PiB

BRAZILIAN COMPANIES GO INTERNATIONAL

A TOOTH FOR A TOOTH
Signo Vinces, from Paraná state, is winning a share of the dental implants market abroad

AGRIBUSINESS
Brazilian companies are modernizing to compete on the global milk, cheese and by-products market

OPINION
The march of Brazil´s multinationals from the 1940s until today

PASSAGE TO INDIA

With trade and direct investment rising in both directions, Brazil and the "I" in the BRICS are linking up to exploit business potential

TOTUM

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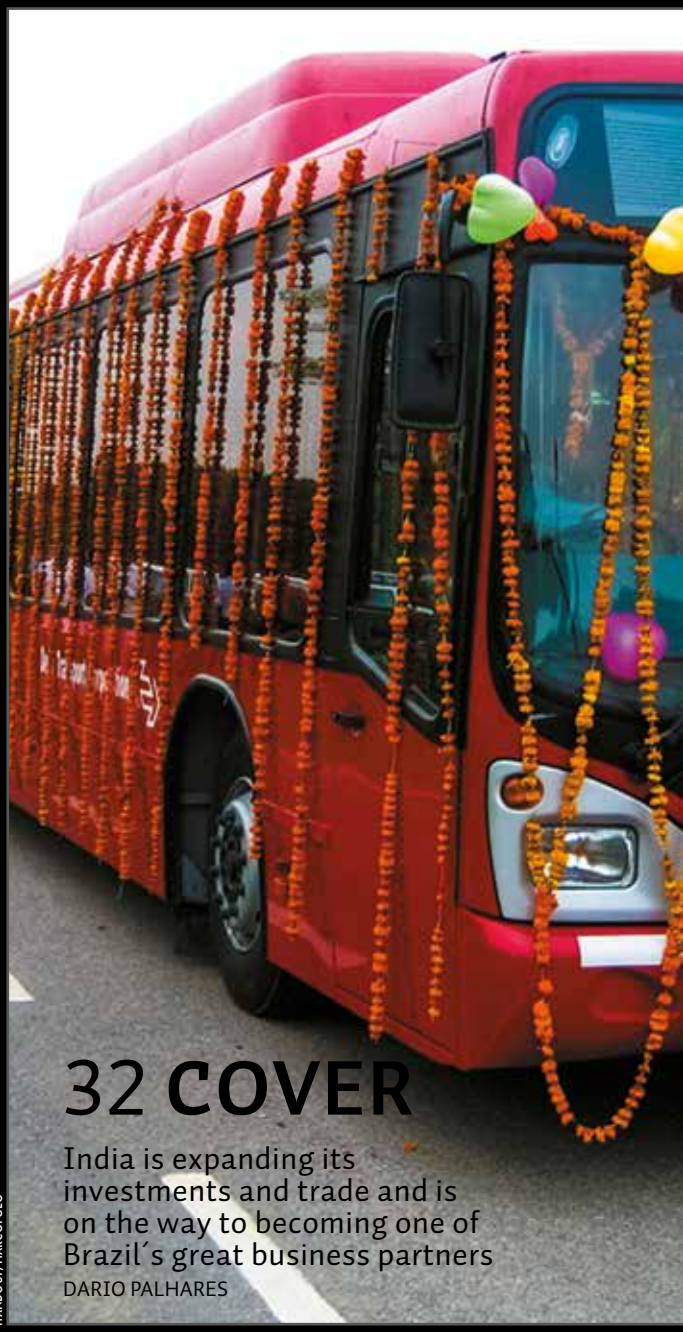

HANDOUT/MARCOPOLO

HANDOUT/HONG KONG TOURISM BOARD

HANDOUT/TIROLEZ

HANDOUT

India takes center stage

PIB magazine arrives at issue number 30 with the BRICS in mind, beginning with the cover story in which we examine the rapid and still little known rise of India among the countries that do most business with Brazil. Brazilian exports to India have grown more than fourfold since 2008 to date and amounted to US$ 4.78 billion. This has made India the eighth-largest buyer of Brazil´s products in the world. The forecasts point to India becoming one of the four largest markets for Brazilian exports by 2030, along with China, the United States and Argentina. Besides the jump in trade, there has also been a big rise in the presence of Brazilian companies in India and vice-versa. Readers can learn all this in the wide-ranging survey by editor Dario Palhares starting on page x.

China, which is the largest of the BRICS, also features in two articles in this issue. The first, by Eliana Simonetti, examines the repercussions of the recent visit to Brazil by the Chinese prime minister, Li Keqiang. The second highlights Hong Kong, the city which features in the Express Tourism section. Check out the trips recommended by Douglas Presotto, a trader from southern Brazil who has been living for a year in the former British colony that is now part of the People´s Republic of China. Returning to Brazil, we look at the milk and by-products industry, a segment of Brazilian agribusiness that is a long way from imitating the international success of sectors such as beef or grains. However, Suzana Camargo´s report shows there are some exceptions and that the sector is trying to resolve stubborn problems that have held it back from modernizing.

In conclusion, we are pleased to present readers with an article that analyzes the path to international expansion taken by Brazilian companies, written by the well-known academic specialists, Professor Afonso Fleury of the Polytechnic School of São Paulo University and Professor Maria Tereza Leme Fleury of the Business Administration School of the Fundação Getúlio Vargas. Have a good read!

Nely Caixeta

totum

TOTUM
EXCELÊNCIA EDITORIAL

PIB

PIB
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A QUARTERLY MAGAZINE FOCUSING ON INTERNATIONAL BUSINESS AND ECONOMICS

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Antenna

Hope (and Gisele) on top of the fashion world

Hope, the Brazilian lingerie brand, came first in the latest WGSN Global Fashion Awards held in London in May. The prize — one of the most important in the fashion world — was given in recognition of the Gisele Bündchen Intimates collection which the Brazilian model created in partnership with the company. "Gisele Bündchen Intimates is new within HOPE and reflects the work the company has done in repositioning itself to foresee its clients´ needs," said Sandra Chayo, Hope´s marketing director. "This conquest shows we are on the right path." Around 2,000 brands from around 50 countries compete annually for the WGSN Global Fashion Awards. Hope was the only Brazilian brand represented and beat rivals from Belgium, Spain and the UK to take the prize for intimate and beachwear, one of the 21 categories in the competition.

BOB WOLFENSON

1

Better foreign trade information now available

Exporters, importers and those who want to carry out foreign trade can now use a new version of the portal known as *Capta* that provides consultancy services on Free Trade Agreements between Brazil and its main trading partners. The new version came on-line at the beginning of June and facilitates access to information on tariff benefits received and granted by Brazil in international agreements, rules on the origin and tariffs applied on foreign trade. It is available in English and Spanish, as well as Portuguese, to allow it to be used by interested parties in countries outside Brazil. The tool came about as a result of a cooperation project between the Foreign Trade Secretariat (Secex) of the Ministry of Development, Industry and Foreign Trade (MDIC), the National Confederation of Industry (CNI) and the British embassy in Brasília.

Radix on the American market

The Rio company Radix presented some of its engineering tools and software for industrial projects and controlling oil and gas industry installations at the 2015 OTC — Offshore Technology Conference — in Houston, Texas. Radix provides services in a number of industrial segments including energy and has an office in Houston, the American center for the sector. It wants to win markets for its services at a time when energy companies throughout the world are being forced to cut costs and improve efficiency, as a result of the fall in the price of a barrel of oil. Radix US also works in the "Internet of Things" used in the industry. Flavio Guimarães, senior vice-president of the American operation, said that systems that it projects and configures capture data from industrial plants in real time to analyze and improve their performance. ▌

1 Lingerie by Hope (and Gisele): European award

2 Guimarães: competing in Texas

HANDOUT

2

Innovation for startups in the UK

Five companies involved in the StartUp Brasil program took take part in the London Technology Week in mid-June. This is an event that uses London´s attributes as a global technology innovation hub to bring together entrepreneurs, investors and potential clients. The startups went to London with Softex — an organization that promotes the Brazilian software and IT services industry — with the support of the Studies and Project Financing Agency of the Ministry of Science and Technology and Innovation and Beats Brasil. The trip was part of a project Softex is creating to enable the startups to go international. Executive vice-president Ney Leal said the aim was to present the Brazilian entrepreneurs to the innovative British market which is known for developing new business models and means of accessing capital. ▌

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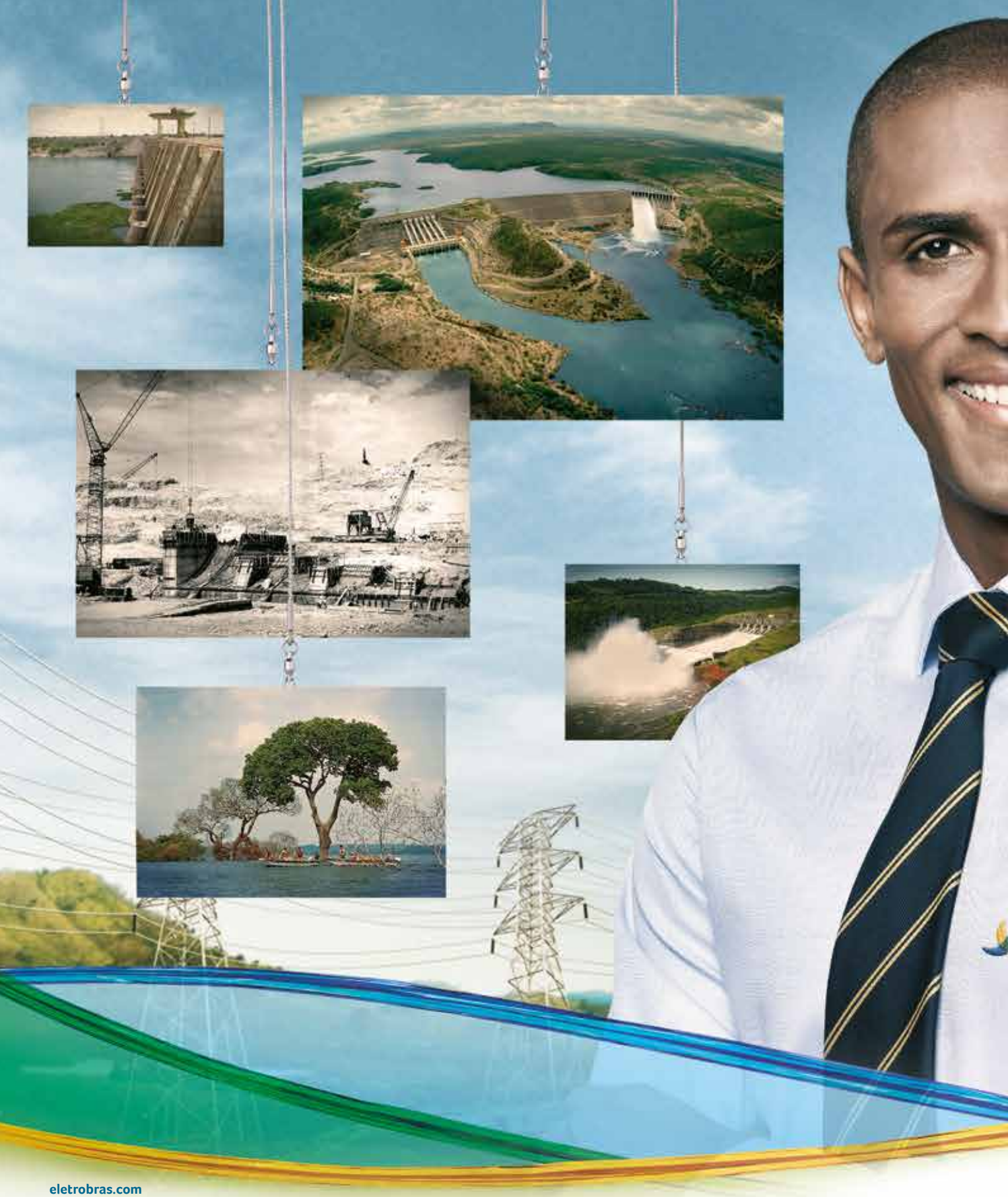
On the production line

Embraer announced during the Paris Air Show in June that it would begin assembling the first prototype of the E190 E2 jet which is foreseen to come into service in 2018. The assembly is carried out in São José dos Campos (SP) and involves components received from partners throughout the world. These include: Triumph Aerostructures and Pratt &Whitney (engine manufacturers), in the United States; Latecoere, in the Czech Republic; and Aernnova, in Spain, along with the Embraer unit in Portugal. The E190 E2 is one of the three models of the E2 family — the second generation of the company´s 70 to 130 seater jets, with new wings, engines and digital control and navigation systems. The first generation that has been in service since 2004 leads sales on the market with more than 1,500 orders, of which 1,100 have already been delivered. ▌



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It all begun in 62. And Eletrobras was already born driving the whole country. In the following decades, we continued to reach further, building new transmission lines, new power plants, investing in technology, investing in the future. For over 50 years, history shows that overcoming is Eletrobras' brand. And for that fact, we are sure: in 2030, we will be one of the three largest global clean energy company and between the ten largest in electric energy in the world.

2

HANDOUT

Brazilian brands feature in Tokyo store

Japan´s biggest department store chain is offering products from 36 Brazilian brands in three of its main stores in Tokyo. A publicity campaign and promotional initiatives in June and July will publicize the Brazilian presence in the stores of the Isetan Mitsukoshi chain. The action will be a repeat of a similar campaign that was carried out successfully in 2014. Japan´s demanding consumers will have the opportunity to buy Brazilian women´s, men´s and children´s wear, shoes and accessories, cosmetics, household utensils and decorative items, as well as food and drinks. The initiative is being carried out in partnership with the Brazilian Trade and Investment Promotion Agency (ApexBrasil) which helped the buyers from the Japanese store chain find Brazilian suppliers. Isetan Mitsukoshi expects to make sales of Brazilian products amounting to US$ 4 million by the end of the year. (Last year, it promoted 33 brands and had sales of US$ 3.3 million.) ▮

HANDOUT

1

Better times for São Paulo Expo

São Paulo´s well-known and long established exhibition center, Centro de Exposições Imigrantes, located alongside the highway that links the city to the coast, is being transformed to attract more exhibitors to São Paulo. The French group GL events, which won the concession in 2013 to use the area for 30 years, has renamed it São Paulo Expo and is promising to invest R$ 300 million by the end of 2017 to modernize and expand the exhibition area from 40,000 to 100,000 square meters. The renovation project includes a center for conventions and new pavilions which can be used in a flexible way, as well as a garage building with 4,500 parking places.

1 Pavilion at Imigrantes center: business tourism

2 Isetan: Brazilian counters in Japan

3 Stand in Chicago: sweets and Chocolates fair

Sweets in the United States

Seven Brazilian companies took part in the Sweets & Snacks trade fair held in Chicago in May. It is the biggest fair in the sweets and chocolate sector in North America and resulted in deals worth US$ 380,000 for the Brazilian exhibitors — Garoto, Embaré, Docile, Nugali Chocolates, Riclan, Simas and Harald. This figure is expected to rise to US$ 2.3 million in the coming 12 months. The Brazilian participation in the event arose from the Sweet Brazil export program for the sector, run in partnership with the Brazilian Chocolate, Cocoa, Peanuts, Candies and By-Products Industry Association (ABICAB) and the Brazilian Trade and Investment Promotion Agency (ApexBrasil).

3

HANDOUT

In business tourism, the glass is half full

Brazil is on the list of the 10 countries that hosted more international conventions and congresses in 2014, according to the International Congress and Convention Association (ICCA) that promotes these events. Brazil is the only Latin American country on the list and came in precisely in 10th position, with 291 events held last year. (The United States, Germany and Spain headed the ranking.) Not a single Brazilian city appears among the 20 most recalled by the organizers of global events which may be a sign that Brazil offers a greater variety of destinations. However, much still has to be done to win a place on the podium. Paris, Vienna and Madrid were the winners among the cities, with each one receiving at least 200 congresses and conventions in 2014. This was more than two-thirds of the total for the whole of Brazil. Business tourism accounts for a quarter of foreign visitors to Brazil. These travelers spend an average of US$ 102 per day which is 50% more than the leisure tourist, according to the Tourism Ministry.

