ramalho, adding that the club also has 14 media partners including many of Portugal's main national newspapers and several sector and lifestyle magazines.

SUPPORTING CHARITIES

Manuel Ramalho stresses that the International Club of Portugal and its members have always organised or supported different charitable causes and social solidarity organisations over the years, with up to €10,000 awarded to each from donations from the club, and the president makes a point of saying that it has never applied for state subsidies.

Manuel Ramalho imparts a message to other associations and clubs of which he is familiar with most of them. "In Portugal there still remains, among some leaders of such associations and clubs, a certain distrust of the competition".

"It is important that associativism doesn't descend into a kind of football game mentality where one has to win and the other lose. All associations and clubs which have a genuine interest in contributing to and strengthening civil society should celebrate this culture of associativism" he says.

"We should have good relations with each other, and the more events we hold where we instil these habits in Portuguese society, the better" the president of the International Club of Portugal concludes. ■

Unearthing Portugal's commercial past in England

Portugal and England have the oldest unbroken alliance in the world having existed since 1373 when the Treaty of Windsor was signed. On the back of the alliance, trade between the two North Atlantic seafaring nations flourished and a surprising number of Portuguese coins have been discovered that backs up its importance.

TEXT **CHRIS GRAEME**

Coins are a tangible record of commercial history. Unlike manuscripts they don't rot and generally survive for centuries beneath fields, building and excavation sites, in shipwrecks and collections highly prized by numismatists.

But they can also tell us something about commercial trading pattens, and the places they are unearthed pose intriguing questions for historians and archaeologist alike as to why they were found in a particular place, what was so important about that place, and who were the people using them and why?

Numismatist Tiago Gil Curado studied the commercial contacts between England and Portugal in the Medieval and post-Medieval periods through the coin record found in many places in England and the UK.

Portuguese coins were hoarded, lost or discarded at a time which was often turbulent in English history with the Hundred Years War between France and England in the first half of the 15th century and the subsequent Wars of the Roses or 'Cousins Wars' which followed them as a result from 1460 to 1485, ending with the death of Richard III at the Battle of Bosworth Field.

Tiago Gil Curado did a degree in archaeology at Lisbon University and an MA at Durham and did his thesis and researched all the Portuguese coins found in the UK looking at how, when and why they ended up there.

As part of his Master degree, Tiago Curado spent time in the United Kingdom and recorded 291 coins dating between the 13th and 18th centuries which had been recovered from archaeological digs, shipwrecks and metal detecting forays.

NUMISMATIST TIAGO GIL CURADO

He says that it was during the Medieval period that Portugal and England started a closer relationship and this can partly be seen from a significant increase in trade after the Treaty of Windsor in 1387 which was cemented by the marriage of the daughter of John of Gaunt (Gaunt was a son of Edward III of England) Philippa of Lancaster to King John I of Portugal.

Formal commercial relations, however, go back further. In 1353 a commercial treaty was signed with England to protect Portugal's trade rather than stimulate it after Portuguese vessels had been mistakenly attacked by the English at the Battle of Les-Espagnols-sur-Mer and which had thereby created a huge risk for Portuguese ships trading in England, Normandy, Flanders and Zeeland. Portugal-English trade really took off, however, from the 1370s and 1380s onwards.

Tiago Curado says that from the distribution of coins the most popular port of call for Portuguese ships was Bristol, followed by the South-West of England (Cornwall and Dorset), then London, the Isle of White and Sussex.

At that time, there were two types of Portuguese coins which were legal tender in England. One was the Chinfrão minted under King Afonso V (1438-1481). The Chinfrão circulated at the same value as a half Groat (two silver pennies).

"Seventy-seven coins came from 18 hoards hidden in isolated places. In all of these hoards Portuguese were mixed with English currency and sometimes other foreign coins showing that they were as valuable as the local ones.

"There were all types of denominations in copper, billon (alloy), silver and gold. I also registered six coins from three different shipwrecks: one off the coast of Cornwall sunk in 1526, another wrecked in the Bristol Channel in 1583, and a third in the mid-17th century," he says.

