

PIB

BRAZILIAN COMPANIES GO INTERNATIONAL

▣▣ INCREASINGLY MORE GLOBAL

Study by the FGV and USP shows that Brazilian multinationals are growing and maturing

▣▣ WE CAN'T REMAIN ON THE OUTSIDE

For Thomaz Zanotto, of Fiesp, Brazil has to enter the debate on the new international governance

▣▣ EXPORT MODEL

The Brazilian way of hair care is winning clients abroad for Truss

IN THE FIRST DIVISION

**IN 15 YEARS, VOTORANTIM CIMENTOS AND
INTERCEMENT HAVE JOINED THE GROUP OF THE
WORLD'S 20 LARGEST CEMENT PRODUCERS**



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Contents

- + Aerospace meeting in upstate São Paulo
- + A robot submarine from Bahia
- + Globalizing the São Paulo hamburger
- + Design and nanoparticles against bacteria
- + Tapioca for the world
- + An app to monitor trees
- + From excipients to drugs

34 **INTERVIEW** • Thomas Zanotto says Brazil needs to discuss the new global governance created by the Trans-Pacific Partnership

NELY CAIXETA AND ARMANDO MENDES

48 **OPINION** • José Borges Frias Jr. shows how digitalization can make industry competitive

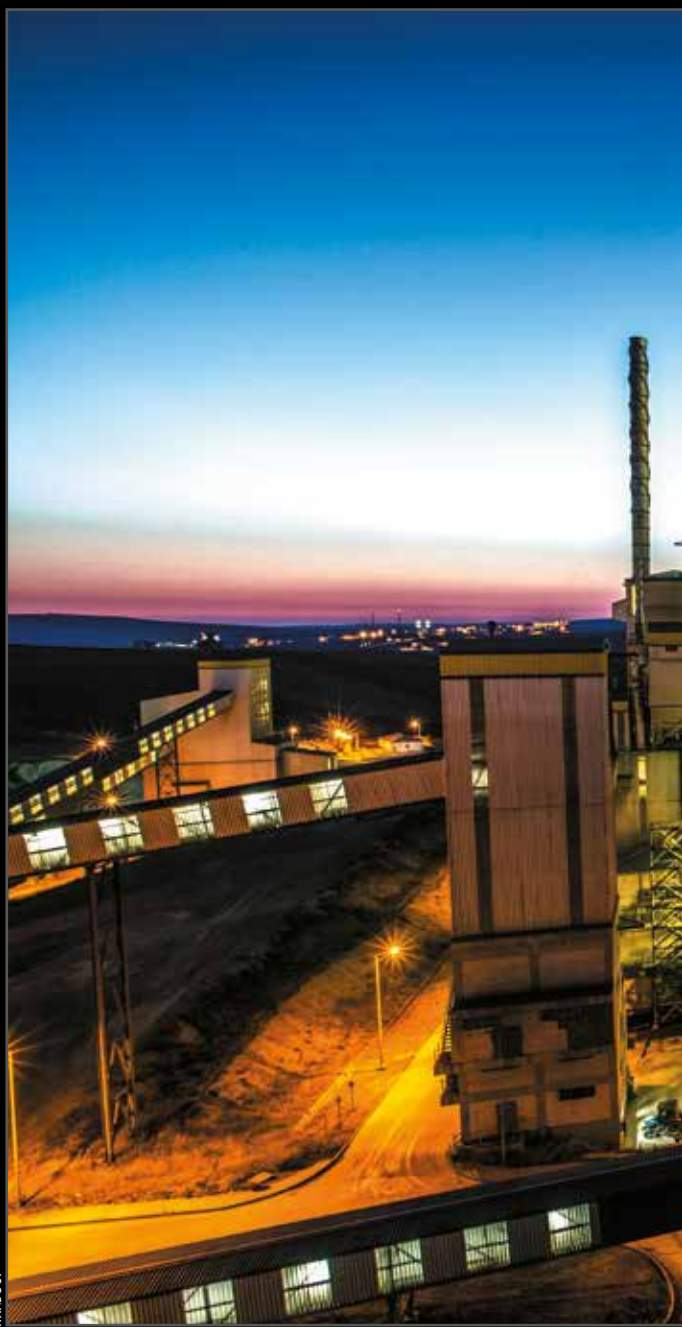
56 **NOTES** • Perky Shoes from southern Brazil takes its comfortable footwear with exclusive design abroad

ANTÔNIO CARLOS SANTOMAURO

58 **EXECUTIVE TRAVEL** • An architectural landmark in former Saigon, an award-winning restaurant at Heathrow airport and a new music hall for the Paris Philharmonic

MARCO ANTÔNIO DE REZENDE

66 **IN TRANSIT** • Florida-based lawyer Laiz Rodrigues says success in Brazil is no guarantee of success in the US