Bikinis for the French

"Summer doesn´t last more than three months so experience it in Brazilian style." Consumers spending the summer on the French Riviera this year will receive calls like this that draw their attention to the pop-up store of Brazilian swimming costumes and bikinis in the famous coastal town of Juan-les-Pins. The temporary store will be open from June 10 to September 10 — the high season of the European summer — offering the creations by 16 Brazilian beachwear brands.
The initiative brings together the Brazilian Trade and Investment Promotion Agency (Apex-Brasil), the Brazilian Association of Fashion Designers (ABEST) and the Brazilian Textile and Apparel Industry Association (ABIT). The aim is to make Brazilian beachwear fashion as well known in Europe as it now is in the United States. The companies taking part expect to do business amounting to €1.2 million (around R$ 4.1 million) in the three months of the summer. ▮

1

1 Brazilian beachwear; campaign on the Riviera

2 Solimeo of CCAB: business in the Gulf

Markets in the Gulf

There is a large receptive market in the countries of the Persian Gulf for Brazilian companies in three sectors: cosmetics, furniture and wood products, and stones for construction, particularly granite. The Arab Brazilian Chamber of Commerce sent its international business executive, Rafael Solimeo, to Dubai and Abu Dhabi on a mission to check out the markets. After talking to 98 companies and visiting three trade fairs, he concluded that Brazilian products have an excellent image in these sectors and good chances of winning new clients. "Brazil sells a lot of commodities to the Gulf region," said Solimeo. Most of the Brazilian exports to countries such as Saudi Arabia and the United Arab Emirates are food products, mainly beef, chicken, sugar and soybeans. The visit showed that there is a market for higher added value products. ▮

2

PICTURES: HANDOUT

Design in leather from Brazil: Italian show

Brazilian leather in Milan

Products made with leather from Brazil led the way at the *Design in the Skin* show held in Milan in April and May. Clothes, shoes and accessories, furniture and objects were featured as part of the Brazil S/A, a show of Brazilian design that ran parallel to the Expo Milan (which takes place from May to October). The Design in the Skin show is a project created by the Brazilian Center of Leather Industries (CICB) and the Brazilian Trade and Investment promotion Agency (ApexBrasil). It aims to encourage designers from the leather industry to take on the challenge of creating items that take advantage of the possibilities leather offers. Twelve Brazilian companies took part in the Milan event under the coordination of designers Ronaldo Fraga, from Belo Horizonte, and Heloisa Crocco, from Porto Alegre. The Brazilian public will be able to see the Design in Skin show at the upcoming International Shoe and Accessories Fashion Fair (Francal) to be held in São Paulo from July 6 to 9. ▮

Meeting in Rio

The National Foreign Trade Meeting (Enaex) in 2015 will be held on August 19 and 20 at the Centro de Convenções SulAmérica in Rio de Janeiro. The Enaex 2015 was launched in June with an event in Rio promoted by the Brazilian Foreign Trade Association (AEB) at which discussions were held on how to be competitive on the services market abroad. The Enaex is the most important forum for foreign trade in Brazil and a meeting place for business leaders and government representatives to discuss issues of interest to the sector. ▮

PICTURES: HANDOUT

"A TELEVISÃO NÃO DARÁ CERTO"

The New York Times, 1939

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A história mostra que toda mudança traz resistência. Mas resistir às mudanças não faz e nunca fez parte da evolução dos negócios. **Já imaginou** as próximas mudanças para o futuro tecnológico da sua empresa? Então **[RE]IMAGINE.**

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For the palate and the eyes

Brazilian cachaça is discovering that having the best taste is not enough to win over the international consumer. Work also has to be done on the packaging. The producers and exporters Engenho Água Doce and Barreto Silva, from Pernambuco state, benefited from the Design Export program, run by the Brazilian Design Center in partnership with the Brazilian Trade and Investment Promotion Agency (ApexBrasil) that gave a more sophisticated visual aspect to their products to attract international consumers. Água Doce cachaça, which is exported to countries in Europe, South Africa and Panama, gained a new more modern and elegant packaging. Barreto Silva — producer of the Sanhaçu brand which has organic certification and is exported to Canada, Germany and the United States — created the Caipirinha Sanhaçu Kit, a box containing a bottle of the drink, a glass and a pestle for crushing the fruit. The producers believe upgrading the image will boost foreign sales. ▮

1

PICTURES: HANDOUT

A toast with cachaça and tequila...

Brazil´s national drink, cachaça, was the star during president Dilma Rousseff´s visit to Mexico in May. Rousseff and the Mexican president, Enrique Peña Nieto, signed a number of agreements including one on the mutual recognition of cachaça and Mexican tequila, proclaiming them exclusive brands of their countries of origin. The agreement aims to prevent counterfeit products using the names and ensure that only genuine ▶

...and more trade and investment between Brazil and Mexico

The agreement on the drinks was only the cherry on the cake during Rousseff´s visit. The presidents also decided to expand the trade treaty between the two countries, a measure with the potential to boost commercial exchanges. The agreement currently authorizes the reduction of custom duties on only 800 items amongst more than 5,000 products. New sectors such as services and electronic commerce should now be included. Brazilian and Mexican teams will begin negotiating the details of the proposals in July. Another agreement signed was on the cooperation and facilitation of investments, the first of this kind Brazil ▶

cachaça produced in Brazil can be sold under this name in Mexico and only genuine Mexican tequila can use the name on the Brazilian market. The presidents made a toast with their respective national drinks. Peña Nieto drank his tequila straight while Rousseff preferred a caipirinha. ▌

2

has made in Latin America. The initiative meets a long standing claim by the private sector that the government should carry out bilateral agreements to open the way to exports and help Brazilian companies go international. The document creates mechanisms to reduce obstacles to investments, facilitates the resolution of disputes and improves the business environment between Brazil and Mexico. A joint management committee will be set up and an ombudsman nominated to answer questions and address complaints by investors. A group of 50 business leaders from the auto, cosmetics, information technology and electronics sectors accompanied Rousseff on her visit to Mexico. ▌

Marcopolo wins award in France

Marcopolo, from Rio Grande do Sul state, has production plants in eight countries and was one of eight organizations (and the only Brazilian one) to win a prize in the international Hermés de l'Innovation project. Marcopolo was recognized for its innovation capacity and the production of urban and highway buses. The prize was presented in mid-June by the European Institute for Creative and Innovation Strategies and the Paris Club of Innovation Directors, organizations created by a well-known French specialist in the subject, Marc Giget. The award was made in Paris during a meeting of innovation directors that brought together more than 1,000 professionals from the sector and directors of companies throughout the world. ▌

1 Água Doce and Sanhaçu: exports in mind

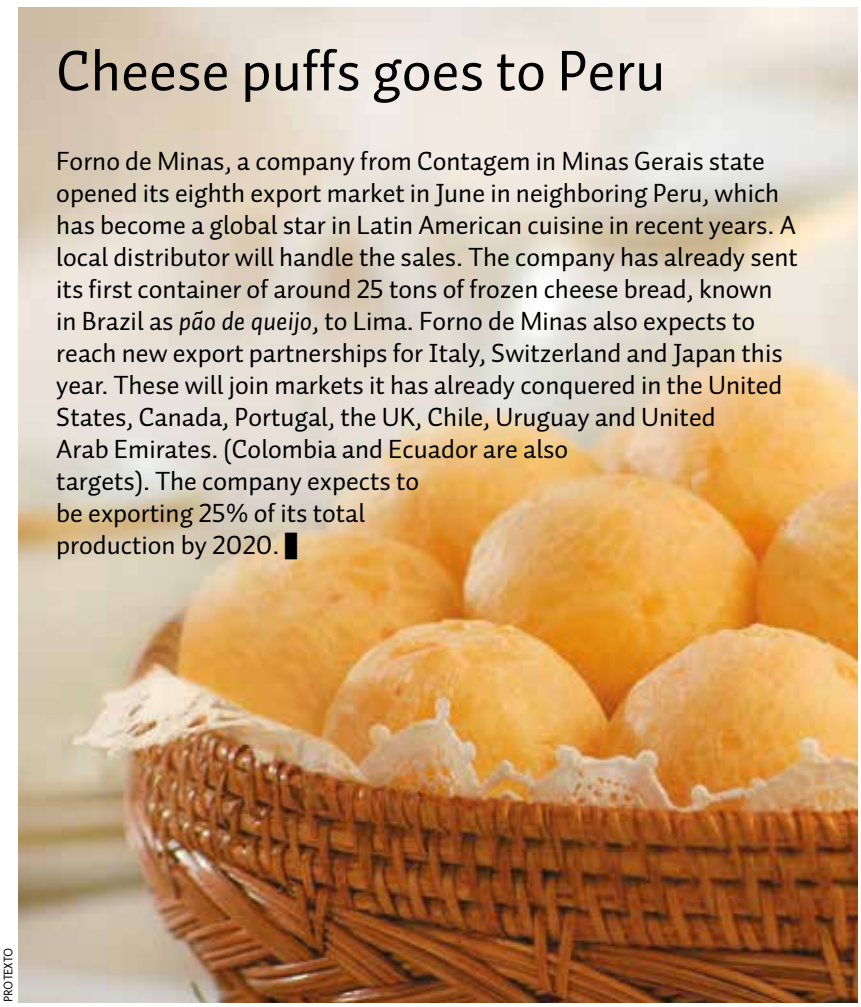
2 Rousseff and Peña Nieto: spirits

3 Cheese puffs from Forno de Minas: in Peru and worldwide

3

Cheese puffs goes to Peru

Forno de Minas, a company from Contagem in Minas Gerais state opened its eighth export market in June in neighboring Peru, which has become a global star in Latin American cuisine in recent years. A local distributor will handle the sales. The company has already sent its first container of around 25 tons of frozen cheese bread, known in Brazil as *pão de queijo*, to Lima. Forno de Minas also expects to reach new export partnerships for Italy, Switzerland and Japan this year. These will join markets it has already conquered in the United States, Canada, Portugal, the UK, Chile, Uruguay and United Arab Emirates. (Colombia and Ecuador are also targets). The company expects to be exporting 25% of its total production by 2020. ▌



PROTEXTO

A bigger share, please?

Brazilian producers are trying to modernize and get into shape to compete on the global milk, cheese and by-products market – an agribusiness sector where Brazil has lagged behind

SUZANA CAMARGO

The grandparents of Cícero, Paulo and Carlos Hegg were born in Switzerland, the land of cheese. However, the family only began to work with dairy products in 1980 when two of the Swiss-Brazilian brothers — Cícero and Carlos — bought a small plant in the town of Tiros in the Triângulo Mineiro region. They called their company, Tirolez after its place of origin. (Paulo, a specialist in foreign trade, would join the business later when it started to go international.) "Our aim was to make a good cheese, with a quality that would be recognized abroad. We always dreamed of exporting," said Cícero.

The dream is now being realized, 35 years after the company was founded and Tirolez products are sold to 11 countries. Angola and Ghana in Africa account for almost half the volume exported, followed by Chile, Japan, Lebanon and Venezuela. However, this urge to find foreign markets is not the rule in the Brazilian dairy business. The opposite, in fact, and Tirolez is an exception.

Brazil produced 34 million tons of milk in 2013, behind only China, India and the United States at global level. However, almost all of it is consumed domestically and milk is even imported to meet the internal demand. At the same time, the milk-producing sector still has a long way to go before it can operate with ease in international markets as is the case with neighboring dairy farms and pastures. Producers of milk and its by-products are the kind of poor cousins of Brazil´s rich agribusiness sector. While other segments — such as grains or meat — take pride in their use of state of the art technology to compete on global markets on an equal basis, the milk chain in Brazil, with rare exceptions, is chronically behind in its production practices and technologies. The result is that productivity is excessively low which means, in turn, that exports are very modest indeed.

LAGGING BEHIND
Average milk production (in kilos) per cow/day

Source: FAO.

The figures confirm this. The United Nations Food and Agricultural Organization (FAO) says American dairy farmers can obtain a daily volume of up to 33 kg of milk from a cow while Germans achieve 24 kg. The average daily productivity on Brazilian dairy farms is only 5 kg of milk per animal. Each cow in the Netherlands produces 8,000 kg of milk a year. Brazil produces a quarter of this amount - around 1,800 kg/year. Only 1% of

Tirolez cheeses: pursuing markets

RENATO CAIUBY

Brazilian milk production was exported in 2014. This means that the exports from the production chain of the world´s fourth-largest milk producing country, with a herd of 23 million dairy cows, made a contribution to the trade balance in 2014 of a mere US$ 350 million. (The Netherlands, which has 1.6 million dairy cows, exports US$ 8 billion a year in milk and dairy products.)

Obviously the comparison between the two countries needs to take the difference in the size of the domestic markets into account. Nevertheless, it is clear that there is an abyss between the conditions under which the European producers operate and those in Brazil. Some of the obstacles holding back advances in the Brazilian milk industry and preventing it becoming competitive in terms of exports are really basic. For example, the incidence of disease in herds, such as brucellosis and tuberculosis. Others replicate the bottlenecks to competition that are common among a large part of Brazilian industry, such as a lack of skilled labor and modern automated premises in most dairy farms.

Agronomist and consultant Cesar de Castro Alves, from the MB Agro consultancy, gives an example of this backwardness. It was only 20 years ago that it became common in Brazil for milk to be collected in cooling tankers so that the milk did not go off from one day to the next, as occurred with the old urns. "It was an important advance but it is something that has been done in Europe for almost 100 years," he said. *(See more on page 25)*.

To give the sector a boost, the Ministry of Agriculture, Fisheries and Supply launched a program in the first half of this year called Improving the Competitiveness of the Brazilian Dairy Sector. This brings together various measures affecting agricultural policy and regulations along with initiatives to improve sanitary aspects and the quality of the milk and dairy products. The project also aims to strengthen the technical and managerial assistance provided to small dairy farmers who form the initial link — and perhaps the weakest in economic terms — of the productive chain. "Most producers have fewer than 30 cows which are badly treated. The farmers are undercapitalized, the standards of hygiene are precarious and most do not even know what their cost of production is," Castro Alves said.

It is producers like these who provide a large part of the fresh milk that goes to the industry to be finished. The goal of the government program is to enhance the technical knowledge of these farmers through continuous education and boost their social ascension from the D and E classes to the C class. Caio Rocha, an executive with the Ministry´s Secretariat for the Development of Agriculture and Cooperatives gave an idea of the number of farmers involved in the program. "We will train 80,000 professionals throughout the country in the coming four years," he said.

The project also foresees giving incentives to exports of dairy products although this is not its main focus. "We will set up a foreign trade structure," Rocha said. The immediate objective is to triple exports

HANDOUT/EMBRAPA

1

HANDOUT/ITAMBÉ

HANDOUT/EMBRAPA

2

1 and **2** Embrapa farm: improving the technology

3 Itambé´s Cotta: turning point

proportionally over four years. This means that Brazil will no longer export only 1% of its dairy production but raise this to 3% by 2019. The target may seem unambitious but the idea is that it will be just the beginning. The government´s plans are to try and grab a slice of the global growth of consumption of dairy products. World demand for milk, cheese, yogurt and other by-products came to 747 million tons in 2013, according to the FAO. The estimate for 2025 is that 1. 2 billion tons will be needed to match the hunger of the world´s population. (Powdered milk currently accounts for 60% of

HANDOUT/ITAMBÉ

Brazil´s dairy exports, followed by condensed milk, cream and butter.)

This is a good time to boost the international expansion of Brazilian dairy products. The costs of importing milk and by-products to complement what is produced domestically has been falling and there is a prospect, for the first time in decades, of milk and by-products production in Brazil exceeding the domestic demand. A situation like this means that exporting will become not just an opportunity but imperative. These costs amounted to an average of around US$ 600 million a year until 2013 and fell to US$ 448 million in 2014. They are expected to decline to US$ 138 million this year.

HANDOUT/ITAMBÉ

3

"We are bound to turn this situation around," said Ricardo Cotta, institutional relations director of Itambé, a company from Minas Gerais that is the largest Brazilian exporter of dairy products. "We have reached a balancing point, a unique moment in history," he added. Therefore, it is time to create the conditions to win markets abroad. However, there is a long road ahead to get there.

What needs to be done to make this path easier besides improving the conditions and production technology in the country? One of the first step is to diversify and expand the export markets. The main importer of Brazilian milk and dairy products is currently Venezuela — which accounted for 55% of exports last year. However, it is a country in recession and enmeshed in a serious political crisis with an uncertain outlook for the near future. "Sales are one-off and sparse," said Cotta from Itambé whose main foreign client is Venezuela. "It is a risky business and totally differentiated due to the situation the country is experiencing at the moment".

Itambé is certainly the most experienced Brazilian exporter in the sector, both in terms of the time as well as the volume sold. It was exporting products such as butter and powdered milk in the 1970s. Last year, it exported 25,000 tons of dairy products and had revenues of US$ 120 million, i.e. 35% of the sector´s exports in milk and by- products. All Itambé´s five production plants are geared to export and 10% of what is produced today is sent abroad — led by powdered milk.

HANDOUT/LAC LELO

1

HANDOUT/LAC LELO

HANDOUT/LAC LELO

Tirolez decided to compete in a niche that does not even appear in the statistics of exports of Brazilian dairy products - cheeses. The Hegg brothers' company has also been investing in expanding the share of its products in foreign markets. It is currently in the final stage of negotiations with a large American distributor whose identity it prefers not to reveal. "By the end of the year, a test will be carried out with our cheeses in a group of stores in the United States," said Cícero. The entry into the American retail market could be a leap forward in achieving a challenging goal for Tirolez which is to start exporting 10% of its production. The company has already exported 5% of what it produced but that percentage is currently around 2%.

The cheese segment on the world dairy market is dominated by the ultra-respected and centuries-old European producers. Germany, France, Holland and Italy lead the ranking of the top players (and jointly have 50% of global exports) and conquer the world with their high quality specialties (and high prices). In these countries, cheese is regarded as a top of the line food and cheese production is carried out on a large scale, with great expertise and advanced technology. *(See more on European cheese on page 26.)* Europeans have been surprised to face a new competitor in recent decades which is the US. The Hegg brothers are not intimidated by this battle of the giants. "There will always be someone who will eat one of our cheeses, like it and want to import it," said Cícero. He singled out what is even a competitive advantage of Brazilian product which is that, as most of the herd in Brazil is still raised in the pasture, the cheese has a distinct taste. It is different from cheese made with milk produced by animals in confinement and is an improvement on the cheese made by some of its competitors.