Tiago Curado's research took him to excavations, journals and regional proceedings, scouring information from over 400 books. "Evidently the number of Portuguese coins found in this group is smaller than the casual finds, nevertheless there are 17 well-documented finds associated with archaeological sites," he says.

One coin was found on the site of the old Bartholomew's Hospital, Bristol and could have been a keepsake belonging to a Portuguese mariner who lived at the hospital from 1445 onwards. Four others came from abbeys and priories.

"This could be the result of donations from Portuguese travellers in the forms of indulgences, blessings or alms in return for monks offering prayers of protection or to give thanks for safe passage. The other 12 coins came from cities and villages," he said.

In the 15th century, the number of Portuguese ships and traders in England became irregular, possibly because of the 100 Years War and the Wars of the Roses that followed. This does not mean that Anglo-Portuguese trade was less frequent, rather that Portuguese merchants had opted to concentrate their business operations in Flanders while English and Italian traders shipped commodities from Portugal to England.

This percentage dropped to 3% in the fifteenth century. Yet Portuguese commodities, especially wine, continued to reach British ports like Bristol. With the end of the Hundred Years War, wine from Gascony had become extremely expensive for English traders, so Portuguese wine was one of the cheaper alternatives that English merchants found, and the number of Bristolians selling English commodities in Lisbon grew significantly.

"We know that during that period, since more people could have access to luxury goods they were buying and importing them more than ever. Art, clothes, the finest technology at that time were being bought to Portugal not only from England but also France and Italy for example. The same happened in other countries where people were buying those Asian, African and American goods that the Portuguese were trading. Evidence comes not only from old chronicles, but also by the distribution of the objects found which are today in museums and also from items found at archaeological sites" says Tiago Curado.

JOES FROM BRAZIL

There are also finds which reflect the gold Portuguese coins in the 18th century that were legal tender internationally called 'Joes' minted in the reigns of kings Joseph I and John V.

During the 18th century a continuing trade surplus with Portugal in her favour was funded by Brazilian gold and Portuguese gold coins were permitted to circulate in the United Kingdom. There were two series: the Moeda d' Ouro (Moidore) worth 27 shillings, the half Moidore (13 Shillings, six pence) struck in Bahia, Brazil, and the quarter Moidore (6 Shillings, nine pence); and the second series, the 'Peça' or 'Joe' (from the names and portraits of John V (1706-1750) and Joseph I (1750-1777) worth 36 shillings, this series running from 72 Shillings (£3,12s) down to 4s 6d. The coins themselves are found occasionally in England and Wales and weights made for checking them survive in large numbers.

Later, during the Napoleonic Wars when French troops invaded Portugal and the Portuguese royal family fled to Brazil, the British led the military defence of Portugal. "This was a very profitable agreement for the British that syphoned much of the Brazilian gold to London."

For centuries, in many of the ports around Europe there was a register of the goods imported and exported by sea. The aim of these registers was to not only control trade, but also for customs to ensure merchants paid their taxes. Today, there are not many surviving port customs books that have survived and Portuguese records were destroyed in the Great Lisbon Earthquake, however it is still possible to find in the United Kingdom some of these books that managed to escape fires, humidity, wars and robberies.

"Through them we can read a few references to Portuguese vessels and their cargo which is very useful when it comes to tracking what was coming from Portugal to England. It's also important to remember that the register system back then was not systematic, so it's more likely that not all the vessels and cargo were registered in these books. However, although not 100% reliable, they are some of the best sources of information we have" says Tiago Curado.