HANDOUT

HANDOUT



38 COVER

In less than two decades, Votorantim Cimentos and InterCement have become members of the world's top companies in the sector

DARIO PALHARES



NATURA/HANDOUT

22 GOING INTERNATIONAL

An FGV/USP study shows that Brazilian multinationals are growing and maturing

ARMANDO MENDES

HANDOUT



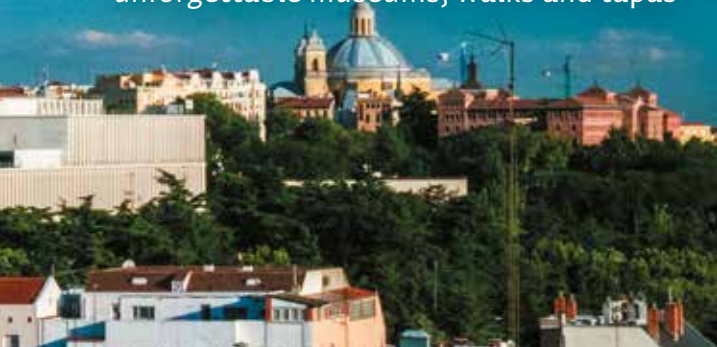
52 SMALL BUT OUTSTANDING

Truss, from São José do Rio Preto, is winning over markets, thanks to Brazilians' flair for hair care

ANTONIO CARLOS SANTOMAURO

62 EXPRESS TOURISM

Carolina Carvalho de Queiroz recommends ways to enjoy Madrid's unforgettable museums, walks and tapas



The multiplication of the multis

There is a lot of talk about Brazilian companies going international but there are few wide-ranging studies on this development which is PIB's main editorial theme. We had the valuable opportunity this year to take part in the *Strategic Management of Brazilian Multinationals* survey that was published in November by the EAESP/FGV and Poli/FEA/USP. The study, to which we are proud to have made a small contribution, shows that the march abroad has gained importance in numerical terms and the consistency of companies. There are currently 210 multinationals with their head offices in Brazil. In 2006, there were only 44. They range from food suppliers to manufacturers of autoparts, medical and dental equipment, passing through pharmaceutical laboratories to providers of IT system and services and developers of technological solutions for daily uses.

From page 22 on, you will find an article by editor Armando Mendes based on information and analysis from the academic study. Our cover story, written by editor Dario Palhares, gives a detailed insight into the international expansion of two of these companies: Votorantim Cimentos and InterCement, the latter of which is part of the Camargo Correa group. In less than two decades, the two companies have managed to figure among the world's leaders in the cement sector.

And has anyone ever heard of Truss, from São José dos Rio Preto? Manuella Bossa, its creator and CEO, felt that the vanity and care with which Brazilian women looked after their hair could be an opportunity to win markets abroad. And how she succeeded! Nowadays, around 18% of the company's annual revenues of R\$ 70 million comes from sales to countries like Ecuador, France, Poland, the United Arab Emirate and the US. Our interview guest in this issue is Thomaz Zanotto, director of the International Area of the São Paulo state trade federation of industries, Fiesp, who analyzes the consequences for Brazil of the Trans-Pacific Partnership, the biggest trade agreement in history which involves the US, Japan, Mexico, Chile, Peru and another seven countries in the Pacific region.

At the back of the magazine, we have the sections for globe trotters who are always rushing between airports, hotels and business meetings throughout the world. Check out the recommendations of editor Marco Antônio de Rezende in Executive Travel and the tour of Madrid created by Carolina Carvalho de Queiroz from Brasilia who has adopted the city as her second home.

Have a good read

Nely Caixeta



TOTUM
EXCELÊNCIA EDITORIAL



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BRAZILIAN COMPANIES GO
INTERNATIONAL

A QUARTERLY MAGAZINE FOCUSING ON
INTERNATIONAL BUSINESS AND ECONOMICS

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BUNGE HÁ MAIS DE UM SÉCULO ALIMENTANDO O FUTURO DO BRASIL

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**BUNGE: ALIMENTO É VIDA.
ENERGIA É VIDA.**



BUNGE



Antenna



The continent of clean energy

Latin America did well in the outlook for clean energy among the emerging countries, with Brazil among the leaders. The *Climatescope 2015* report published at the end of November by Bloomberg New Energy Finance (in partnership with the Inter-American Development Bank), lists four Latin American countries — Brazil, Chile, Mexico and Uruguay — among the top 10 in the clean energy rankings from emerging countries. Brazil was in second place in general terms, behind China. Chile was in third place, Mexico in seventh and Uruguay in eighth

place among the 55 countries assessed. The ranking takes into consideration 53 different indicators to evaluate the relative position of the emerging countries and their ability to attract investments in clean energy in a range from one to five. Brazil obtained 2.12 points whereas first-placed China had 2.29. The report highlighted Brazil's ability to continuing increasing investments in clean energy even against a shrinking economic background. The country invested US\$ 14 billion in clean energy projects in 2014, almost double the amount in 2013.