The company has had sanitary and customs certifications to export since 1993. The first exports of Tirolez cheeses occurred six years later and they were shipped to the other side of the world to Japan. "We were contacted by a company that had spotted the demand by the *dekasseguis*." (These were Brazilian workers descended from Japanese immigrants to Brazil who went to find work in the land of their ancestors in the 1980s and 1990s.) Tirolez's international expansion process, therefore, began by meeting the requirements of the Brazilian-Japanese residents in Japan who wanted the Brazilian types of yellow *prato* cheese, mozzarella, provolone and *requeijão* cream cheese they were used to back in Brazil.

There are also newcomers just starting to test the foreign market. Maikel William Grasel from Santa Catarina state is another cheese producer of European stock and sees a window of opportunity to export the Lac Lélo brand produced by Laticínios São João. The company finishes the production of 350 family suppliers in the eastern region of Santa Catarina and its products are widely available in Brazil's southern region. Grasel now wants to tempt the palates of Chileans, Russians

ROOM TO GROW

Per capita consumption of milk and by-products (in 2012)*

	ARG	BRA	FRA	US
Liquid milk (2012)	41	**57**	53	74
Cheese (2012)	11	**4**	26	15
Yogurt (2013)	12,8	**6,4**	35	7,7

Sources: Canadian Dairy Information Centre/The Nutri Journal

*(equivalent milk: kg/person/year)

HANDOUT/TIROLEZ

1 Lac Lélo plant: starting to export

2 Brazilian herd: more productive breeds

and Venezuelans. "The capacity to produce more and better cheese raised the possibility of looking for more profitable markets abroad," he said. Lac Lélo is being cautious and has chosen to invest in only three countries in the first stage of going international. "As this is a new process for us, all the stages are evaluated and the decisions taken with the greatest possible security," he added.

Lac Lélo modernized its processes in 2014 to become more competitive. It transformed the semi-automated production line to one that was fully automated. This ensured that the final products had better standardization and also expanded production capacity. The company has a portfolio of 50 products but will only export mozzarella and *prato* cheese for reasons of logistics and shelf life. The first shipments are scheduled for August and September. "If we manage to export 200 tons of cheese a month, it will be a great step forward for a medium-sized company," Grasel added. He said it was only a question of time before other Brazilian dairy companies started to exploit foreign markets. Therefore, being a pioneer could be an advantage. "The sooner we create this culture, the greater our chances of success."

Exports of Brazilian dairy products peaked between 2007 and

TECHNOLOGY AND TRAINING

THE MOST modern genetic techniques and good treatment of the herd are the secrets Dutch producers have in obtaining very high productivity from their dairy herd, according to consultant Cesar de Castro Alves from MB Agro. To do likewise, Brazil needs to resolve great deficiencies in these and other points of the productive chain, said researcher Rosangela Zoccal at the Embrapa Gado de Leite government agency. The workforce should be better trained in handling the cattle and treating them well. "Brazil has problems caused by the fact that the producer often does not manage the activity while the people who work on the routine production have little access to training," she added.

On the side of herd genetics, encouragement should be given to the creation of breeds that provide the largest volume of better quality milk, such as Holstein, Jersey and Girolanda (cross between Gir and Holstein). The Ministry of Agriculture´s program for the dairy sector intends using public resources to support the gradual replacement of the domestic herd by better quality cattle. Castro Alves says good technology is being used in this area. "Some dairy farms are using state of the art technology and producing milk of a high standard on a large scale," he said although these are the exceptions to the general picture.

The companies, for their part, are critical of the lack of initiatives by the Brazilian government to reach sanitary and tariff agreements to make exporting worthwhile. "Unlike other countries that dispute the dairy market, the government has made no trade agreements to cut tariffs," said Itambé director, Ricardo Cotta. "This means we do not have privileged access to some places," he added.

On the positive side, the Brazilian milk industry has room to grow not only on the external market but also domestically, particularly in the niche for cheese and dairy by-products. The Brazilian pattern of consuming milk in liquid form is in line with the international average. Average per capita consumption came to around 57 kg a year in 2012,. This is more than in neighboring Argentina (41 kg/year), virtually the same as in France (53 kg/year) and lower than in the US (74 kg/year). However, it is worth noting that that consumption of by-products, like yogurt, cheese and others, is still well below the world average. (*See table on opposite page.*)

2

HANDOUT/EMBRAPA

2009. The price of powdered milk on the international markets reached a record level in those years, jumping from an average of around US$ 3,500 to US$ 5,000. However, the post-2008 global financial crisis and the appreciation of the Real in the period put a dampener on Brazil´s modest exports. Itambé´s Ricardo Cotta thinks the prospects are better.

The price of powdered milk should start rising once again and there will be greater Asian demand. (Much of Asia´s demand is currently met by New Zealand, a small country that exports 95% of its production.) The big magnet is the voracious Chinese food market, driven by an expanding middle class and the government´s strategy of increasing domestic consumption. "The Chinese thirst for imported milk is so great that New Zealand is unlikely to be able to meet this demand in the long-term," Cotta said. "We expect to make sales to China in the near future. It is a market we are looking at with particular care."

As well as China, he highlighted Latin America itself, Africa and the Middle East as interesting markets. The latter two jointly import three million tons of dairy products annually. The US Dairy Export Council, a body that monitors the dairy sector, said that countries in the region, such as Algeria, Egypt and Morocco, have limited production capacity, due to the scarcity of fertile soil. At the same time, the population – around 160 million – is becoming increasingly keener on consuming yogurts and cheese.

The opportunity to enter these and other growing markets and the urgent need to enhance the Brazilian dairy sector are factors that reinforce each other. International expansion, in itself, is a great stimulus to modernizing the productive

ITS EXCELLENCY, THE EUROPEAN CHEESE

INDIA IS not the only country where the cow is sacred. It is also highly respected in many European countries although certainly for other reasons, mainly its economic and historic importance. This remains the case even today when European countries have ceased to be predominantly pastoral in terms of agriculture and moved onto to industrial and post-industrial societies. High technology apart, the cow remains an icon in places like Germany, Austria and Switzerland and souvenir stores always have a little cow for the visitor to take home as a keepsake.

In these and other countries, cows´ milk (and that of its rivals, goats and sheep) provides one of the most important foods in the European diet - cheese. Europeans regard cheese as a food that is on the same level as meat and vegetables. In France, for example, cheese is served as a starter and dessert. It does not stop there. Cheese has gained celebrity status and is a big money-spinner, encouraging tourism, for example. In Germany, the world´s largest cheese exporter, there is a route in the northern region between Schleswig and Holstein called the *Käsestrasse*, (Cheese Street) along which visitors can get to know the home-made product and sample it on the spot.

The same happens in Switzerland. In Gruyère and Appenzell, the main attraction for the visitor is to learn how the famous cheeses that bear the names of the towns are made. It is no coincidence that some of the most typical Swiss dishes —*fondue* and *raclette* — have cheese as the main ingredient. France, obviously, also knows how to profit very well from the popularity of its cheeses: Brie, Camembert, Roquefort and many others. (There are around 300 kinds listed which gave origin to the story that the former President Charles De Gaulle, in a moment of exasperation with his countrymen, claimed it was impossible to govern a country with 300 cheeses.) The French not only invest in cherishing

1 and **2** Store in Amsterdam and Swiss *raclette*: cheese culture

chains, as one of the pioneers in this direction, Tirolez´s Cícero, confirms. "We believe going international puts demand on the company in terms of quality and controls which help us achieve the best levels in the world," he said. The newcomer Grasel agrees. "Exporting demands a higher level of professionalism from the whole chain which will benefit the whole sector," he claimed.

At the end of the day, winning new markets abroad could be an antidote to the risk of repeating a perverse cycle in which the producers lose out as a result of overproduction and lower prices. MB Agro´s Castro Alves believes the program to modernize the dairy sector is the right way ahead. However, he warns that raising productivity needs to be accompanied by opening markets and improving the level of the products. "The worst scenario would be to encourage inefficient producers, expand the herd and continue to produce small amounts of milk per cow at a low standard," he said. This would be a recipe that would lead to overproduction and falling prices. "The producer would then go back to slaughtering the cows to survive." This is a catastrophe the Dutch could not even imagine happening. ▌

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JOHANNES VAN ASSEM

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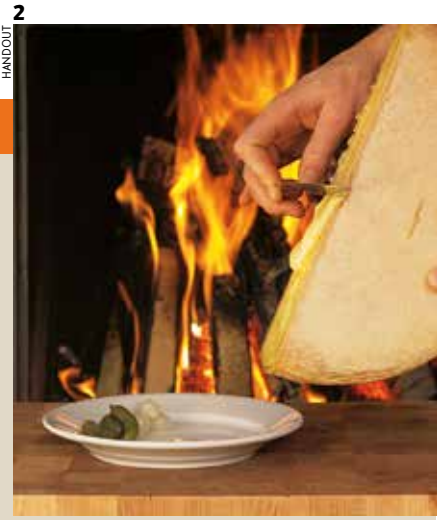

HANDOUT

their culinary and cultural wealth, by creating seals certifying the origin, but they also put great efforts into marketing abroad.

The Italians, Portuguese, Spaniards and the Dutch also create and offer their own, unique ways of making cheese — a part of the cultural tradition that is as strong as the wines and language of each country. Knowing how to sell is the soul of the business. The Dutch can give lessons in this area and they also value the cow. The Old Amsterdam brand, one of the best known, has its own boutiques in the capital to taste and sell its products. Special packaging available at airports makes it easier for the visitor who wants to take a piece of Holland back home.

All these examples, created as specialties of certain European places, cantons and villages are now known as globally recognized brands with a high added value which is obviously reflected in their steep prices. However, these luxury cheeses are only a market niche within the world of cheese. Most of the cheese exported at world level consists of cheaper kinds with high consumer demand, such as mozzarella and parmesan. Despite this, there is no doubt that cheeses like Emmentaler, Tilsiter or Vacherin are ambassadors for their country. ▌

The comings and goings of international expansion

How the presence of Brazilian multinationals on the global market has developed from the middle of the 20th century until today

AFONSO FLEURY AND MARIA TEREZA LEME FLEURY*

The process through which a company goes international is not necessarily continuous and accelerated. A survey by the Erasmus University in Rotterdam, in the Netherlands, analyzed the route to international expansion taken by a large sample of multinational companies. The study involved the 300 largest non-financial global companies selected over a 10-year period from the world´s largest investor countries: the United States, Japan, the UK, France, Germany and the Netherlands. The authors identified six types of different routes: a) strong expansion, in which the international extension is continuous and made without fits and starts; b) wide-ranging, involving companies that are already very active internationally which decide to continue to do so; c) grouped, marked by an expansion followed by a long stabilization and then a new expansion; d) "volatile stability", where there is no clear pattern of expansion and retraction; e) domestic guidance which is usually seen in companies that are more domestically oriented and have expanded internationally very slowly; and f) domestic redirection, in which international activities are cut back.

New multinationals can be agile, like a traveler with little luggage

1. THE PIONEERS

Multinationals from emerging countries act no differently and these findings can bring insights into the thinking behind the reasons why Brazilian companies go international. The first Brazilian company to do so was Banco do Brasil which started to provide financial services for Brazilian citizens and companies abroad in 1941. In 1961, Magnesita set up a subsidiary in Argentina and may be regarded as the first private Brazilian company to become a multinational. It was the turn of the engineering companies at the end of this decade when companies such as Andrade Gutierrez, Camargo Correa, Odebrecht and Mendes Junior started up international operations.

In the 1980s, the "Exporting is what matters" program captivated companies from various industrial sectors which decided to place their bets on the international market.

HANDOUT WEG

Weg in China: acquisition and investments

The US was the main target for setting up foreign operations by financial groups (Itaú), metal-mechanical companies (MetalLeve, Caloi, Romi, DHB, Bernardini), clothing companies (Staroup), chemicals concerns (Artecola) and electro-electronics companies (Gradiente). Others, such as Gerdau and WEG, preferred markets closer to home in Latin America.

As we can see, few of these pioneers maintained their international expansion and many ended up retreating back home to concentrate entirely on local operations. A number were sold or closed down during the economic and financial crises of the 1990s, victims of the opening of the domestic markets after the period of protectionism

2. FROM THE MERCOSUL TO THE GLOBAL MARKETS

The Mercosul agreement was probably the testing ground on which the Brazilian companies had their broadest formative experience in terms of going international. Hundreds of companies based in Brazil (both locally-owned and subsidiaries of foreign multinationals) set up operations in the Mercosul partner countries, particularly Argentina, and underwent a very important learning period. However, most of them closed their doors and looked for new alternatives when the crisis hit Argentina.

The macroeconomic reforms and political and economic stability that was achieved in the second half of the 1990s provided the conditions to speed up the international process of those Brazilian companies which had overcome the very difficult conditions in the first half of the decade. These domestic champions — many of them trained and tested in neighboring South American countries — were finally ready to face the challenges of going international on a global scale.

The period, which extends from the middle of the 1990s to 2008, was marked by large Brazilian companies advancing on the international markets. Iconic groups such as AmBev, Votorantim, CSN, Sabó, Marcopolo and Embraco began their international expansion process while others, which had already been operating abroad for a longer time, such as Vale, Petrobras and WEG, increased their expansion particularly through acquisitions. IBOPE was the first company from the services sector to go international through a strategic partnership agreed in 1991. The acquisition of the Canadian company INCO by Vale in 2005 — a deal that was worth almost US$ 20 billion — raised Brazilian foreign direct investment to a record level. The aggressive international expansion of the meat packers such as JBS-Friboi and Marfrig, amongst others, highlighted a new facet of the Brazilian companies with the skills and appetite to play on the global markets.

This really was the golden period, not only in terms of the expansion of the Brazilian multinationals but also the emerging countries in gen-

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eral and a smaller group consisting of Brazil, Russia, India and China. These were dubbed the BRICs by Jim O'Neill, an economist at the Goldman Sachs investment bank. In 2005, the Boston Consulting Group began to compile a ranking of the 100 most competitive companies from the emerging countries. Eleven of them were Brazilian, a figure that rose to 14 by 2011. Names like Gerdau and JBS-Friboi began to appear on the Forbes magazine list of the 500 largest companies in the world, alongside Petrobras, Vale and the three largest Brazilian banks — BB, Itaú and Bradesco.

3. THE 2008 CRISIS AND AFTERWARDS

The 2008 international crisis led the Brazilian multinationals to make a change in their strategy. The lower demand, particularly in the developing countries, led them to undergo a phase in which they reorganized their international networks. They rationalized their production systems abroad, including closing plants and repatriating resources to invest in expansion on the Brazilian market which was growing extremely fast at that time. This movement confirmed a view currently held that Brazilian multinationals had two basic characteristics: organizational flexibility and skill in financial management, inherited from the turbulent periods on the local markets.

As a result, the global financial crisis of 2008 helped to confirm another idea. In contrast to what had occurred with the multinational companies of developed countries — the comings and goings of the international process of the companies from the emerging countries maintained a strong relation with the institutional environment in their country of origin. This was seen on the positive as well as the negative side. On the negative side, the view was confirmed that one of the reasons why companies from emerging countries went international was to escape from the "institutional voids" in their own countries — i.e. the shortfalls in political governance, legislation and regulatory maturity and the business background that blocked their growth domestically. At the same time, the very skills they had developed to overcome these voids gave them a competitive advantage in other markets and countries that were equally turbulent. On the positive side, the help emerging market governments, particularly China, gave their companies in going international (through the *Go Global* program) came under discussion.

ALVINMARKBUEN

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Academic studies on emerging market multinationals began to look at the specific features of the process through which these companies went international. What would their competitive advantages be? Would these not basically be an internalization of the competitive advantages of each country? Would they be sustainable or transitory?

Three competitive advantages arose as the most important, both in the Brazilian case as in other emerging countries. The first is an ability to innovate in a way that is different from that developed by multinationals of advanced countries, which is strongly based on research and development activities. In the case of the emerging multinationals, it is an innovative capacity derived from their own backgrounds: the focus on innovation is directed at

1 BRF (food products) in Abu Dhabi... **2** ...Marcopolo (buses) in Colombia... **3** ...and Itaú (financial services) in Uruguay: international diversity

processes and costs, in order to win new markets, at times with lower purchasing power. This ability is based on the specific nature of the resources – human, natural and financial – found in each country.

The second difference is the ability to make strategic mergers and acquisitions in such a way as to obtain competitive advantages from these businesses. The expression "springboard internationalization" is used in academic circles as a metaphor for a kind of international expansion which, through a well thought-out process of mergers and acquisitions, succeeds in quickly leveraging the skills acquired to strengthen international competitiveness. The third advantage is the ability to configure efficient value chains to operate in certain markets without being obliged to carry the burdens resulting from the long international experience, as is the case with companies from the advanced countries. The emerging multinationals, including the Brazilian ones, benefit from the advantage of the traveler who carries little luggage and can move around with greater agility.

The post-2008 period has also marked a change in the profile of Brazilian companies that have gone international. As the big industrial companies were already operating internationally, what then began to be seen were service providers and small and medium-size enterprises going abroad. The Brazilian multinationals started to invest abroad again at the time when the crisis hit Brazil more strongly. Figures from the Central Bank showed that Brazilian foreign direct investment expanded by 28.3% in the first quarter of 2015, i.e. the domestic market remains important for the Brazilian multinationals but the external market is gaining force. A new investment in international production networks is necessary. In short, the process of going international is carried out in a continuous going and coming movement which will result, in the long term, in an unstoppable upward trajectory but one that will be subject to changes in direction in shorter periods, brought about by the global outlook as well as the factor conditioning the economy and politics of the country of origin. These swings will be important for the learning and growing competitiveness of the companies.