And from the goods exported from Portugal, among the items frequently mentioned are figs and raisins, but also olive oil, skins, honey, dry cloth, and also, after the Portuguese expansion, some imports from the 'new worlds' like porcelain and spices from the East. Exports from England to Portugal include English cloth, bed-hangings, hose, lead, tin, corn, lances and wainscots. ■

DID YOU KNOW:

- The English word 'palaver' meaning a big fuss or commotion comes from the Portuguese word 'palavra' learnt by English merchants buying Portuguese goods and African slaves from noisy Portuguese merchants negotiating in the ports of Bristol and Liverpool.
- When infamous King Richard III was looking for a new wife after the death of his Queen Anne Neville, he negotiated for the hand of Portuguese Princess Joana daughter of King Afonso V of Portugal and planned to marry off Elizabeth of York ('The White Princess) to the future King Manuel of Portugal. It never came off. Richard was slain by Henry Tudor at the Battle of Bosworth in 1485 and married Elizabeth of York himself, uniting the Houses of York and Lancaster.
- Richard III's brother George Duke of Clarence allegedly elected to be executed by drowning in a butt (barrel or vat) of Madeira malvasia wine or 'malmsey' as punishment for conspiring against his other brother who was, at the time, King Edward IV.

Fresh tourism investment opportunities in Angola

Angola, once a byword for family corruption, is cleaning its act up and diversifying its economy with beach and wildlife tourism in the government's sights, says international research entity CEDESA. (The Centre for the Study of Economic and Social Development of Angola)

TEXT **CHRIS GRAEME**

Two pernicious obstacles to overseas investment in Angola are being removed. One of them, to be exact, has already gone. It was the legal requirement for any relevant overseas investors to have an Angolan partner. The law was the source of the worst kinds of disputes and abuses. In practice it meant that the overseas investor ran the risk of seeing their part of a business in Angola seized by the Angolan partner and was unable to recover the money that had been invested, let alone the profits. It was a depressing backdrop which only enabled large multinationals with sufficient financial clout to make investments or encouraged opaque agreements between Angolans and foreigners which normally sailed close to the wind in terms of the law.

The new Private Investment Law (Law Nº10/18 of 26 June) no longer had the mandatory requirement of an Angolan partner or companies with Angolan capital. Therefore, investors no longer run the risk that the partner at a certain date will snatch the company or run off with the proceeds.

At the same time the Government has sent out clear signals that it intends to clamp down on corruption, a plague which ruined the country for decades and put off any serious investor. These intentions have gone from paper to effective legal measures against notorious figures from the past regime, the last president, his children, ministers and generals. Prison custody, the seizure of goods and the beginning of legal proceedings have all been decreed. Tangible efforts, therefore, are being made to clamp down on corruption. Efforts that are being recognised by the International Monetary Fund (IMF) which in its last report dated December 2019 noted: "The Angolan authorities continue to be resolved to improving governance, fighting corruption and creating a suitable climate for business. Anti-corruption efforts have been stepped up. High up bureaucrats and government figures are being investigated and charged, including an ex-minister and his associates. The police investigators involved in the anti-corruption drives are cooperating with experienced overseas investigators."

Consequently, at a general level the legal framework in Angola has changed considerably, with developments towards a positive outlook for overseas investment which is becoming safer and less risky.

And as it becomes a country of less risk and greater appeal, some of its structural characteristics are in fact conducive to investment since it is a market with a huge possibility for expansion with a population of just over 30 million inhabitants and good social cohesion. Angola also has political stability, with no disruption since 2002 and a constitutional regime holding elections since 2010. It also has a privileged geo-strategic position which gives the investor access to the regional market SADC (Southern African Development Community) of 16 countries with a total GDP of around US$ 700Bn and around 340 million consumers (data from 2017).

POTENTIAL AND DRAWBACKS IN ANGOLAN TOURISM

There is no developed tourism industry in Angola. Those few parts that are developed have been so to take advantage of the country's natural beauty, rivers, waterfalls and the 1,650km Atlantic coastline. As the official brochures describe: "Its humid tropical climate has created an exuberant and lush flora and rich fauna spread out over regions with forest, Savannah, impressive uplands, rivers, beaches that seem to stretch on forever, waterfalls, oases and lovely landscapes that seem to stretch into infinity and are all pristine and intact. An endless summer of sultry afternoons bathed in warm breezes to contemplate adventure and discovery.