THE FIVE BEST

The leading emerging countries that topped the clean energy list

	Country	Points
1	China	2.29
2	Brazil	2.12
3	Chile	1.97
4	South Africa	1.91
5	India	1.81

Source: Bloomberg New Energy Finance

A panel of good ideas

On one hand, 92 startups with their apps and digital tool projects; on the other, over 100 executive from companies such as Bosch, Totvs, Embraer, Natura and Gerdau, as well as investors and executives of investment funds, with the task of choosing the best proposals. The setting was Demoday Inovativa 2015, the biggest assessment panel of startups ever held in Brazil, which occurred at the end of November in São Paulo. The judges were split into five themed panels and chose the two most outstanding projects per group. Among the 10 startups chosen was Hidrofito, from Pirassununga in upstate São Paulo, that created a system to manage irrigation that can determine a plant's individual need for water. Another panel chose the PetJog Project from Kynos, from Porto Alegre in Rio Grande do Sul state, a toy for dogs and cats that simulates an animal. Hand Talk, from Maceió in Alagoas state, was chosen by a third panel of judges for having developed a digital tool for the automatic translation of sign language. An international panel also chose 15 startups to spend two weeks in the UK in February 2016 and take part in the UK Chapter, the international part of Inovativa 2015.

1 Hidrofito:
clever
irrigation

2 Soybeans:
China demand
falls

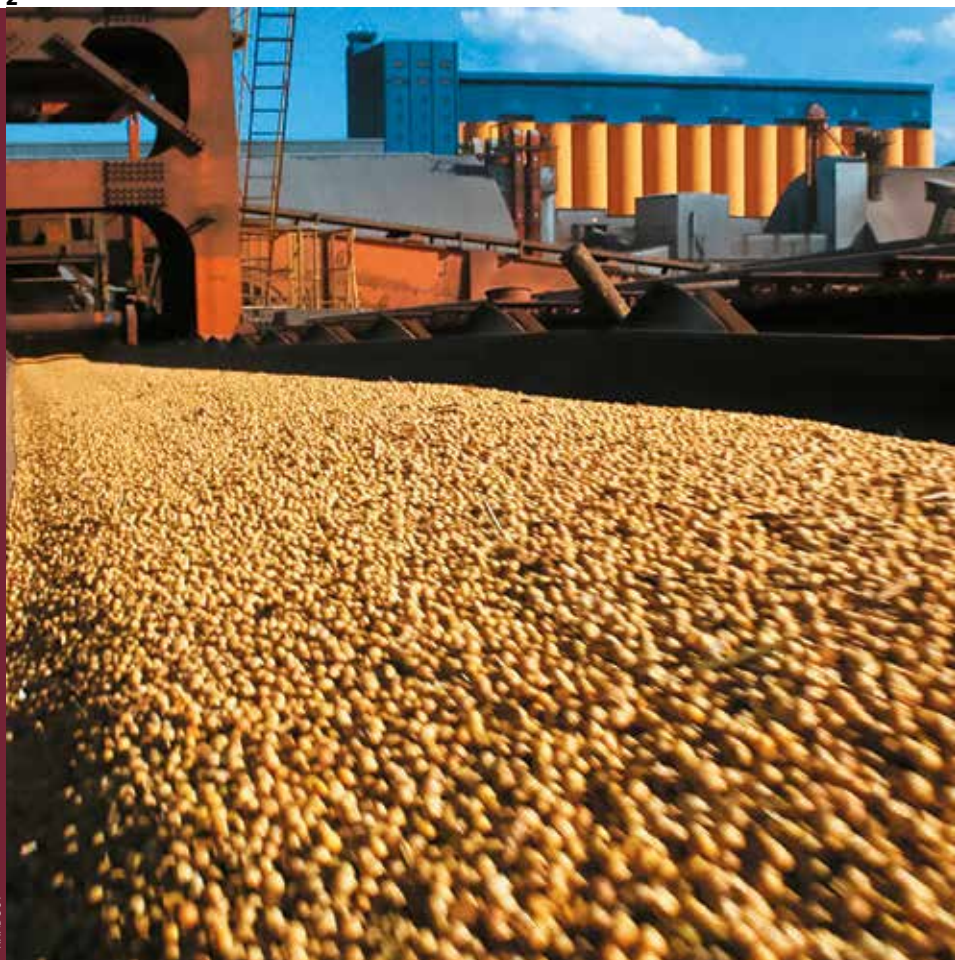
HANDOUT/DANNY JOHNSTON

1

Fall in exports

Latin American and Caribbean countries exported less in the first half of 2015 than in the same period of 2014, the Inter-American Bank (IDB) announced at the launch of its Trade and Integration Monitor 2015 in San José in Costa Rica. There was a fall of 10.9% — in annualized terms — which followed three years of stagnation of Latin American and Caribbean exports. It is the biggest drop in foreign sales in the region since the global crisis of 2009, according to the IDB. This poor result in the first half of the year reflects the general contraction of world trade, the sharp reduction in commodity prices, amounting to 37.1% between June 2014 and June 2015, and the big reduction in demand for imports by China, according to the IDB.