PAQUITO MASÍA

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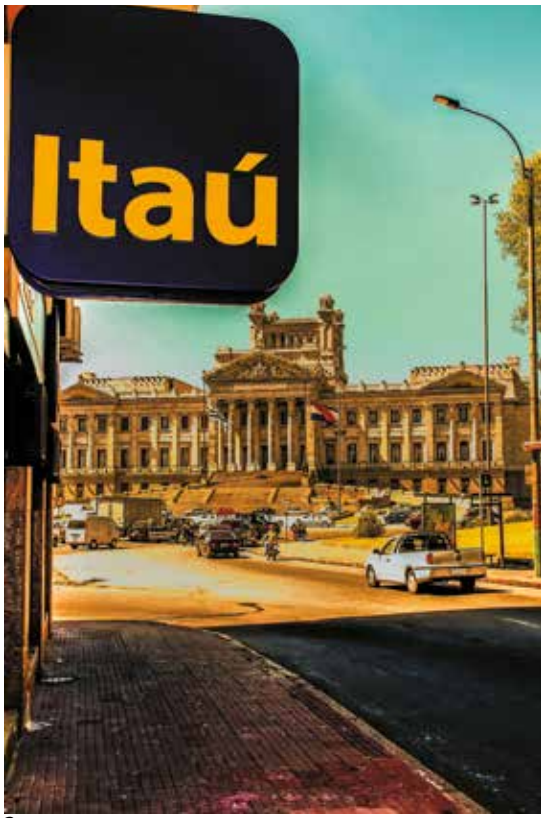


EZEKIEL FERNANDEZ PRADA

3

Passage to India

The other Asian giant is the eighth-largest consumer of Brazilian products and is set to become one of Brazil´s four main trading partners by 2030

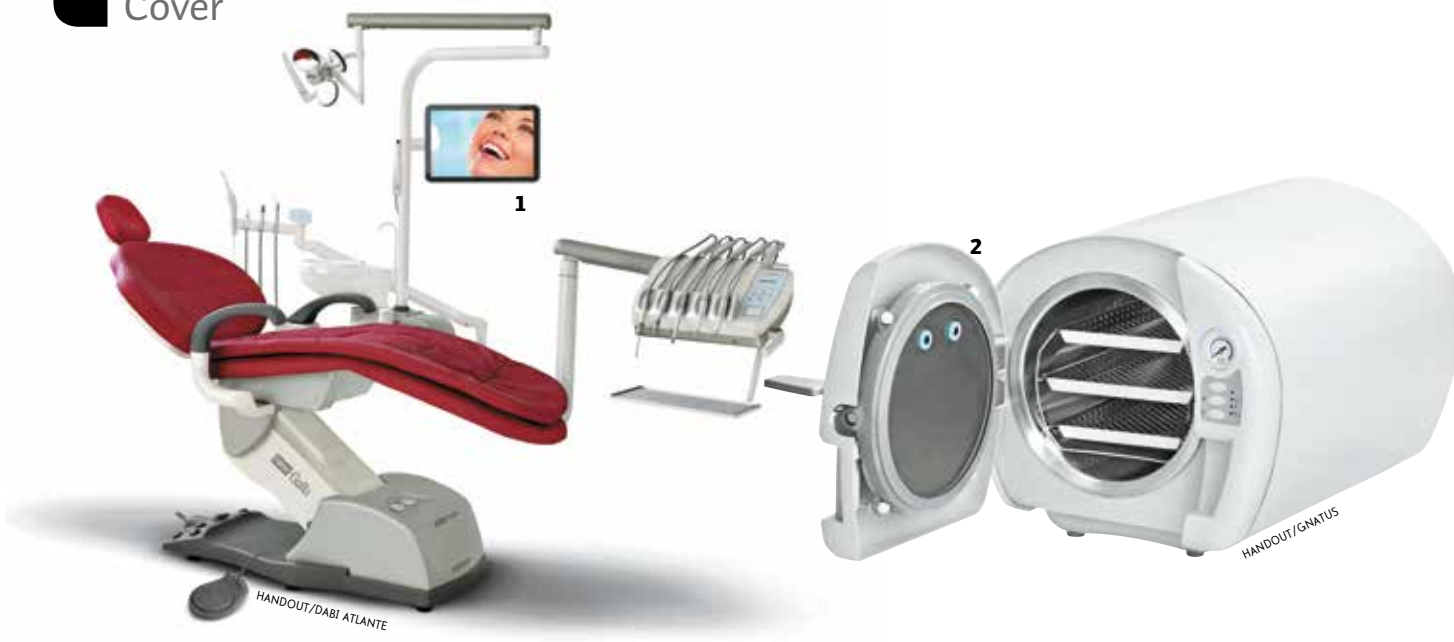
DARIO PALHARES

More than 500 years after the arrival of the squadron of the Portuguese navigator Vasco da Gama at the port of Calcutta in the Indian Ocean, Brazilians are beginning to take their own passage to India. Some large Brazilian companies, such as Marcopolo, WEG and Stefanini, have carried out direct investment in India since the turn of the century (see article on page 42) but it is trade that is increasing. This thrust stems from the Fixed Tariff Preferences Agreement (FTPA) signed between the Mercosul free trade area and India which has been in operation since June 2009 and guarantees more favorable conditions among its signatories for trade in around 900 items. Business has taken off since then. This can be seen in the fact that while Brazilian exports fell by almost 7% as a whole last year, those to India jumped by 52.71% to US$ 4.78 billion, more than four times higher than in 2008. This movement is being reciprocated and Brazilian imports of Indian products expanded from US$ 3.56 billion to US$ 6.33 billion in the same period. The result of this is that the "I" in the Brics has made a meteoric leap forward into eighth place among the biggest buyers and suppliers of the "B" in the emerging countries group. The signs are that this trend will continue.

"Rather than taper off, the expectations are that exports to India will remain high," said Ana Paula Repezza, Markets Strategy manager of the Brazilian Trade and Investment Promotion Agency (ApexBrasil). "The prospects are excellent, due to the tariff agreement, the approximation of the two countries in international forums, such as the Brics, the strong economic growth and the success of India´s social policies over the last 10 years that has led around 170 million people who were living below the poverty

HANDOUT/MARCOPOLO

Direct investment: Brazil´s Marcopolo produces bus undercarriages in India



line to ascend the social scale."

These optimistic predictions are confirmed by a study by the British bank HSBC entitled "Global Connections". It says Brazilian exports to India will rise by an average of 5% a year until 2020 and the rate should double in the following decade. If these estimates come about, India will become the fourth-largest importer of Brazilian products in 2030, behind China, the United States, and Argentina, respectively. In turn, it will become Brazil's third main suppliers after China and the US, as its exports to Brazil will increase by an average of 10% a year between 2020 and 2030, according to HSBC. "India will shortly become a strategic partner of Brazil. The trade chain should amount to US$ 20 billion by next year, five times more than in 2008 and double that of 2014," claimed Élson de Barros Gomes Júnior, India's honorary consul in Belo Horizonte. He is also the mentor of the India Brazil Chamber of Commerce (CCIB) which has already organized 10 trade missions to Asia since it was founded in 2003.

Trade between the two countries is still strongly centered on commodities, particularly oil by-products although the Brazilians are making efforts to add value to their exports. This effort has been partly coordinated by Apex-Brasil, a government agency linked to the Ministry of Development, Industry and Foreign Trade (MDIC). Apex-Brasil has chosen 10 sectors with the greatest potential to penetrate the Indian market and has been giving backing to exports in trade missions, business rounds, fairs and exhibitions. The list includes, amongst others, the chicken and pork processing industries, agricultural equipment, footwear components, items for pets, electrical energy generation and distribution equipment and medical, hospital and dental appliances, as well as franchises in the food area, leather products and material for the genetic improvement of cattle. "The idea is to add value to our exports based on the opportunities brought about by the big transformations occurring in Indian society," Repezza said.

Trade between Brazil and India is still centered on commodities

The most significant of these changes is a considerable improvement in the Indian population's income and lifestyles. Like Brazil – where the middle class has been boosted by 40 million new members over the last 15 years, as a result of federal government programs – India also has much to be proud of in this area. According to the World Bank, the population living below the poverty line fell from 45.3% to 21.9% between 1993 and 2013 and life expectancy has risen from 60 to 66 years since 1995. With more rupees in their wallets and purses, Indians have started to demand more food and better health services. This is where Apex-Brasil and the sectors chosen to spearhead the Indian market come in. "Our producers of medical and dental equipment specialize in developing portable models for use in the more remote areas of Brazil which are also ideal for India. This means that the prices of their products are less than similar products from the United States, Japan and Germany," she added.

A traditional name in this seg-

3

1 Dabi Atlante equipment: growing sales in India

2 Autoclave by Gnatus: good cost benefit relation

3 Zebus: India wants to improve the breed with Brazilian know-how

ment is Gnatus, a producer of medical and dental equipment from Ribeirão Preto, which discovered its passage to India a long time ago. It has been exporting its products to the ports of Chennai, Mumbai and Calcutta, amongst others, for 30 years and they now account for seven percent of its foreign sales, a share that should be maintained this year. The sales are carried out through a distributor and include dental offices, autoclaves, vacuum pumps, X-ray equipment and others. "Our presence on the Indian market grew thanks to our local partnership which is very strong," said Antonio Carlos de Caldas, regional manager of international sales. "The big challenge is to offer products with a good cost benefit ratio as we face competition from local and Chinese companies."

One of Gnatus´s former Brazilian rivals, Dabi Atlante, became its partner at the beginning of the year when the two companies announced they were merging. However, each one will continue to operate with its own brands on the international front, including India, to which Dabi Atlante has been exporting for 15 years. The São Paulo company also has a representative with a good sales structure in India. Its advanced outpost in Bangalore has a team of 60 employees, including three regional managers who deal with clients in the vicinity and others in Mumbai and the capital, New Delhi.

"The trade agreement between the Mercosul and India has helped us enormously as it cut bureaucratic formalities and operating costs. We have managed to increase the volume of sales and also the range of products we can offer," said the foreign sales manager Marco Aurélio de Souza. "All shipments were sent by sea in the past but a large volume of exports to India now go by plane due to the speed and facility in clearing customs."

Exports to India are still low. They came to US$ 200,000 in 2014 and should rise to US$ 500,000 this year. However, the prospects are for growth as India becomes part of a group of strategic markets that will require special attention by Dabi Atlante between this year and next. "Our main challenge is to reach the cities that are more distant from the large metropolitan centers where we are already present. We

GROWING TRADE

Growth of trade between Brazil and India – in US$ billion

	Brazilian exports	Brazilian imports	Balance	Trade chain
2008	1.10	3.56	-2.46	4.66
2009	3.41	2.19	1.22	5.60
2010	3.49	4.24	-0.75	7.73
2011	3.20	6.08	-2.88	9.28
2012	5.57	5.04	0.53	10.61
2013	3.13	6.35	-3.22	9.48
2014	4.78	6.33	-1.84	11.42
2015*	1.31	2.18	-0.87	3.49

*Figures to May

Source: Brazilian Ministry of Development, Industry and Foreign Trade (MDIC)

have already drawn up an action plan with our local representative," Souza added.

Capital goods producers are more cautious and only expect to include India in their business plans in the second half of the decade. Besides agricultural equipment which Apex-Brasil has its sights on, the Brazilian Machine and Equipment Industry Association (Abimaq) sees great potential for companies producing electricity generators, heavy machinery for chemicals and petrochemicals, mechanical transmission and other equipment directed at the production of pulp and paper. As in any market, quality and competitive prices make the difference but this is not enough in the case of India. "They value and cultivate relationships a lot. I had contacts with some Indian businessmen and executives 15 years ago and even today they call me from time to time," said Müller. "To give them the due attention, we need a lot of people and dedication."

"MANUFACTURE HERE"

INDIA IS strong in services, which account for 50% of its gross domestic product (GDP), and is determined to add more value to its economy. On September 25 of last year, the prime minister, Shri Narendra Modi, hitched a ride on the Mangalyaan space probe which has just entered the orbit of Mars, and launched the Make in India program. The main aims of the program are to boost manufacturing industry´s share of GDP from 16% to 25% and create 100 million jobs by 2022 by attracting foreign companies. The initiative foresees the granting of a broad range of incentives and subsidies to investments in 25 sectors – such as aviation, chemicals, textiles, defense, biotechnology, oil and gas – and the creation of 17 National Investment and Manufacturing Zones (NIMZ). "Our government is committed to removing all the obstacles to production. Come and produce in India. Sell in any market but manufacture here," he said.

The appeal was echoed. Around 200 companies from 30 countries are already planning investments in India this year. These include Boeing, Alstom, Samsung, Toyota, Shell, Bombardier, Sony, Rio Tinto and Volkswagen. The foreign companies have been lured by the prime minister´s modernizing agenda and the strong growth of the local economy which should topple Brazil from its position as the seventh largest economy in the global ranking. Interest by Brazilian companies is still low but the club of Brazilian companies with operations in the "I" of the Brics should be enlarged in the near term.

One of the new members is reserved for Perto which manufactures automated banking equipment and is based in Gravataí in Rio Grande do Sul state in southern Brazil. It intends concluding the construction of its first plant abroad in Jaipur, the capital of Rajasthan state by the end of 2016. The plant will produce tailor-made items for the Indian market, such as bidirectional terminals that may be used by two bank clients simultaneously, and appliances that can operate for up to 24 hours without being supplied by electrical energy, thanks to a system of low consumption and a grouping of batteries.

The project will require total investments of around US$ 60 million. The plant will have an initial production capacity of between 600 to 800 electronic cash machines (ATMs) which is similar to the production level at its headquarters. It will supply orders from companies such as the State Bank of India and the ICICI Bank, the country´s two largest financial institutions. The sales potential is more than tempting. This is seen in the fact that three years ago, India had 75,000 ATMs in operation compared with 200,000 in Brazil which has only 15.9% of India´s

HANDOUT/PERTO

Tailor made for India: bidirectional banking terminal by Perto

population. "India has an enormous market and a low level of bank automation," said the company´s CEO, Thomas Elbling.

Perto will find some other Brazilian companies present as it crosses the Indian Ocean. The new candidates are leather companies which have been strengthening their business with India which is a big competitor on the international market. Following the growth of Indian footwear exports, which have expanded by 14.9% since the turn of the decade, Brazilian exports of leather and hides to India have jumped from US$ 11.1 million to US$ 22.2 million between 2011 and last year. "There is a potential to export US$ 50 million to India. This will require a lot of work, of course, but the conditions are certainly in place to achieve this goal," said José Fernando Bello, CEO of the Brazilian Tannery Industries Center – CICB, the trade association that represents a number of companies in the sector.

This flirting with the Indians intensified from August 2014 when a delegation of six business people visited Brazil at the invitation of the CICB and Brazilian Leather, a joint project with the Brazilian Trade and Investment Promotion Agency, Apex-Brasil. The contacts led to additional sales of US$ 7 million. The Brazilian side reciprocated the visit in January of this year. The CICB and four members took part in the India International Leather Fair (IILF), held in Chennai, and visited tanneries and footwear and leather accessories plants in India.

The exchange of looks and overtures was quick and the CICB received offers in April to create joint-ventures within the Make in India program. The package included business plans put forward by three tanneries – one of which is controlled by the century old Tata Group, the biggest industrial conglomerate in India, with around 120 companies and revenues of around US$ 103.3 billion. "We were surprised," admitted Bello who sent the good news to his members. "It is still early to make predictions as we need to analyze a series of factors and risks but the sector has reacted very positively. If the facilities promised by the local government come about, some of our members could set up business in India." ▮

Brazilian electricity energy generators and transmission and distribution appliance manufacturers may even have a lot of homework to do to ensure a place in the sun in India. On the other hand, a Brazilian company with contacts in this segment is beginning to gain space there. This is Treetech from São Paulo, a global benchmark in remote energy network monitoring systems which ensure the detection,

HANDOUT/APEX

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HANDOUT/TREETECH

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in real time, of failures and problems, thereby allowing the prompt intervention by maintenance teams. It is present in 39 countries and it was its technology that prevented a blackout in southern California in 2004. The company starting exporting on a small scale into India five years ago through a local engineering project office. "The seed germinated in 2013 when we were contacted by large Indian producers of high tension equipment, such as Crompton Greaves that has a strong international operation," said the business manager Gilberto Amorim Moura.

Business moved very quickly and jumped from the equivalent of R$ 400,000 in the first deal in 2010 to R$ 4.5 million last year. By May of this year, new orders amounted to R$ 1.5 million and are expected to multiply in the medium term. "We believe exports to India will amount to R$ 15 million a year by the end of the decade and are looking for representatives to leverage these deals," said Moura.

Treetech´s monitoring method was tailor made for the situation in Brazil but it also fits Indian needs. This is because India´s power transformers complex is even older than the Brazilian one. As they are expensive pieces of machinery, costing between US$ 1 and US$ 6 million, heavy and produced only to order, it is much more advantageous to keep them under constant maintenance. "India intends extending the working life of its transformers. With the know-how that we have developed in Brazil, we can help", said Moura.