Angola has an extremely natural beauty that lends itself as a fantastic tourism destination. The Island of Mussolo and the Cape Ledo Tourism Development Hub are examples of places with an immense capacity to attract tourists as well as various areas in the provinces such as Namibe, Benguela, Malanje and Cuanza-Sul. The Kalandula Falls in Malanje are particularly striking.

Angola was almost destroyed during the civil war that went on from 1975 until 2002 and national reconstruction did not focus on tourism but on the oil industry, mining natural resources and civil construction.

To this was added the bureaucratic process to obtain a visa to enter the country which still is complicated and takes a long time which puts off traditional tourism. However, the government is working on legislation that when passed will make it easier to get a visa.

At present, most overseas travellers arriving in Angola are not tourists, rather businessmen, workers and consultants. This means that hotels are geared towards business and not tourism or leisure.

Tourism, like many sectors in Angola, is seeing a huge potential being wasted due to past policy errors and present constraints.

This is reflected in the markedly low occupation rate in hotels which went from 84% in 2014 to 35% in 2017 and 25% in 2018. This fall in take-up mirrors the crisis in business that has overshadowed the country rather than a lack of interest in tourism. The fall in oil prices which has occurred since 2014 has led to a falloff in economic activity in Angola which has led to less business travellers to occupy hotels. However, these depressing numbers do not represent any structural trend. Between 2009-2014 Angola saw strong growth in the hotel sector enjoying receipts that exceeded 45Bn kwanzas (100 million euros at the exchange rate at the time), creating around 223,000 job posts. Therefore, there is a potential for the tourism business.

FUTURE STRATEGY

Since there is a new and favourable climate for investment being promoted by the Government with the easing up of the bureaucratic process for issuing tourist visas which is being legislated, the conditions for a new strategy to attract tourists is being developed which does not just focus on business tourism but leisure tourism linked to the country's natural beauty. A natural beauty which extends to all regions in the country. Tourism should be developed which is not linked to the oil industry but is an independent sector.

It is therefore expected to be possible to promote the development of hotels and tourist seaside resorts aimed at holidaymakers in some of the areas specifically set aside for sun, sea and sand tourism such as the Tourism Development Hub at Cabo Ledo 120km from Luanda in the municipality of Quiçama, which has 2,000 hectares of immense beauty and is a potential location for world surfing once the visa processes have been eased up.

Another alternative aimed at nature tourism is the Calandula Malange tourism hub which has the most impressive waterfalls in Angola and is the second largest in Africa at 150 metres high and 401 metres wide. A 1,978-hectare area of endless greenery and waterfalls as far as the eye can see and which has a huge tourism investment potential: Tourist accommodation, restaurants, entertainment, golf and casinos.

In conclusion, there is a new political and legal climate in Angola which calls for a different tourism investment strategy which is not based on business and interlinked with oil exploration, but is independent and focused on beach, seaside and nature tourism which will provide a new area of interest for the overseas investor and one with the promise of strong returns.

www.cedesa.pt ■

The advertising outlier

Ollie Olanipekun, Co-Founder and Creative Director of Superimpose is one of a new breed of advertising entrepreneurs who have revolutionised the mindset of an industry which has traditionally dictated trends to consumers. Now, he says, consumers are calling the shots and he's been in Portugal looking for ideas and inspiration.

TEXT AND PHOTOS **CHRIS GRAEME**

Superimpose is fast becoming an international case study. It has ripped up the rule books on how brands through their advertising agencies tell consumers what they want. Instead, it has done the unthinkable. It has gone to grass roots levels and asked consumers, particularly the younger generation, what THEY expect from their brands.

And in a few short years, Olanipekun's London-based agency with its team of 45 has scooped the Creative Review's 'Agency of the Year' award and has a stable of top fashion names under its belt including Adidas, Burberry and the British Fashion Council.