India´s poor population has shrunk from 45.3% to 21.9% since 1993

The same approach guides the steps of the Brazilian Association of Zebu Creators (ABCZ) which is based in Minas Gerais state. This body, that has no less than 21,000 members, was first approached by Indian livestock breeders in 2013. There were some scattered consultations and questions at the beginning until last year when three delegations visited Brazil with the aim of acquiring genetic material to improve the cattle herds in India. It is a great irony as the Zebu species originated in India and was introduced to Brazil in the 19th century. "The Zebu breeders here adapted and developed the breed in such a way that they currently represent 80% of the 200 million head of beef cattle," said Icce Garbelini, the ABCZ international relations manager. "In its original birthplace, the breed degenerated due to uncontrolled crossbreeding. There are only a few centers of pure animals in India but at least there is the willingness to correct the errors they committed."

For the time being, the India interest is restricted to the sperm of dairy breeds, such as Gir and Guzerá. However, it will not be a surprise if they start to order genetic material for beef cattle such as Nelore, as the consumption of beef in India has been rising sharply, although eating beef is still regarded as a sacrilege for the Hindu majority. "The Brazilian cattle are far superior to the Indian in both cases," said Icce.

1 Ana Paula: "Exports to India will remain high"

2 Contrast: the old appliance keeps on going thanks to Treetech

3 Ambassador Lai: together, India and Brazil have everything to gain

"PROFITS GUARANTEED"

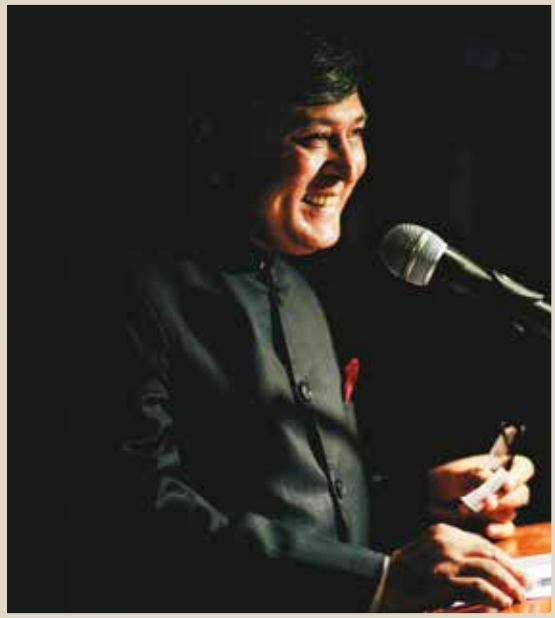
AMBASSADOR SUNIL Lai, who took up his post in September of last year, believes the opportunities for Brazilian and Indian investors on both sides of the world are "tremendous". He outlines an extensive list of sectors where the expertise of Brazilian companies would be welcome in India and the opportunities that exist for Indian investors in Brazil. See the highlights of the interview he gave PIB:

▶ The role Brazil could play in the Make in India program

The basic idea of that initiative is to make India a global manufacturing hub. It is seen that those countries that contribute 25% of their GDP through manufacturing become developed countries. *Make in India* is an attractive opportunity for Brazil and other countries to join hands with India to produce the best manufactured goods in the best business environment where profits are also assured. We have been speaking to business and industry in all the important regions of Brazil to invest in India. The total investments of India and Brazil in each other are in the region of US $ 5 billion at this moment. This can easily be increased and the returns are sure to be of a much higher order.

▶ Why to invest in India

Make in India and *Digital India* campaigns offer tremendous opportunities to Brazil in such sectors as infrastructure development, energy, including oil and natural gas, solar and wind energy, agri-business particularly in strengthening our *cold chain* and meeting our food security needs, urban development with emphasis on low cost housing, solid waste management and cleaning of rivers, and a host of consumer goods. Already some important Brazilian companies like Marcopolo, Gerdau, Vale, Stefanini and Embraer have invested in India. There are also a number of important Indian companies like the Aditya Birla Group, Tata Consultancy Services, WIPRO, HCL, Mahindras, Reddy Labs, Lupin, Glenmark and many others who are present in Brazil. I see our relationship develop into a much larger partnership that covers the entire range of industrial goods. Let us not forget that India and Brazil are among the largest markets in the world and we have a substantial pool of human, scientific and technological resources.



HANDOUT

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▶ Sectors of the Brazilian economy that are most attractive to Indian companies

We would like to see Brazil open up a bit more and have more incentives for Indian businessmen to come here. The opportunities are mainly in the sectors of Information Technology, pharmaceuticals, auto components, textiles, natural gas, chemicals and fertilizers- to name some of the important ones. New investments are planned but you have to understand that decisions by business and industry are taken on the basis of profitability and a conducive environment.

▶ How the India-Mercosur Agreement on Fixed Tariff Preferences – PTA— has boosted the trade chain between India and Brazil from US$ 4.6 billion in 2008 to US$ 11.4 billion last year.

It has, indeed, opened opportunities for enhancement of trade between India and Brazil. However, it must be noted that 52% of our total trade turnover is in petroleum and its by-products. There are around 450 items on each side in the PTA which account for just 6% of the trade basket. Raising this to 2000 items could be very useful as then we could cover around 20% of the total items. India is also hopeful of moving forward with Brazil on the bilateral track as the trade opportunities for both countries are enormous. ▮

The first cryogenic cylinders went by plane last year. Sales to India account for just over 1% of Brazil´s exports of beef genetic material in the period, of 122,780 doses, according to the Brazilian Artificial Insemination Association (Asbia). The mark was already exceeded this year between February and March alone when two lots with a total of over 1,500 doses were sent to Asia. "The covering process is still at the beginning, but we are excited as the potential of the Indian market is not just big or enormous but actually gigantic," said the ABCZ manager. "At the end of the day, India has the biggest Zebu herd in the world [300.6 million head] and, as well as genetic material, is a strong candidate to buy all the range of products and services developed by the Brazilian livestock chain. This includes machinery, seeds for pasture, insemination centers, training and upgrading the skills of the workforce."

The effort to recover a national asset, as is the case with the Zebu breeder, gives an idea of the good period India is undergoing. It has made big advances in reducing social inequality, the economy is growing in a consistent way at an average rate of 7% between 2013 and last year and promises to increase, at annual rates of 7.6% by 2016, according to International Monetary Fund projections. The IMF says Indian GDP should amount to US$ 2.30 trillion in 2015, taking the seventh position in the world ranking from Brazil. A the study by PriceWaterhouse Coopers (PwC) entitled "The world in 2050", puts Japan, Germany, UK, France and even the US behind India in the coming 35 years. PwC forecasts that the Indian economy (US$ 42 trillion) will only be exceeded by that of China, with US$ 61 trillion in the middle of the century.

The Indian "miracle" got underway at the start of the 1990s. The economy has grown at annual rates of more than 6% since then. This performance was upheld even during the international economic crisis between 2007 and 2009 when India registered annual growth rates of 6.7%. India has become the biggest global provider of information technology services over the last quarter century, with exports of around US$ 80 billion. Some of its corporations have gone on spending sprees on the international market. This was the case with the powerful Tata Group which bought Land Rover and Jaguar from Ford in 2008 for US$ 2 billion. India is now setting its sights higher than being an economic power in fact and right – literally speaking. On September 25 of last year, the prime minister, Shri Narendra Modi, celebrated the entry of the space probe called Mangalyaan into the orbit of Mars. India had made history that day, he said.

Apex programs with 10 sectors aim to add value to sales to India

When the United States saw these indicators and trends, it decided to strengthen relations with India which is the biggest democracy in the world. President Barack Obama led a delegation of 250 business leaders and executives at the end of January and visited New Deli. He announced investments by his government in India of around US$ 4.1 billion. Prime minister Modi, who had been denied an American entry visa 10 years earlier, celebrated the initial steps towards the formation of a strategic alliance that should annoy India´s Chinese rival and neighbors. "We will continue to strengthen our collaboration with science, technology, innovation, agriculture, health, education and training. This is essential for the future of our countries and will also give us the opportunity to help other nations," he said.

The interchange between the two countries on the economic front has been greatly boosted in recent years. Between 2009 and last year, the trade flow jumped from US$ 37.60 billion to US$ 66.84 billion, with the Indians registering a big surplus. Sales more than doubled in the period from US$ 21.16 billion to US$ 45.24 billion. One item which calls attention on the list of India´s exports to the US is pharmaceutical products. These accounted for revenues of US$ 4.5 billion in 2013, only lower than diamond exports that came to US$ 9.2 billion.

India´s laboratories that have been venturing successfully into other countries throughout the world, account for 40% of the generic drugs sold in the US. Their presence in the US also includes production. In this decade alone, India bought five American companies such as DUSA, from Massachusetts, acquired by Sun Pharmaceutical in 2012 for US$ 230 million. This appetite also includes Brazil where around 15 Indian companies operate in the sector. The club gained a new member in May when Lupin from Mumbai assumed control of Medquímica in Juiz de Fora (MG). "Going international is a very serious matter for the Indians. This is a good example to be followed by the Brazilians entrepreneurs," said consul

Élson de Barros Gomes Júnior.

HANDOUT/WEG

WEG plant in Hosur: Oceania, Africa and Russia in the client portfolio

Recent discovery

India only appeared on the radar of Brazilian multinationals during the last decade. Marcopolo, WEG and Stefanini are some of the most successful pioneers

If the trade chain between Brazil and India is going very well, expanding by 145% between 2008 and last year, direct investments between the two countries still have a long way to go – particularly as far as the "B" in the Brics is concerned. The Census of Foreign Capital drawn up by the Brazilian Central Bank (BCB) showed that 46 companies with Indian capital were active in the domestic market in 2013. This was more than four times the total number of Brazilian enterprises operating in India. "There is no doubt that Indian companies have a bigger appetite for going international than in Brazil," said Sherban Leonardo Cretoiu, professor de International Business at the Fundação Dom Cabral business school (FDC) in Belo Horizonte. "However, I believe that Brazilians´ companies´ interest in India should grow in the coming years as it is experiencing a virtuous circle, with higher growth rates than China, whose market is much more competitive than India´s."

It was only during the last decade that India appeared on the radar of Brazil´s multinationals. Since then, around 10 companies have made the long crossing, including Marcopolo, Stefanini, WEG, Fanem, a producer of medical and laboratory equipment, and Kunz which makes lasts for shoes. Among the leading pioneers is Stefanini which currently stands in fourth position in the Fundação Dom Cabral list mentioned above. The arrival of Stefanini, an information technology service provider, occurred in the second half of 2006 when it initiated the operations of its 12th advanced outpost abroad in Hyderabad, the capital of the southeastern state of Andhra Pradesh. "India was decisive in our expansion strategy

> "Brazilian companies´ interest in India should grow in the coming years"

as its IT outsourcing market has been the biggest in the world for a long time," said CEO Marco Stefanini. "It has a turnover of around US$ 80 billion, has grown at double digit rates for 20 years and sustains the country´s growth."

The subsidiary has prospered to such an extent that in November 2013, a new unit opened its doors in Noida, near the capital New Delhi. As with Hyderabad, most of the clients are companies from the United States with business in that region as Indian demand is still low. "Our operation in India is, strictly speaking, a delivery service for global clients based in other large markets. This is the local pattern as the sector obtains 95% of its revenues from exports," he said. Stefanini believes that his company will continue its international expansion and India will remain a strategic delivery center in the Asia-Pacific region which is strengthening the company´s other centers in other regions of the world.

Marcopolo wants to export castings made with Indian steel to its subsidiaries

The other Brazilian companies with a presence in the "I" of the Brics are also looking at other markets in contrast to Stefanini whose priority is India. The WEG plant is located in Hosur, 40 kilometers from Bangalore, and produces motors and high and medium tension generators for buyers in Asia, Africa, the Middle East and Oceania. "We recently included Russia in the

client portfolio of our unit in India," said Eduardo de Nóbrega, superintendent of the Energy business unit. "Exports account for around 50% of revenues from that operation."

WEG´s industrial plant was opened four years ago and has 27,000 square meters of built-up area and 3,200 employees and was the peak of a long courtship. The first strategic step of getting closer to India came in 2001 when representative offices were set up. WEG India was established two years later. The continuous growth of orders led the controllers to decide in the second half of last decade that was worth the effort to set up a production line in India, an investment of around US$ 60 million. "We arrived at the right time," said Nóbrega. "The Indian population should exceed that of China in the coming years. This will require big investments in infrastructure, and that includes water treatment and the transposition of rivers, areas of some of our operational focuses there."

The market is strong and promising but highly disputed. Besides native companies like TD Power Systems, Crompton Greaves and Bharat Heavy Electricals, this latter company controlled by the Indian government, WEG faces foreign rivals such as Japan´s Toshiba and the Swiss-Swedish company ABB. To be more competitive the company from the Brazilian state of Santa Catarina decided to verticalize the Hosur plant to the limit and it can produce equipment without depending on third parties. "Now we use approximately 70% of installed capacity and are working with up to three shifts in some lines. The production should increase as demand has jumped considerably since the beginning of the year," he added.

Marcopolo from the southern Brazilian state of Rio Grande do Sul is covering more kilometers in India. Its arrival on the world´s second largest bus market occurred at the end of last decade but should have actually happened earlier. Around 2004, the undercarriage producer checked out the brothers Srichand and Gopichand Hinduja, the controllers of Ashok Leyland, the second in the production of collective transport vehicles in India. Negotiations to create a joint venture did not work out so the path Marcopolo chose was to approach the number one in the sector, Tata Motors, which belonged to the largest industrial group in the country. The two sides clicked immediately. Produc-

HANDOUT/FUNDAÇÃO DOM CABRAL

HANDOUT/WEG

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1 Dom Cabral´s Cretoiu: "Indians have a bigger appetite than Brazilians"

2 WEG´s Nóbrega: "We arrived in India at the right moment"

3 Dharwad, 2009: Tata Marcopolo´s 1000th bus

tion began at the end of 2007, in a plant covering 15,700 square meters of built-up area in Lucknow, in the north of India. Later on, the partners strengthened their bets in a new plant, one of the largest in the world, with 110,000 square meters of built-up area. The project demanded an investment of US$ 45 million by the Brazilian company. "We analyzed proposals and incentives and ended up going for Dharwad in the state of Karnataka, in the south of India," said the company´s International Business director, Ruben Bisi. "In August 2008 the machines started coming into operation."

The original intention was to produce 14,000 vehicles in 2010 and expand installed capacity to 25,000 units by 2012. However the partners could not go ahead with this plan as local demand dropped by 70% at the end of the last decade, as the international crisis unfolded. The Indian government took action and ordered 3,000 buses from Tata Marcopolo Motors and others from the competition, all delivered to states and municipalities. Now that the worst moment is over, production by the Indian-Brazilian pair comes to around 9,000 carriages a year and is set to rise. "The market is already giving good signs of reacting," said Bisi. "The goal is to end the year around 14,000 units."

The battle promises to be good, as the big names in the sector are pinning their bets on India. Among the newcomers in the sector are the Swedish company Volvo and Germany´s Daimler. The first began operations at the end of March with a project for a bus plant in Narasapura, near Bangalore. Daimler, which began truck production in India three years ago, announced in June that it was expanding its operations in the country by setting up an industrial plant producing buses in Chennai, in the state of Tamil Nadu, in partnership with the British carriage producer Wrightbus. "Many carmakers are switching from China to India due to the production costs," said the Marcopolo director, who shows no concern over the tougher competition. "We have an extraordinary partner," said Bisi. "This partnership is even ready to bring new benefits as we are analyzing the export of steel castings to some of our other subsidiaries, as the production costs of these components in India are unbeatable." ▌

HANDOUT/MARCOPOLO

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ROBERTO STUCKERT FILHO/PR

Keqiang and Dilma Rousseff: more deals promised

Hungry and with a big appetite

Chinese prime minister brings investment offers at a time when Brazil needs them most

ELIANA SIMONETTI

The reader should bear some scenarios in mind on starting to read this article. Brazil has a deficit in its balance of payments structure. This means it sends more dollars out of the country than it receives which forces the authorities to think in the short term how to plug the gap through which its resources flow out. China has a fixed currency that is depreciated which means it can depend on a large inflow of dollars. It has already puts its foreign reserves into American Treasury bills and is now looking for alternative investments to avoid inflation on the domestic market. Its eye is on the long term and expanding its influence in new markets. There is an ideal marriage for both sides.

It was against this backdrop that Brazil received a visit from the Chinese prime minister, Li Keqiang, in May. The visit came less than a year after China´s president, Xi Jinping, visited Brazil and signed over 50 agreements. Li Keqiang met president Dilma Rousseff to put the seal on 35 investment agreements by China in Brazil. The 150 Chinese business leaders who were part of the prime minister´s delegation met Brazilian businessmen and women at the Brazil-China Business Summit, held at the Itamaraty Palace in Brasília.

The visit by the Chinese prime minister is another step in a long — and sometimes difficult — path of recognition and approximation between the two countries. The Chinese government made a notable move this time by offering US$ 53 billion in investments in Brazil, a figure that could rise to US$ 80 billion. These would be directed at various areas – mainly infrastructure. This is a strategic sector, the modernization of which would not only be good business in itself but also improve the efficiency of the trade in raw materials between Brazil and China.

The Chinese want to invest mainly in infrastructure expansion

A quick look at the areas in which the Chinese have decided to put money shows the capacity of the investors as well as the range of their needs. Two loan agreements were made with Petrobras totaling US$ 7 billion. Memorandums on a loan were signed with Vale for a project in which two state-owned companies, Cosco and China Merchants Group, would buy 24 iron ore carriers. A commitment to invest in a steel hub in Maranhão state was also formalized and China reaffirmed its intention of investing in a corn processing plant in Maracaju in Mato Grosso do Sul state.

A cooperation agreement on animal health and quarantine was signed to cover the case of beef produced in Brazil and bought by China. This agreement allows eight Brazilian meat packers to export beef to China. Memorandums of understanding on energy and telecommunications were also signed.

However, the most ambitious project in this package is the construction of an inter-ocean railroad that will link the port of Açu, in Rio de Janeiro, with the port of Ilo, on the coast of Peru if it comes about. The track between the Atlantic and Pacific oceans should cut through a number of Brazilian states and three countries – including the Andes and the Amazon regions. It will be a major project and create a short cut for Brazilian products, such as grains and meat, without the cargo having to pass through the Panama Canal on its way to China. Geopolitical motivations aside, the Chinese interest lies in lowering the costs of receiving supplies of raw materials, particularly, Brazilian food for Chinese companies and consumers.

China is currently Brazil´s main trading partner while the Brazilian market is the ninth largest for the Chinese goods. Trade transactions in both directions came to US$ 77 billion in 2014. Besides the growing trade, the proximity between the two countries is being strengthened by another movement - Chinese companies coming to Brazil to invest directly in various business areas. Lawyer Jun Zhang of the Demarest firm and Junde Consultoria, in São Paulo, estimates that there are currently around 100 Chinese companies of various sizes in Brazil and there is great interest in increasing this number. For example, Xiaomi, the biggest smartphones and tablets brand in China, has announced that it will enter the Brazilian market this year. The brand is known for the low cost smartphones that have become a great success in China.

BYD will produce electric buses and solar energy panels in Campinas

Many of these companies have set up in the Campinas region of upstate São Paulo. The city received an investment of R$ 100 million in 2013 from the computer producer Lenovo that set up a Product and Development Center there. Campinas, which hosts a Research and Development Center for Huawei, a company that produces telecommunications equipment, also received investment from the electric bus company BYD, which is building its Latin America plant there. The company has 180,000 employees in 11 production units in China and in other countries, including the US, Japan, South Korea, India and Taiwan, and has just announced it also intends to produce solar energy generation panels in Campinas. The investment will amount to R$ 150 million which, combined with the R$ 200 million for the bus plant, totals R$ 350 million and creates hundreds of jobs

for the city. The major of Campinas, Jonas Donizette, celebrates the good news. "This is a step towards sustainability and it is very good for Campinas to be a part of this proposal. We have a good relationship with the Chinese executives."

China´s willingness to invest in Brazil has led the National Transport Confederation (CNT) to set up an office in Shanghai with the mission of finding investors, explain the future opportunities and how business works in Brazil. This wave of direct investments in Brazil is not driven by China´s interest in using up its excess dollars, as seen previously, but is also a precaution. Next year, the World Trade Organization (WTO) will discuss and arbitrate the issue of retaliatory taxes imposed on Chinese products by countries that feel the prices of Chinese goods are damaging to their economies. Therefore, faced with possible restrictions to its exports, the Chinese are trying to guarantee supplies to their markets by carrying out their own production in the place of consumption. "China will continue to invest in Brazil in the long-term and in a growing form," said Rodrigo Zeidar, professor of Economics and Finance of the Fundação Dom Cabral business school and New York University in Shanghai.

The Chinese have announced large investments in Brazil on other occasions although a large part of these has not come about. There was a similar wave in 2007. A study commissioned by the Inter-American Development Bank, published at the start of 2013, showed that of 60 Chinese investment projects of more than US$ 50 million scheduled to take place between 2007 and June 2012, only 39 actually came about.

Things are expected to be different this time round. Firstly, because Brazil needs the resources. Renato Baumann, a researcher at the Institute for Applied Economic Research (IPEA) outlines a number of changes that would facilitate the arrival of direct investments in the country. "There should be an adjustment in the tariffs, a reduction in the barriers and a simplification of the bureaucracy in Brazil to ensure that this potential good news comes about," he said. Another reason is because, as we have seen, China has a number of domestic and international reasons to be anxious to expand its business.

HANDOUT EMBRAER

On the other hand, Brazilian companies are going overseas in pursuit of opportunities and setting up in China. This is the case with BRF, the company that arose after the merger between Perdigão and Sadia, which has been exporting for many years to China. BRF is preparing to set up its first plant there, in Shanghai. This has happened because Brazil sells an enormous amount of commodities which the Chinese process and transform in their own territory. The Brazilian companies want to change this situation and transform their own products in China to gain added value.

WEG, which has been present in China since 2004, is also planning a big expansion of its operations and expects to increase its revenues fivefold in the coming seven years. There are an estimated 80 Brazilian companies in China. Of these, only eight have production units. The number of Brazilian companies in China is relatively low compared with other countries. However, the diversity of their operating sectors is remarkable and amounts to 34 different segments. Three kinds of companies have been identified in the broadest way: service providers (law firms, business consultancies, trading companies and banks); manufacturing producers, such as Embraer, Embraco and WEG; and companies that are intensive in the use of natural resources such as BRF, Marfrig, Petrobras and Vale.

A study by the Brazil-China Business Council and Apex Brasil on the trade and investment opportunities in China for selected sectors, published in 2015, concluded that Brazilian investments had been stagnating in recent years while Chinese companies had been expanding their investments in Brazil since

1 Embraer in Harbin : bet on China

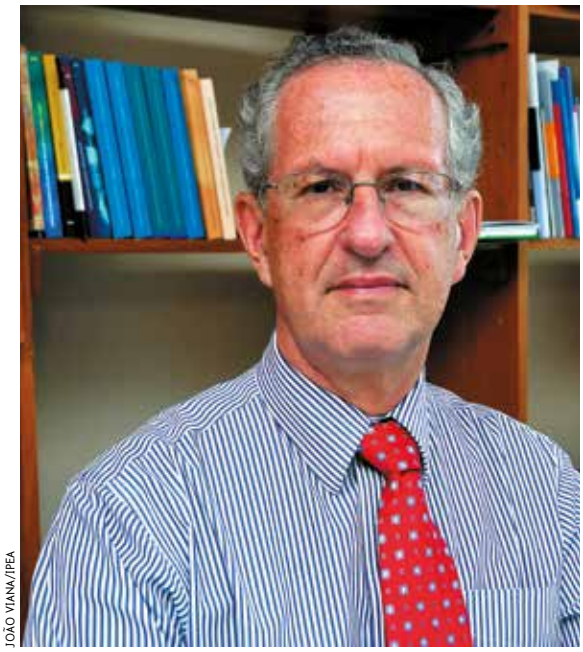
2 Baumann, of the IPEA: facilitating investments

2010. This was mainly due to the difficulties Brazilian companies had in serving the domestic Chinese market in contrast to the more attractive and open Brazilian market. Unlike Brazil, it is the municipal authorities that establish the regulations governing the economy and industrial activities. It is a battle for the Brazilian companies to deal with such a diverse system.

The announcement of the investments in Brazil made in May is part of a plan by China to raise its investments in Latin America to US$ 250 billion in the coming decade. The promise was made by president Xi Jiping in January to the heads of state and government of member countries of the Community of Latin American and Caribbean States (Celac). Brazil has a lot of weight in this area but some observers fear it is losing political and strategic power with the strengthening of China in the Mercosul and, more generally, in Latin America.

One of the fears is that there could be a repetition of what happened when Chinese entered African countries and imported Chinese workers to carry out large infrastructure projects without paying attention to the local labor laws. Other problems also arose. One notorious example was seen in Angola, the former Portuguese colony where a number of Brazilian companies have managed to establish themselves in recent decades.

The Chinese started arriving there about 10 years ago. They offered the Angolans cheap credit in exchange for oil and built infrastructure projects at virtually no cost, with the workforce, machinery and equipment coming from China. One case that summed the situation up was a hospital that was built with all the instructions and signs in Mandarin. It remained closed for two years until the Chinese sent a team to train the Angolan professionals who would run it. However, there are also those who feel it would be more difficult for something like this to happen in Brazil. "This did happen but Brazil is not Angola. It is an industrialized country with well-established institutions," said the IPEA´s Baumann.



JOÃO VIANA/IPEA

Of 80 Brazilian companies in China, only eight produce there

China, with its need to invest its dollars and hunger for food and raw materials, obviously wants to gain political and strategic influence in Brazil and Latin America and this is the point that will have to be negotiated. The Brazilian government currently has no money to invest and this huge sum is being offered by a country that belongs to the same economic bloc. Three quarters of the foreign direct investment among the BRICS (Brazil, Russia, India, China and South Africa) is concentrated in China and India. This means that China is investing heavily in India. This situation should change. The agreement with Brazil should lead to more Chinese companies setting up there and Chinese dollars that had previously gone to India should be channeled to the Brazilian market.

Oliver Stuenkel, vice professor of International Relations at the Fundação Getúlio Vargas business school (FGV), author of the book "BRICS e o Futuro da Ordem Global" ("BRICS and the Future of the Global Order"), said in an interview with the Spanish newspaper El País, that the BRICS were undergoing one of the periods of greatest political dynamism despite the economic slowdown. He believes that China will remain Brazil´s main trading partner, even with the lower level of growth it has been registering over the last decade. Stuenkel also believes it will be the driving force of the group which will shortly see one of its main conquests coming about. This will be the start-up of the BRICS bank which will be located in Shanghai and should strengthen cooperation among the member countries.

São Paulo enters the game

The city assembles a policy to create a more business-friendly environment and attract investors

São Paulo is a global city - observers of urban trends and the compilers of international rankings all agree on this point. This means that it is an important central point — as are cities like New York and Shanghai, Paris and Tokyo — in the network of urban centers that channel the own global movements of the modern economy. These are movements of capital, people, ideas and technologies, in a non-stop competition between metropolitan centers for resources and human capital that are looking for the best investment opportunities worldwide.

How do you attract them? This is the question that is challenging the municipal government as it prepares São Paulo to face this competition. One way is to strengthen the city´s economic and institutional competitiveness which means improving the business environment in the eyes of investors. "If it takes an average of 100 days to open a company in São Paulo today, we want this period to be reduced to five days for at least 80% of the companies," said Gustavo Faria, business superintendent of São Paulo Negócios, the city´s investment attraction agency.

As well as intervening to reduce the bureaucratic bottlenecks that make life a misery for entrepreneurial candidates, the agency wants to perform the normal functions of organizations of this kind that can be found in all the world´s largest metropolitan centers. These involve providing information to potential investors, supporting them in trying to find the best locations to set up business, identifying possible partners, easing contact with trade associations and public bodies, and basically providing services that help smooth the path of investments towards São Paulo.

The aim is to cut to five days the time it takes to open a company in most cases

Both the city and the state government have awakened to this need. "There was never a structure in the municipal government to receive and accommodate demands from companies that wanted to invest here," said Faria. (The state government has its own agency for attracting investments called Investe São Paulo.) On the other hand, there is no shortage of candidates wanting to invest in the city. São Paulo has been the most attractive location for foreign companies among Latin American cities for some time.

It has retained first place in the latest ranking of Latin American Cities of the Future published by the British magazine fDi (from the Financial Times group) which specializes in multinational investments. Mexico City and Santiago in Chile follow. The magazine said the city was a large direct fo-

MARCOS HIRAKAWA

Avenida Paulista: global artery

reign investment center which had attracted more than 500 projects between 2010 and 2014. Among the global names that chose to invest in São Paulo, it mentioned the aeronautic giant Boeing, the German logistics company Deutsche Post and the British communications group WPP.

"What we have to work on is competitiveness and how to make the city friendlier for this new investor," said Beatriz Gusmão, director of SP Negócios. The aim is to link the power São Paulo already has as an attractive place to invest, due to its size and level of economic, technological and cultural development — which includes some of the best universities and research centers in Latin America — to a concentrated effort to receive and welcome new investors.

By doing so, São Paulo aims to emulate what some other Latin American cities are already doing even though they do not have the same economic and productive base. Santiago in Chile, Guadalajara in Mexico and Medellin in Colombia are examples. (Outside the region, London is a global city with a favorable environment that attracts business and investments, particularly in the areas of new technologies and the creative economy). The effort involves other municipal bodies and has some specific focal points e.g. initiatives that promote innovation and technological development.

São Paulo attracted more than 500 investments from 2010 to 2014

Luiz Toledo the municipal government's special advisor on international relations says the joint effort is beginning to bear fruit. "We have created a consolidated network of secretariats and public companies among the various sectors of the city government that think jointly about innovation and technological development," he said. Toledo highlights some ongoing initiatives such as the creation of ADE Sampa, an agency directed at the promotion of entrepreneurism in the small and medium-sized enterprises sector, that includes technology companies. Another example is a project to create a network of digital manufacturing laboratories — the Fab Labs — that use three-dimensional printing technology to manufacture parts that were previously only produced by industrial means.

There is also a directive to decentralize the new investments. For example, the eastern region of the city (known as the *Zona Leste*) was granted a package of tax breaks and cuts to persuade certain activities to go there. These include call centers and medical and hospital companies which are encouraged to operate in an area around Jacu-Pêssego Avenue in the São Miguel Paulista district. "Our mission is to be an entry point, a body that persuades these potential investors that the atmosphere in the city is friendlier for their business," Toledo added. ▮

A Tooth for a Tooth

Company from Paraná state takes on traditional producers on the international dental implants market

ANTÔNIO CARLOS SANTOMAURO

At first sight the business may not have seemed that promising as, at the end of the day, it would mean switching from an established market to another that was still in its infancy and demanded products that were made with extreme precision. The entrepreneur candidate´s only knowledge of the new area of activities came from talks with the family dentist, the first person from whom he heard reports about a dental technology that was then new - dental implants. To make things worse, the growing domestic market was dominated by imported products, with which it would have to compete.

None of this disheartened Fredy Vogt who is of German origin and comes from Paraná state. He decided to switch his own business and use his experience in the production of mechanical components for the motorcycle parts industry where he once worked in partnership with his brother. Signo Vinces was founded in 2000 in Campo Largo, in the metropolitan region of Curitiba. The name of the new company means the 'Winning Sign' in Latin. It had a turnover of R$ 12 million in 2014, producing parts and components for dental implants sold in a number of countries. It is present throughout Brazil, and exports to Portugal and Spain, where it has affiliates, as well as Bolivia, Chile, Venezuela El Salvador, Paraguay, the Dominican Republic, India, Turkey and Albania, countries where it has arrangements with distributors. Around 14% of its revenues came from abroad last year.

If the first business arose with the help of the family dentist, the international sales also began from personal relationships. A Brazilian researcher who was hired as a scientific consultant for Signo Vinces was a member of an international network dedicated to studying dental implants. At one of the group´s annual meetings, held in Brazil, this researcher met another member from Venezuela who knew the company´s products and was interested in distributing them in his own country. That was how, through an informal chain of contacts, Signo Vinces became an exporting company. The international debut drew Vogt´s attention to the potential of the world market. The next step was to hire a consultant, Yolete Carneiro, to look for opportunities abroad. Through her, the company found a partner — a Brazilian who lived in Portugal — with whom it opened affiliates in Lisbon and Madrid in 2009. These associates now have 11 people work-

Signo Vinces: from motorbikes to implants

ing in the attendance, support, logistics and administration areas.

What does Signo Vinces actually make? In the beginning, it only produced what are known as the prosthetic components, such as screws and parts used to ensure a firm anchorage between the implant and the prosthesis to which it serves as a kind of root. (The product is usually a titanium pin.)"I learned how to make these parts the practical way. I didn´t do any course," said Vogt. He used a machine in the production line which he had previously made parts for motorbike when he worked alongside his brother (who did not join him in the dentistry area). The company was then a kind of a one man band with Vogt not only overseeing production but handling sales and administration on his own. (There are now 90 people working for the company.)

Foreign sales account for 14% of Signo Vinces´s revenues

In 2009 — only two decades after the first dental implant appeared in Brazil — Signo Vinces expanded its portfolio and began to make the central part for this dental procedure: the actual titanium implant. Nowadays, Signo Vinces not only makes the components and implants but also produces the tools used in the procedure by dentists, such as drills and kits to insert the new tooth. Vogt plan is to launch the company shortly even further into the international markets with its diversified product line.

To do so, in March this year Signo Vinces took part for the first time in the International Dental Show with its own stand. This is perhaps the biggest event in the global market for dental articles and is held in the German city of Cologne. The company had shared room in previous versions of the fair with other exhibitors under the coordination of ApexBrasil (Brazilian Trade and Investment Promotion Agency) and the Brazilian Medical Devices Manufacturers Association

ALAN KLEINA

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(local acronym ABIMO). The presence in a single stand was worthwhile. "Having our own stand made us seems bigger. As well as establishing new contacts, we felt more confident with the people we were negotiating with," said Vogt.