Superimpose started in London's Shoreditch five years ago, a creative hub for startups in the UK capital where it was based until moving to Kings Cross The agency has also recently opened an office in New York's China Town, while in Los Angeles it has a production team and is considering an office there.

With eight core clients and secondary clients within some of the UK's and world's biggest brands, work at the agency is pretty hectic working on projects for men's, women's and kids' products.

Although Olanipekun loves fashion, the industry, he says, is a "world unto itself" and the agency tends to focus on lifestyle, entertainment and hospitality, including the lucrative drinks market. Although he can't reveal names, Superimpose is foraying into hotel launch campaigns with a new proposition after the brand involved approached the agency on the merit of its growing success and revolutionary approach.

DEFINITELY NOT DARK SUIT AND TIE

Ollie had been working in the creative advertising industry for 10 years, but says he had always wanted to have his "own ideas seen and heard" with the aim of reaching the broadest mass of people. He says that his biggest psychological stumbling block was never having found a home. "I was never living with people who looked like me, sounded like me, or shared the same background" he says of his early advertising career.

He says, "I felt people just didn't understand me and weren't on my wave length. If you look back at advertising over the past 10 years, it was very much a white men in dark suits industry and that model did very well, but hadn't yet moved on" from the kind of stereotype seen in the TV series Mad Men.

"The advertising business has completely changed, although there is still a place for everybody. Society has gone through a huge technological shift, there's online social media and influencers."

EGO AND ARROGANCE

Ollie adds that as a young person in the industry he felt there was a disconnect between the producer, the market and the consumer. "I suddenly realised that the teams I had been working with had no clue or interest in the consumer at all. It was all about the producer and the brands" he explains.

"There was no sense of going to meet potential consumers to discover what they actually wanted from a product. It was all about the brands arrogantly deciding for them, and convincing them that their product was what they had wanted or needed all along, but that they somehow just hadn't realised it" he continues.

The advertising guru says that there was too much "ego and arrogance in the business" which had gone unchallenged. Ollie says that from TV advertising it is very hard to see a product's reach, whereas on social media you can actually see how well a campaign is going, from the amount of likes and shares.

"For us, as an agency, we are very keen on helping brands to understand what their role is or can be in the consumers' lives. You have to be a service to your consumers and not the other way around. Take Nike, for example. Their approach now isn't just about getting someone super famous and posting them wearing their products on social media. It's about empowering individuals and communities and our role in our consumers lives need to be adding value," he explains.

Ollie says that as a young marketeer he had imagined that had always been

the case and it was shock to discover that the consumer generally had “very little say in being able to figure out what exactly it wanted from a product”.

“We got very bored and frustrated with seeing bands and agencies pretending that they cared about the consumer. Now we’re living through an absolute renaissance in advertising. The question was why weren’t agencies in the business to add value as well as to make money?”

ALL ABOUT EXPERIENCE

People, he says, are now asking what the future of hospitality, retail and even working is. For example, in China and the Far East the retail experiences are completely different to what it is today in Western Europe and the USA. The consumer wants an experience and added value.

Ollie says that brands often have huge spaces and resources and it should be about taking these resources and involving the community in arts, sports and events, although these in themselves are not enough.

“The current high street shopping experience is one example. In the UK the model is dead and crippled by overheads. The role it should play in the community and independent designers’ lives needs to shift. We need to completely change the retail model” he says pointing to revolutionary new concepts such as augmented reality and robotics. In other words focusing more on community, technology and service.

This can include customers being able to virtually customise or design products themselves, virtually change the colours of garments, mobile image search and recognition to help customers find what they are looking for, in-house advice from stylists and generally creating a unique shopping experience. But Ollie says that this revolution extends to every industry.

The marketeer says that the era of retainers with massive €2.3 million budgets for the creative agency to just be “on hand” is over. Now brands want tangible proof that their message and product is meeting audiences.

“Today, brands want to see their image spread across TV, Social media, retail outlets and through guerrilla marketing. The agencies of the past were never proactive. They were always playing catchup with the latest technology and trends and not creatively innovating” he admits.