Yolete Carneiro, the consultant responsible for the first push at the time of creating European affiliates became the company´s export manager and is still active in opening markets. "She was in Iran recently on a business round. We were well received and should start making sales there", said Vogt. The Middle East market is one of Vogt´s targets for global expansion. Although this market is not very large, the company believes it has great growth potential, due to the sheer size of the countries and their populations. Signo Vinces also took part, for example, in a sector fair held in Dubai, in the United Arab Emirates — this time in partnership with ABIMO and Apex-Brasil. The fair attracted not only buyers from the Middle East but also potential clients from Africa. The Brazilian company faces tough competition in the dispute for these and other markets. Switzerland is a country with a long tradition in precision mechanics and is the home of some of Signo Vinces´s main competitors. Others are based in Germany, South Korea and the United States, countries that have also made their name in this niche of specialized medical products.

The company prefers to create new products than make copies

To stand out, the Brazilian company develops its own products, with differentials that may sound irrelevant to an outsider but are important for specialists. This is the case, for example, with the design of a screw thread that can improve the efficiency and stability of the integration of an implant to the bone. Five of the company´s staff work exclusively on research and development activities and are helped by outsider collaborators. (The development of implants, for example, was made in partnership with Brazilian researchers operating in New York University.) "The way of developing products — as opposed to simple copies — takes longer but is safer," said Vogt. Another means of differentiation is the training given to users of its products. The company promotes events to train dentists interested in having a more in-depth knowledge of the implant techniques in

1 Vogt: foresees growth of 20% in 2015

2 Production (in Paraná): in a new headquarters this year

3 Own stand at the IDS fair, in Cologne: flying solo

3

countries like Portugal, Spain and Turkey besides Brazil.

At the same time, the company is trying to obtain the registration required to sell dental products in a number of countries. For strategic reasons, Vogt prefers not to reveal what they are they but gives a clue to his interests. "Mexico, which has a large population, could be interesting. There are also South American countries where we are not present, each of which could be equivalent to a Brazilian state," he said. In Europe, the company also aims to certify a new category of products already launched in the Brazilian market. These have taken the company´s operations beyond the limits of implants and consist of plates and screws for oral and maxillofacial surgery, e.g. to reconstruct bones damaged in accidents or correcting congenital defects. "These products are being well received in Brazil," he added.

The growth and diversification of production has led Signo Vinces to change its address. It began to move to a new head office, also in Campo Largo, at the end of last year. An estimated R$ 8 million was spent on the new premises that have just been opened which house the production area, where new equipment and state of the art technology from Germany, United States and Japan was installed. Administrative and common areas for the team will also be in place by 2016.

Signo Vinces has its eyes on markets in the Middle East and Latin America

The combination of the sales prospects of the international and domestic markets — in which there is still room to grow as dental implants replace more traditional procedures such as bridges — leads Vogt to estimate an increase of at least 20% in turnover this year over 2014. He regards the need to register products in each country — and in some cases, even changes in the specifications — as still one of the main obstacles to expanding the company´s international business. He suggests the government should give more encouragement to Brazilian exporters. For example, they should have better access to the drawback system that gives favorable import tax treatment to input for products used for exports. (Signo Vinces imports its main raw material, titanium, as well as equipment.) "However, I am an optimist by nature and believe the business will expand in Brazil and abroad." ▮

Small but Outstanding

You don´t need to be big to go international

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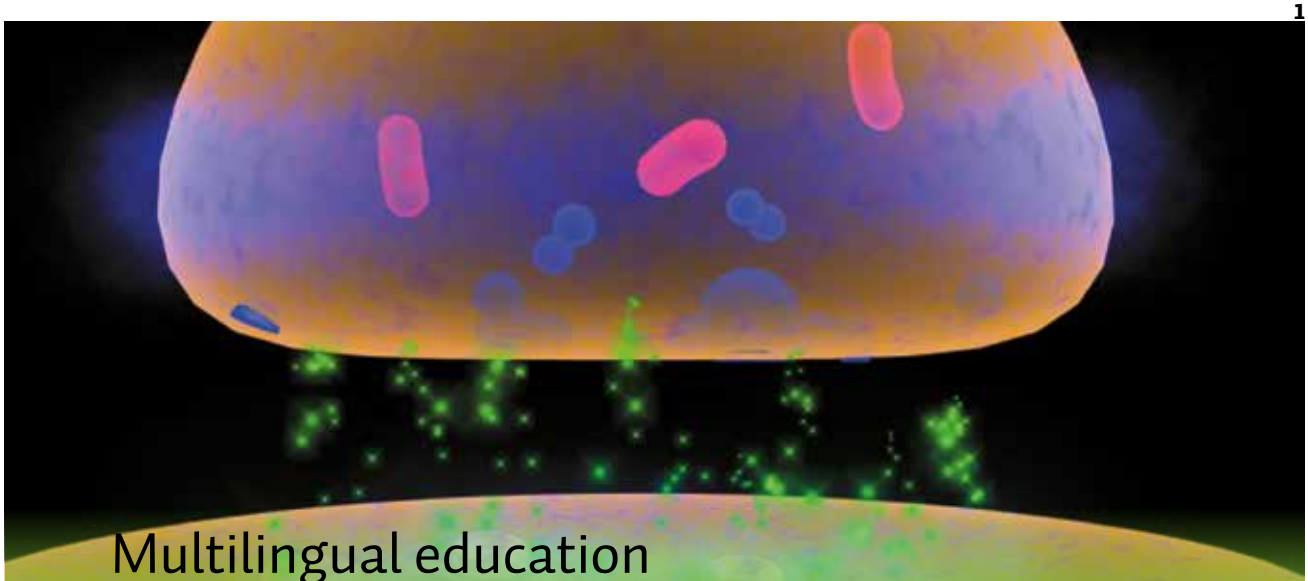

HANDOUT/P3D

Multilingual education

English, French, Spanish, Russian, Italian, Finnish. These are some of the 13 languages into which P3D virtual reality software has been translated. The product - made by a company with the same name - allows teachers to show their pupils images of the most varied subjects dealt with in the classroom. The P3D software is used in schools in 17 countries besides Brazil. It has been the winner in a number of the Worlddidac Awards events — the Swiss prize for innovative educational resources from around the world. The software has become the driving force behind the company that was founded in 2002 in the Innovation Center of São Paulo University (Cietec). It now has 10-strong professional team. Exports of the software account for 50% of the company´s total sales. These foreign currency revenues have mainly come about as a result of finding business opportunities at international education events. The company has already taken part in events in countries such as Spain, the United States and India. It is also present in China which is where the greatest possibilities for expansion are. "We already have a version of the product in Mandarin," said Emerson Hyppólito, P3D partner and technology director.

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XXXXXXXXX

Sugar cane juice goes global

The sugar cane juice that is widely sold in street markets and public places in Brazil – always freshly made on spot - can now be found in supermarket shelves, convenience stores and restaurants in other countries. This breakthrough is due to Susten, a small company with only five employees from Alumínio in upstate São Paulo. Rafael Luques, Susten´s founder and director, spotted the opportunity for exporting sugar cane juice – or garapa, as it is also known – when a French acquaintance tried it and liked it so much that he wanted to take some back home. Obviously, he could not do so as it would have gone off on route. This gave Luques an idea and he contacted a technology institute to come up with a solution to conserve the drink for several months without adding chemical additives. The method was patented in 2011. Susten now sells its sugar cane juice – under the Kanaí brand – in countries such as Portugal, Switzerland, Spain and the United States, amongst others. Sales in Brazil were temporary interrupted last year and a relaunch was made with new packaging in July this year. Luques ships around 10,000 boxes abroad, each containing 24 liter bottles of the juice, twice every half year.

1 Image of P3D synapse: in 17 countries

2 Luques: pioneering sugar cane juice in the US and Europe

3 Alvim from Sebrae: more credit and less bureaucracy

4 Entrepreneurs from Exporta SC program: business in Florida

Ideia Glass looks at Chile

Ideia Glass is a company from São Paulo that has just incorporated Bolivia into its sales network and is now aiming to do the same with Chile. It makes brass shower boxes and already sells them in Argentina, Uruguay and Paraguay. The company´s general director, José Joaquim Miguel, said he would shortly be heading to Chile where he had contacts. Ideia Glass was founded in 2007 and began to export two years later. The first international clients were Argentineans who got to know the product at a trade fair for the sector held in São Paulo. The company currently has 42 employees and between 10% and 12% of its revenues of just over R$ 4 million in 2014 come from abroad. Chinese producers are among its main rivals in the foreign market, including Latin America. The company tries to differentiate itself in the region through factors such as quality and a good post-sales service, thanks to technical assistance that is geographically closer, as well as a structured marketing work.

Government gives a little help

Brazil´s Foreign Trade Chamber (Camex) has raised the federal government´s guarantee for export credits for small and medium-sized enterprises from US$ 1 million to US$ 3 million. By doing so, it is recognizing in practice that US$ 3 million is the new limit for the revenues these companies can obtain from their international business and remain within the same tax band. (The total limit for gross revenues, domestic and foreign, remains unchanged at R$ 90 million a year.) The measure is an additional encouragement to small Brazilian enterprises to operate abroad. This is the view of Paulo Alvim, manager of the Market Access and Financial Services Unit of Brazil´s Micro and Small Business Support Service (Sebrae). However, he stresses that this insertion depends more on other factors such as credit and reducing bureaucracy. Without this, and against a backdrop where the current international outlook is not very favorable, the number of micro and small Brazilian companies doing business abroad has even declined. Alvim says that around 12,300 small companies carried out business in other countries in 2012 – the last year in which Sebrae has official statistics available – a figure that used to amount to more than 13,000.

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HANDOUT

Flocking to Florida

Brazil´s Micro and Small Business Support Service (Sebrae) has completed a selection process to choose 50 small and medium-sized enterprises in Santa Catarina state for a project directed at the US called Exporta SC. The process took around six months. The companies will receive support and training in the legal, administrative, fiscal, logistics and marketing areas, as well as other kinds of backing. They will have advisory services, for example, to adapt their business to the American market and can use space that has been specifically set up for the project in Fort Lauderdale, Florida, with offices and logistical storage. The Exporta SC program involves companies from the main backbone of Santa Catarina state´s economy: metal-mechanical products, software and technology, fashion and accessories, food, furniture and decoration, cosmetics and finishing. ▮

4

HANDOUT/SEBRAE

Globe-Trotter
EXECUTIVE TRAVEL

Marco Antônio de Rezende

MARIA ABADIA CAMARGO

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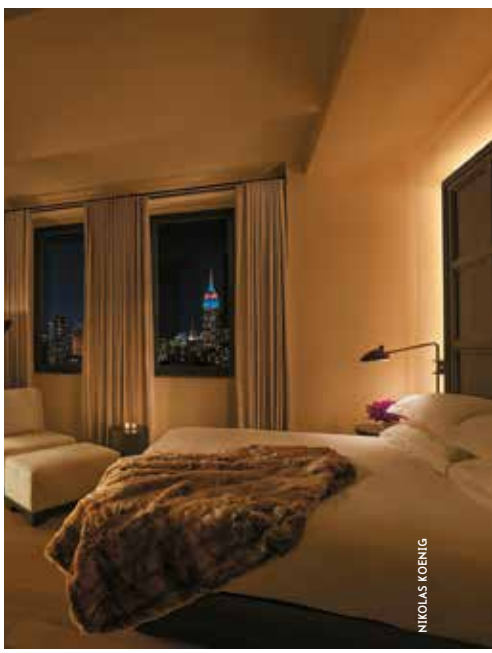
NELY CAIXETA

HOTELS

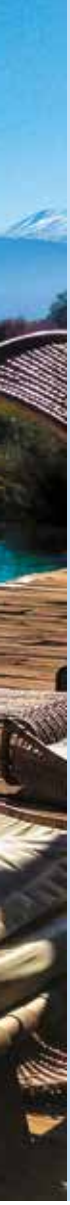
5



NIKOLAS KOENIG

Another change in the Big Apple

NEW YORK'S newest hotel has the basic points needed to enter the list of accommodation icons in the city: a historic building that is easily recognizable. The recently-opened The Edition, with 273 rooms, occupies the old tower (with clocks on the upper parts on all sides) which served for decades as the head office of the MetLife insurance company in Madison Square Park where Madison Avenue begins. The Edition brand is the boutique segment of the Marriott chain and the New York hotel is the fourth of its kind, following those in Miami, London and Istanbul. Ian Schrager, who invented the hotel-boutique concept, was called to ensure the modern touch. A reporter from The Times of London tested the hotel shortly after it opened and liked it, even the breakfast that cost US$ 27. (The article said the "modern" receptionists were dressed like the ball boys at the Wimbledon tennis championship.) As for the rather odd coupling between an innovator like Schrager and a traditional chain like Marriott, Schrager himself said of the proliferation of boutique hotels: "They are trying to reinvent themselves and stay relevant". ***www.editionhotels.com/new-york***



INCENTIVE TRAVEL

So far, so near

SAN PEDRO de Atacama, a village in the inhospitable desert region of northern Chile, has among young and well-informed travelers in richer countries for some time. It is the starting place to explore breathtaking attractions such as geysers, salt water ponds, hot volcanic waters and shimmering mountains. There are also charming inns and restaurants with earthen floors, all with the charm and variety demanded by the international visitors. However, there are also hotels of a high standard that are beginning to attract another kind of public, corporate groups on incentive, recognition and motivation trips. A pioneering Brazilian group in the segment is Orbee Viagens Extratégicas. Gilberto Junqueira, an Orbee executive, will be taking 111 employees of a large Brazilian food company which exports to around 60 countries there in September. "The Atacama contains a micro-climate, landscapes and natural formations that we do not find in Brazil in a relatively small area. The profile of the people who live there is also interesting. They are always welcoming, with a smile on their faces and transform the stay into a hospitable pleasure," he said. Junqueira also said that because the trip is aimed at contemplation and simplicity, items such as personal luxury objects and expensive clothes are not encouraged and their absence will facilitate the integration of different groups, such as salespeople, managers and directors. "The Atacama does not limit and excludes nobody," he added.

HANDOUT METHANOIA © ZAHA HADID ARCHITECTS

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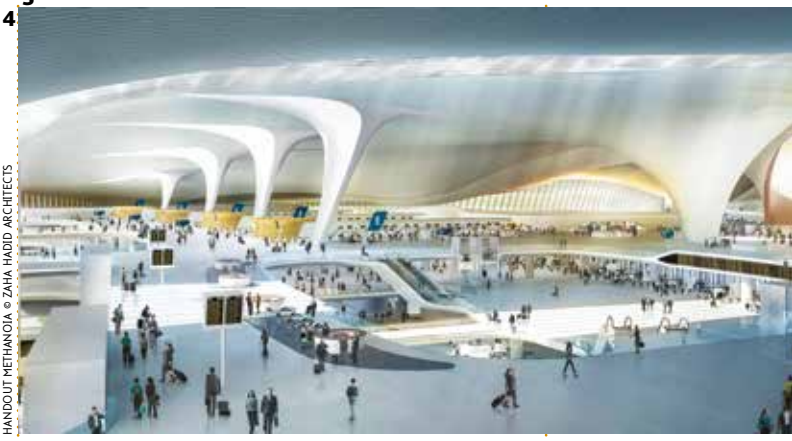


HANDOUT METHANOIA © ZAHA HADID ARCHITECTS

AIRPORTS

Chinese vision

WHEN BEIJING international airport´s impressive Terminal 3 was opened in 2008, it seemed, at the time, that the Chinese capital had an airport that would handle its needs for at least a decade. The Terminal was designed by superstar architect Norman Foster. However, 86.1 million passengers passed through the airport last year, close to its saturation point of 90 million. The solution was made in the spirit of China´s current dynamism and consists of another brand new airport to serve Beijing. This one is located at Daxing, 60 kilometers from the city center. It will be ready in five years and will be able to welcome 45 million passengers in its first year and be expanded to eventually reach 100 million. It will be an epic project, with 700 hectares of courtyards and buildings, as well as seven runways (plus areas for taxiing). The project is being directed by another star of world architecture, Zaha Hadid, a London-based Iraqi. Despite the giant size, it will have a human scale with the furthest departure gate only 600 meters from the check-in. ***www.zaha-hadid.com***

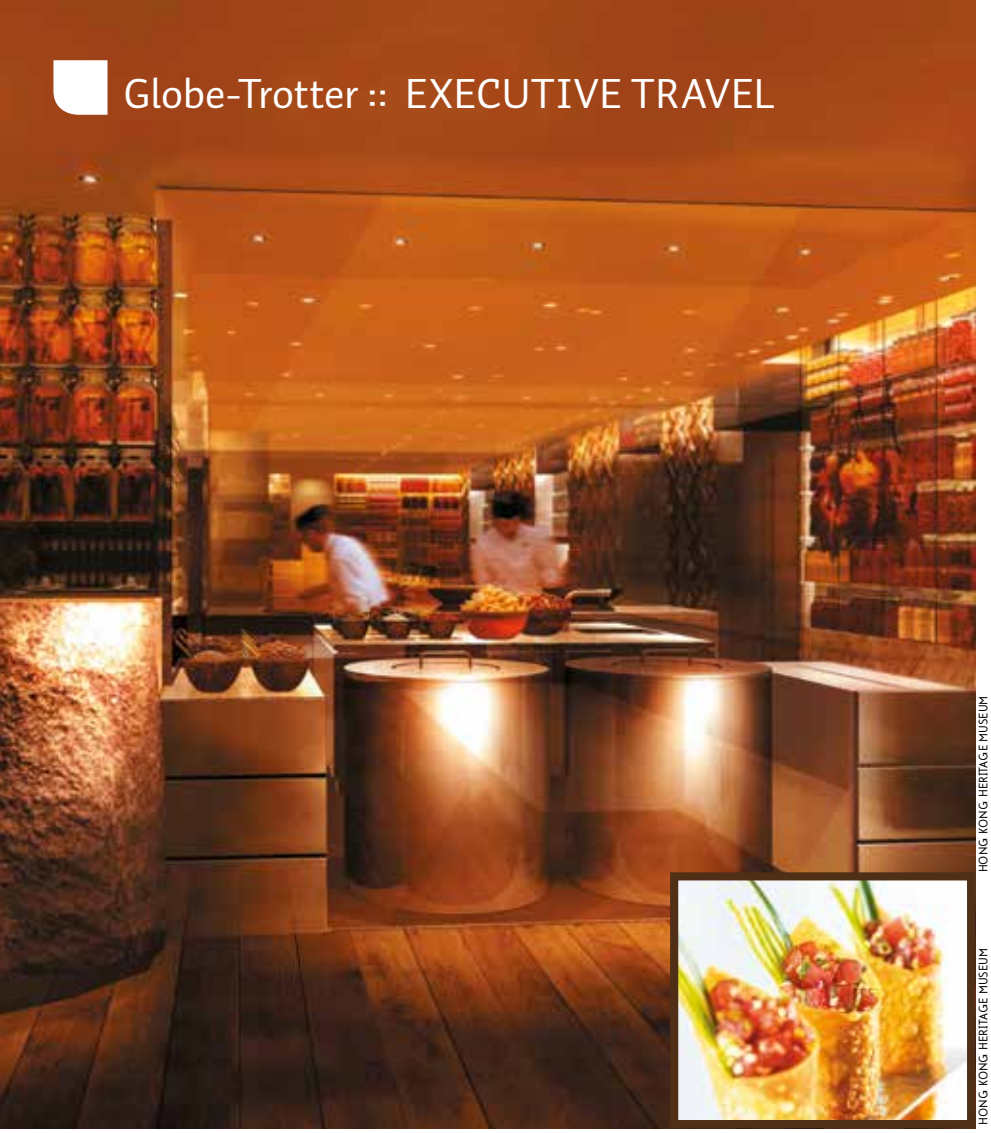
6

ELLIOTT KAUFMAN

1 and **2** Atacama: attraction for trendy types and executives

3 and **4** Beijing gains new airport for 100 million

5 and **6** The Edition, New York new icon in the Big Apple



HONG KONG HERITAGE MUSEUM

HONG KONG HERITAGE MUSEUM

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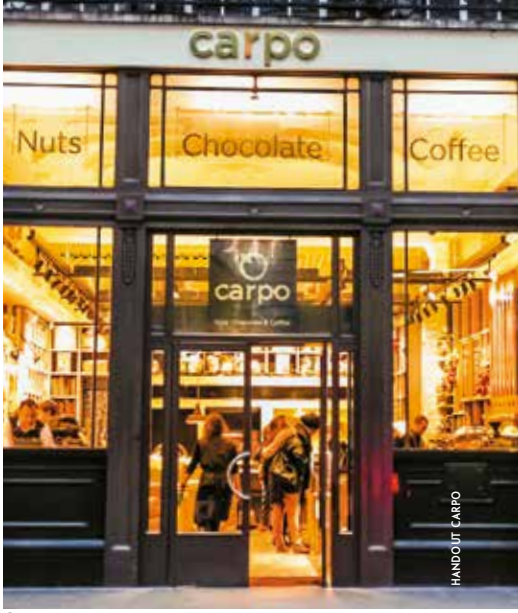

HANDOUT CARPO

3

Tasteful strategy

THE BELMOND Grand Hotel Europe, a neo-baroque palace at the corner of the Nevsky Prospect and Mikhailovskaya street, in the heart of the former Russian imperial capital, has existed for 140 years. It survived the Soviet era when it was called the Hotel Europeiskaya and has always been among the top two or three luxury hotels in the city. It was acquired some years ago by the Belmond group which owns the Copacabana Palace in Rio de Janeiro, the Orient Express train company and the 21 Club restaurant in New York, amongst other jewels. The hotel underwent a new reform last year which upgraded the frontage and the public and events parts. The refurbishment included the creation of the largest and most luxurious presidential suite in the city. A new restaurant measuring 700 square meters was built, adding to the already competitive local market. The restaurant is called Azia and has a number of different ambiences, including a small room for private lunches and dinners. Its modern kitchen is integrated with the main dining room and provides Indian dishes from Singapore and contemporary Japanese cuisine. It is already the place to see and be seen in St. Petersburg and, who knows, make business deals. ***www.belmond.com/grand-hotel-europe-st-petersburg***

TECHNOLOGY

Apple Watch advances

LESS THAN three months after arriving on the market, the Apple Watch is already being used by hotel and airline companies for client services. The Accor group´s app tells the guests the moment when their room is available for check in and provides an interactive map to locate the hotel.

ANOTHER HOTEL group, IHG (InterContinental chain) offers a written and phonetic translation from English into 13 languages. The Emirates and easyJet airlines provide in the wristband of the passengers´ check in, a boarding card, state of the flight in real time and advice in cases of a change in the time or the departure gate. easyJet also offers a kind of backward count on the flight departure time which lets the passenger know through vibrations when it is time to board. ***www.apple.com/br/watch***

5

HANDOUT APPLE

LONDON 1

Single espresso, please!

THE ENGLISH do not just get by on tea. The talk in Piccadilly – that lively London area, bustling with public transport, theaters, big bookstores, museums and other delights – is of a place where you can get a coffee that is as excellent as in Rome or Milan. It can be found at 16 Piccadilly Street where the first outlet of the Greek group Carpo outside Greece has opened. It specializes in roasted coffee and sells dried fruits, cereals, chocolate and honey. The Carpo family knows how to prepare an espresso in real Italian style: strong, creamy, aromatic and good enough to the point of not needing sugar. Everyone should sample a coffee as good as this once in their life. **www.carpo.co.uk**

HANDOUT CARPO

4

LONDON 2

Shining shoes the old fashioned way

IF YOU want to make even more of your coffee break (see London 1, above), enter the neighboring Burlington gallery and you will see the chair of shoeshine specialist Romi Topi. You cannot reserve a time but you can leave your shoes and pick them up later. The standard service costs £3.5 (around US$ 2.3). A special treatment costs £6. Tips from the master in shining shoes: only use good quality polish with the same color as the shoe, spread a small amount of it on the evening before and brush with a soft horsehair brush the following day. Then use a flannel cloth to give a shine. Plain polish with no color does not work since it leaves white marks in the little cracks of the leather when it dries.

1 and **2** Belmond Europa, St. Petersburg: oriental gastronomy

3 and **4** Carpo, in Piccadilly: excellence in coffee on the tea terrace

5 Apple Watch: apps at the traveler´s service

6 and **7** Amadeu: take a trip for good food near Viracopos

GASTRONOMY

Before or after flying

VIRACOPOS, WHICH lies 80 kilometers from São Paulo, will be an important airport one day. It was privatized and is undergoing works although, for the time being, it only handles international flights to Miami, Orlando, Fort Lauderdale, Punta Cana and Lisbon. Like the other Brazilian airports, it does not offer great opportunities to eat well. However, a hidden treasure, which is worth visiting, can be found only 14 kilometers in a semi-secret garden on the side of the Rodovia Santos Dumont highway that links Campinas to Sorocaba. It is a restaurant called Amadeu (after the grandfather of the owner-chef Igor Furlan) and everything in it has combined to make it a success. The place is nice, the dishes creative, consistent and tasty, with starters and desserts that are worth trying and quality wines. Suggestions include grilled cheese with pepper jelly and mango chutney to start, cod Amadeu (flaked and served gratin style with cream and flour from bread) and, to finish, pastry mille feuilles of vanilla with banana compote. **www.amadeurestaurante.com.br**

HANDOUT AMADEU/AGÊNCIA MAPA

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HANDOUT

Globe-Trotter
EXPRESS TOURISM

HONG KONG,
BY DOUGLAS PRESOTTO

If you only have a few hours...

A FOREIGN business traveler is very likely to stay in the Hong Kong Station region on Hong Kong island. For a quick trip, I recommend taking the Tram that runs along Hennessey Road, the city´s main avenue. The line crosses the island from one end to the other in about an hour and it is difficult to believe that no more than 50 years ago the tracks ran along the coastline. Seeing it today, surrounded by buildings, gives you an idea of the speed at which Hong Kong has grown. The ocean has been simply invaded by landfills and buildings.

THIS TRIP can be crowned with a happy hour in Lan Kwai Fong, in the MidLevel region, an area that is well known for the diversity of its bars and restaurants. There are over 100 establishments and I recommend trying out the little restaurants serving local food you will find during a walk through the streets of the district. Or, if you want a very different experience, it is worth going to the other side of the island to the Aberdeen region get to know the Jumbo Kingdom, a floating restaurant with a 360 degree view. The cooking is Chinese, traditional and modern, and over 1,000 people can be served at the same time (without considering the room for parties and wedding).

ARE WE in China? We certainly are. Great Britain, the former colonial power, handed the city back to the People´s Republic of China in 1997. However, this Asian metropolis has a lot of autonomy. It has maintained its own laws and currency, and preserves in particular its position as one of the world´s largest financial centers. English also continues to be spoken everywhere. Brazilian Douglas Presotto and his wife have been living in Hong Kong for a year. Douglas is a trader in a large Brazilian clothing company and follows the trends, looks for suppliers and monitors the collections produced in Asia for the domestic Brazilian market. In this tour he has drawn up for PIB, Douglas discusses what the visitor can expect in this cosmopolitan city state, located on the estuary of the Pearl river. To understand the place, you need to have a basic idea of the geography. The city is an archipelago dominated by the island of Hong Kong, where the commercial and financial center is located, and also includes an area on the continent, next to the Chinese city of Shenzhen. ▌

WEKIPEDIA/DILIFF

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HANDOUT HONG KONG TOURISM BOARD

1 Hong Kong skyline: at the mouth of the Pearl river

2 *Jumbo:* local food served on a floating palace

3 *The Peak:* view from above, obligatory outing

4 Ladies Market: bargain when buying presents

If you have a whole day...

HAVING A whole day means you can take an interesting outing up The Peak, which is just over 500 meters high and gives you a view of the island from above. It is one of the most visited attractions in Hong Kong. To the south of the Peak is the Aberdeen Village region, surrounding a fishermen´s village, which is also worth a visit if you want to learn a little more about the city´s traditional culture. (The floating Jumbo Kingdom restaurant is on the Aberdeen canal.) However, you can have a good time off Hong Kong island. Just cross over to the continental part of the city by boat, train or taxi. It takes no more than 10 minutes.

CONTINENTAL HONG Kong has two regions: Kowloon and the New Territories. The best-known area in Kowloon is Tsim Sha Tsui where there are also good hotels and restaurants. However, it is known, above all, for its stores selling global brands for those who want the latest in fashion and technology. Temples and parks are also part of the scene in the midst of luxurious buildings. Kowloon is definitely the place when it comes to

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HANDOUT HONG KONG TOURISM BOARD

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HANDOUT HONG KONG TOURISM BOARD

finding presents. Besides the brand stores, the district is famous for its street markets where you can buy clothes, electronic items, ornaments and accessories. There are two places worth visiting: Ladies Market and Temple Street. You need to be patient and have the time and temperament to bargain or you will not get the real flavor of visiting a street market in Hong Kong. (We will return to the subject of places to go shopping later.)

LET´S SWITCH to another kind of attraction. If you are interested in getting to know Chinese culture and history, the Heritage Museum and Hong Kong Museum of History are the places to go. You will see antique ceramics, stone and bronze pieces and artefacts from ancient times. Another interesting place is the Maritime Museum on Hong Kong island which is located on a pier. It comes as no surprise that the city with the world´s largest port has a museum dedicated to the history of navigation and ships. To end the day, a tip for a star restaurant is the Tosca, situated on the 102nd floor of the Ritz-Carlton hotel. It is the most famous and fought over restaurant in Hong Kong, with a Michelin star for the Italian cuisine of its chef Pino Lavarra. A set dinner costs at least KH$2,000 (US$2,400) without drinks. ▮


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If you have a weekend...

HONG KONG is not just about city culture. There are 29 officially registered nature trails through the mountains that present marvelous scenery and are a surprising attraction for those who think of the city as being just a concrete jungle. The trails are the perfect way to top off the trip for those who can spend more than a day in the city. Let´s look at some of them:

- **SAI** Kung East Park — The Sai Kung region is in the New Territories and is formed by islands and an enormous park where the Sai Kung trail lies. The hike is long — approximately 11 kilometers – but there are two beaches on the way where you can return by boat to the village of Sai Kung. This is the main destination of hikers and ramblers in Hong Kong.

- **DRAGON'S** Back — Located on Hong Kong island itself, this is a trail that

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1 Item from the Hong Kong Museum of History

2 Maritime Museum: history of navigation

3 and **4** Tosca: shrimps, scallops and caviar from a Michelin star kitchen

5 and **6** Po Lin Monastery and giant Buddha: on Lantau island

7 Sai Kung: seafood chosen from aquariums

runs for around eight and a half kilometers and snakes through the highest stretches of the mountains. Its rising and falling contours give it the name Dragon's Back.

LANTAU Peak — The island of Lantau near the airport has a local rural trail. The best way to see it is to arrive at sunrise. It is worth getting up at dawn and taking the two-hour walk.

BESIDES THE trail, Lantau also houses a famous giant Buddha statue and the Po Lin Monastery. To get there, you need to take a cable car ride that lasts 25 minutes. The Buddha is regarded as the biggest in the world. If you are going there in search of peace, relaxation and reflection, it is best to go on a weekday as the place is very popular with local people at the weekend and holidays. (If you prefer a more Western touch, the Hong Kong Disneyworld is also in Lantau.)

IF RESTAURANTS like the Tosca are not your scene, there is an alternative. Sai Kung village on the continent has around 10 seafood restaurants where you can see your prospective meal alive in aquariums. Customers choose the one they fancy and order how they want it prepared for lunch or dinner. Everything is really tasty and healthy. Talking of beaches, Hong Kong has many spread throughout the smaller islands such as Lamma Island, Po Toi, Cheung Chau and Peng Chau, all of which are easily accessible by boat and have great places to eat and relax in. Hong Kong island, which is the most urbanized, has its famous Stanley Beach that is very popular with foreigners and where you can stroll along the sand and eat in the local restaurants.

I PROMISED to talk about shopping again. Hong Kong is a paradise of consumption, with more than 30 shopping malls. I would recommend two places that are not in Kowloon. The first is the Sogo Mall, at the Causeway Bay train station on Hong Kong island. It has 10 floors divided by segment: perfumes, make-up, women and men´s clothing, haute couture, children´s clothes, toys, domestic appliances, decorations, electronic and electro-domestic appliances. The second is Gate Outlets, on Lantau island, near the airport (at the Tung Chung railway station). It has around 50 famous brand stores selling mainly sports and casual wear, where you can find products at reasonable prices. ▮

López in the US: take care with the little risks

Don't fall into 'traps'

It is not always big risks that are to blame when things go wrong on international business trips

EDUARDO LÓPEZ*

When traveling abroad, an executive normally checks out markets, pursues partnerships and, when everything works out, signs contracts. However, it is not only business that makes a trip abroad a success. Not paying enough attention to run of the mill matters can often lead to losing a promising bet. Being forewarned is being forearmed is worth remembering as a motto for corporate trips. Even those who travel frequently and are used to dealing with a support network, whether back home or at the destination, need to be always attentive to avoid the daily traps.

Being forewarned is not complicated. It just means remembering to have the main phone numbers, the right money and the credit card in your hand, for example, as a basic rule. It may seem a bit naïve but these are valuable resources in unexpected situations which end up happening despite all the planning. I made my first business trip abroad in 2008 when I was 23. I went to Costa Rica and ended up being deported because my yellow fever vaccine certificate had expired. I had gone to a health post before leaving but there was an outbreak of the disease in Brazil that year and a lack of vaccines. Nevertheless, I travelled, after being told that the vaccine certificate was not necessary for Central America. This was not true. The rule had been changed shortly beforehand and I learned this the hard way.

Once in Turkey, a lack of communication with the person who was to meet me at the airport led to a series of problems after he did not turn up at the arranged time. I bought a mobile chip to talk to our local representative — but this did not work out, as it needed two hours to activate it. Fortunately, the salesman in the store offered me his phone to make a call. However, when I went to my computer to check the phone number I discovered that the battery had run down. To sum up: two hours wasted until someone came to meet me at the airport.

PERSONAL COLECTION

Knowing the social and political background of a country where we are going is also essential to avoid pitfalls. In 2009, I was in the capital of Honduras, Tegucigalpa, and experienced some tense moments when the then deposed president, Manuel Zelaya, returned secretly from his exile in Costa Rica and took refuge in the Brazilian Embassy. A curfew was imposed on the city and I could not go out of the hotel that was close to the Presidential Palace. From there I accompanied an intense movement by the population and military. Instead of spending four days in Honduras, as planned, I ended up staying a week there.

I travel more than 15 times a year to Latin America to take part in trade fairs and visit Audaces client companies and this has helped me to create the habits needed to avoid problems that crop up on the way. Incidents like those I have mentioned here highlight very well how small details can put our business — or even our health and well-being — in jeopardy. Isn´t better to be preventive? ▮

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