LEARNING FROM MISTAKES

Ollie’s dream was to come up with the creative ideas and have them rolled out on all the different channels. When the company launched it made a good start with the fashion and lifestyle brand Adidas.

“We’d done a previous campaign for Adidas, which was very much a design-led project. We had been excited about how well the campaign had done. The campaign was meant to be in eight global cities but ended up being in 18” he recalls.

“Then we got the next brief, which was a campaign shoot for the kids range. We did budget, production and then we got to the shoot and it just fell to pieces. I think what happened is that we suffered from lack of preparation and had the wrong team members on it” he admits.

Ollie Olanipekun says working with children is actually a lot easier than with adults, because “you have a limit of four hours”. And he says it’s not difficult controlling children because they are amazingly well-behaved and their parents are always present.

“It’s just that we were overconfident, that’s what it came down to. We just didn’t give the time to have the right team members for the shoot. I was thankful for that because I realised that you are only as good as your team” he says.

DEALING WITH CLIENTS

One of the aspects of the uber-competitive advertising industry that is most difficult for new marketeers in the industry is what Ollie Olanipekun calls “an atmosphere of intimidation”.

“I’ve learnt when going into these meetings with potential and new clients to just relax. Everyone is nervous and a lot of clients will make the atmosphere intimidating because they have that power to do so, yet I try and relax the room because, after all, none of us are saving dolphins. Never be intimidated by whoever is sitting across from you because they have to live up to someone else’s expectations above them as well. You have to remind the client that we’re in this together, and that if they make it easy for us, we’ll find it easier to make them look good” he says.

ADVERTISING FOR THE NEW GENERATION

Ollie Olanipekun says that although new under 30 generation lives in a restless and insecure world of constant change, they are surprisingly confident and that brands and advertisers need to study their attitudes, ideas, wants and needs.

“These young people live transient lives, there are no borders for them anymore. In all of the brackets Generation X, Y and Z they are all different. When we look at new consumers we have to do a lot more work to understand them” he says.

“People’s attitudes, wants and needs change quicker than they ever have before because of technology. The way we’ve been doing things for decades simply doesn’t work anymore” he adds.

In order to feel the younger generation’s pulse, the agency has been working with educational establishments and youth centres to understand how these youngsters think.

“They are anxious about getting jobs in a world dominated by post-ascending authority, where influence no longer comes from top down, but rather from grass roots up. It used to be said the brands, institutions and celebrities were the influencers and their ideas, opinions and trends trickled down to the rest of us in society.

“It is the other way around now. Young people are now influencing the celebrities, but it’s how they harness that power and use it successfully that they are struggling with. They have an air of confidence, they want to work for themselves on their own projects” says the advertising expert.

And that anxiety over jobs and the expected acceleration in technological uptake has only excited both these desires and anxieties in a world dominated by the Covid-19 pandemic.

“The virus has hit us big time as an agency. One of our luxury fashion clients is 90% down in China. They are closing stores and laying off staff and China makes up one-third of every luxury purchase worldwide. But with a shift away from manufacturing in China I see an opportunity for Portugal and its leather and textiles industry and perhaps for us. I love this whole vibe here in Lisbon and the startup scene and its entrepreneurial spirit excites me” he concludes. ■

"IT USED TO BE SAID THAT BRANDS, INSTITUTIONS AND CELEBRITIES WERE THE INFLUENCERS AND THEIR IDEAS, OPINIONS AND TRENDS TRICKLED DOWN TO THE REST OF US IN SOCIETY. NOW ITS THE OTHER WAY AROUND”.

Essential Energy

Stuck with a glut

The oil industry has been particularly hard hit by the Covid-19 pandemic as a result of falling demand provoking a record low in international crude prices, huge market volatility and a glut in stocks. The CEO of BP Portugal Pedro Oliveira discusses 'Oil Price Volatility and its Impact on the Energy Market' with the British-Portuguese Chamber of Commerce (BPCC)

TEXT **CHRIS GRAEME**

British Petroleum (BP), like all oil producers worldwide, has suffered from effects of the international economic shutdown caused by the current Covid-19 pandemic as demand has fallen across the board from all sectors at a time when there was already a surplus on the market.

This has been greatly aggravated by a falloff in China's industrial production levels and, as a consequence, its oil importing requirements, not to mention the grounding of airline fleets around the world.

The actual and expected collapse in demand from China and the rest of the world as the economic impacts of Covid-19 hit home has sent crude prices to their lowest levels in more than a year.

But to what extent is the collapse in prices circumstantial and structural and what will be the recovery rates for a product which is still of prime importance for both economies and society?

BP Portugal boss Pedro Oliveira says that "There is not a single oil producing company in the world with a balanced cash-flow" since the price of crude fell to below US $35 per barrel. All of these companies, without exception, are in difficulties, particularly when they have to meet their shareholder commitments. Both BP and Shell are responsible for 30% of the dividends distributed on the FTSE 100.

Price volatility was the least volatile in the period between 1900 and 1970 and until the first oil crisis in the early 1970s.

Before the beginning of March 2020 the price of crude had been stable at between US$45 and $US65 or "within the comfort price zone" known as a 'fair price' for crude. This is a price band within which oil companies can distribute promised dividends to shareholders, in which they don't strangle demand, make enough profit to invest in and explore renewable energy alternatives, and can maintain some semblance of balance in an overall unstable and volatile panorama.

"If prices go over $US75 demand is stifled and the economy is impacted, and if it falls below US$ 45 the financial viability of these companies is put at serious risk in terms of making enough money to invest and pay out dividends to shareholders" explains the BP Portugal CEO.

"From March demand fell 30% below the expected price, while there was a lot more offer in the market than demand warranted. But what is subjacent to this volatility? We have a relatively simple model, but we have never been able to predict or influence the price, and those factors we thought could condition the price is now no longer valid" he says.

Investors and traders, he says, who bought long (i.e., on future projected expectations) now find that if they try to sell the oil they purchased they will face huge losses.

But even before that, the model for market behaviour and the factors which conditioned prices which had been relatively stable until the late 1990s, had no longer held true for 20 years, so this phenomena didn't just happen with the pandemic from March.

In February OPEC producers tried to negotiate a production cut amid concerns that Covid-19 could impact demand — which is exactly what transpired from March. Russia walked out on the negotiations and Saudi Arabia responded by undercutting oil prices by US$6-8 per barrel before, on 8 April, Russia and Saudi finally arrived at an agreement to slash oil production by 10%.

But by then it was too late. Prices had already fallen by up to 60% from February highs and prices sank to below zero with May futures for WTI oil closing at -US$37.63 on 20 April. For the first time in history producers were willing to pay traders to take oil off their hands.

In the past oil reserves had been relatively scarce. Over the past 20 years, not so much through exploration but rather improved technology, we have discovered two barrels of petroleum for every barrel consumed. We have gone from talking about peak of production to peak of consumption by 2040.

Automation has taken centre stage in recent years, which for the oil industry was a matter of necessity. When oil prices fell 75% over 20 months in 2014, the industry was forced to modernise.

By 2018 prices had recovered, hitting record levels in the United States as technology has reduced operating and maintenance costs and increased efficiency in marketing and distribution.

The second point is that 20 years ago OPEC was responsible for two-thirds of oil production worldwide. Today it is only worth one-third and no longer has the capacity to influence the price of oil in a structural manner, although it can still substantially act as an arbitrator over the oil price.

"THERE IS NOT A SINGLE OIL PRODUCING COMPANY IN THE WORLD WITH A BALANCED CASH-FLOW SINCE THE PRICE OF CRUDE FELL TO BELOW US $35 PER BARREL". - PEDRO OLIVEIRA, CEO BP PORTUGAL

SHALE OIL

Also, the past decade has seen a significant impact from shale oil (10% of world production) particularly in the United States. The International Energy Agency had suggested the US could well overtake Saudi Arabia and Russia to become the world's biggest oil producer this year and energy self-sufficient by 2030.

However, while US shale oil production will probably have a positive impact on US domestic oil production and reduce its level of oil imports, most analysts suggest it will not affect the global oil supply and in reality the US will never be able to become self-sufficient or overtake Saudi and Russia, let alone have the power to deny OPEC the power to set international oil prices.

"Shale oil production, because its output can be activated and deactivated relatively easily, unlike conventional crude oil extraction, has softened the volatility curve in times when there have not been the sharp external shocks that we are seeing now" says the BP Portugal CEO.

"The oil market is very good at reacting in terms of operations to an increase in demand, but is not so effective in dealing with falls in demand and the very aggressive falls in price when demand slacks" he adds.

Under normal circumstances, the high level of efficiency in the industry means output production is exploited to the maximum. However, the unstable imbalance currently being seen, with an intensity in volatility, the production of shale oil because its production can be activated and deactivated relatively easily

has softened the curve when there have not been such sharp external shocks as we are seeing now.

"These exceptional circumstances have 'only' led to an aggravation of a volatility that had already been in the market for some time" says Pedro Oliveira.

STUCK WITH A GLUT

Oliveira says that before the pandemic the world consumed around 100 million barrels of oil per day, but with the fall in consumption now, which implies a fall in consumption of 25-30%, "We are currently consuming around 70-75 million barrels per day".

All those who bought under the positions three or four months ago in the futures markets, means they are stuck with 25 million currently unwanted barrels of oil which are costing a fortune to sit around in storage, hence the current desire to offload it despite making a loss.

The rising stockpiles of crude is now overwhelming storage facilities and has forced producers to actually pay buyers to take the barrels they cannot store — that's 65 million barrels of oil in storage for each two days of consumption.

In fact, by the 20 April a record 160 million barrels of oil was being stored in supergiant oil tankers outside the world's largest shipping ports, including the US Gulf. The last time floating storage reached levels even close to this was in 2009 when traders stored more than 100 million barrels at sea until it was able to offload stocks when the economy began to recover.

THE EFFECTS ON BP

So where does this leave BP which as seen its profits plummet 66% as the coronavirus hit oil demand?

BP says that underlying replacement cost profit, its definition of net income, was US$800M in the first quarter of 2020 - down from US$2.4Bn like-for-like in 2019.

However, its chief executive Bernard Looney says the company will continue to pay shareholders a dividend. "Our industry has been hit by supply and demand shocks never seen before, but that is no excuse to turn inward," he said.

"WE ARE LOOKING AT THIS CRISIS AS A COMPANY WITH OVER 100 YEARS OF EXPERIENCE THAT HAS SUFFERED LOSSES AND FACED CRISES BEFORE".

But low oil prices can leave BP with a problem. If it wants to fulfil its target of going green and being carbon neutral by 2050 it needs higher oil prices to make the investment needed to do so.

"We are trying to protect our financial derivates as far as possible to get through this very complicated period, we are looking at this crisis as a company with over 100 years of experience that has suffered losses and faced crises before" says Oliveira.

BP is going through the largest reorganisation in its history with an ambition to become a net zero company by 2050 or sooner through a five-target plan which includes a 50% cut in the carbon intensity of products it sells by 2050 and installation of methane measurement at all BP's major oil and gas processing sites by 2023 and slash methane intensity of operations by 50%.

It also aims to increase the proportion of investment into oil and non-oil and gas businesses over time.

"This crisis has taught us a series of lessons and we want to accelerate our reorganisation and strategy going forward because in 10 years we want to be a different company". And he concludes that yes, the world will continue to need oil for some decades. "When demand begins to pick up, and we are going to continue to need oil-driven energy for the foreseeable future, prices will rise again aggressively," he concludes, even though analysts say the price of a barrel of oil will remain below US$ 50 for the foreseeable near future. ■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