2



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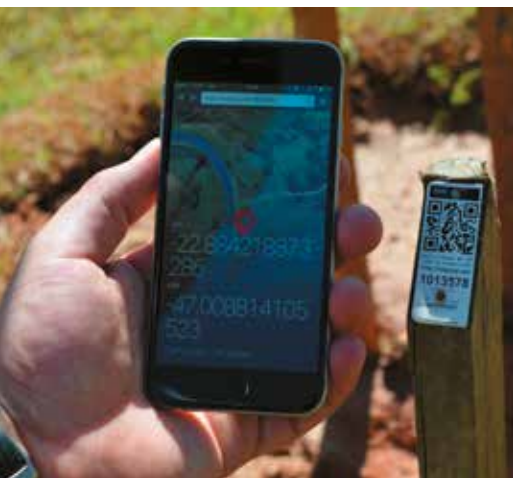
The science of sugar cane production

The Center of Sugar Cane Technology (CTC) has had a new laboratory complex in its headquarters at Piracicaba in upstate São Paulo since October. An investment of R\$ 40 million, partly supported by the BNDES bank and the Finance Line for Studies and Projects (Finep), will allow research into innovation in the planting and exploitation of sugar cane. These include the use of genetically modified varieties, artificial seeds and molecular markers. The research to be carried out in the new laboratories should result in more productive varieties of cane with a greater amount of sugar, as well as plants that are more tolerant to drought and more resistant to pests. Four hundred and fifty people work in the CTC, of whom 60% are researchers.

Yeast rises between Rio and Leuven

A Brazilian fund — Performa Investimentos — and one of the main European life sciences research institutes — VIB, the Biotechnology Institute of Flanders, in Belgium — joined forces in 2015 to create a company called Global Yeast. The aim is to develop yeasts used in the production of cellulose ethanol (or second generation that is produced from sugar cane straw and bagasse) and also in the green chemical industry (that produces compounds from renewable raw materials, such as sugar cane and other kinds of biomass). Global Yeast is developing its activities from two bases. One is in Leuven, in Belgium, the location of the laboratory of its founder and chief scientist, Professor Johan Thevelein, who developed the basic research behind the technology used in the yeasts. The other is in Rio de Janeiro where the company's local research and development teams are headed by CEO Marcelo do Amaral, a Brazilian scientist with experience in the sugar alcohol industry. "Through its different companies, Brazil has an outstanding function in what we call bio-economy. It has a foundation of competitive biomass and an opening to the market for renewable solutions in its energy matrix and materials," he said. "Global Yeast makes the symbiosis between an extremely advanced technology that is being developed in Flanders and the demand and opening of the market in Brazil". He said the company had made great advances in testing and developing yeasts for clients in Brazil, Europe, Asia, Africa and North America. However, this market is still at an early stage and the researchers are still working on a pilot scale and not yet in industrial production. Investments of 6.25 million euros have been made in the company by Brazilian and Belgium investors.

1



App monitors trees

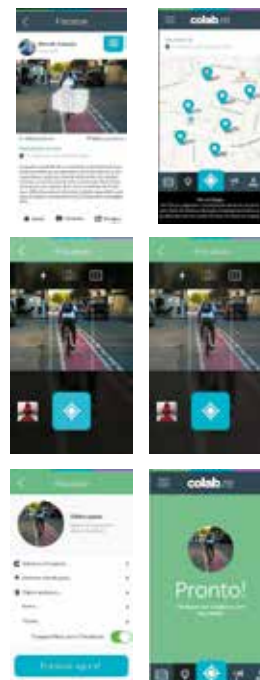
Anubz Innovative Solutions, a startup company from Campinas in upstate São Paulo, presented a technology for the digital identification of trees at the Brazilian Embassy in Paris in an event held parallel to the United Nations Conference of Parties or the 2015 Paris Climate Conference (COP21). The system allows an app to be downloaded onto tablets and smartphones and read the information about the individual trees and seedlings through QR Code labels installed in each tree. The aim is to allow the accompaniment and control in real time of the planting programs to recover areas and offset environmental damages. Information on each seedling is stored and updated in a data base shared in the "cloud" with the municipal government or the body responsible for the program. The app is already being used in Campinas. The São Paulo state government presented the Climate Protocol for the state at the same event.

All power to the citizen

The transition period to 2016 will mark the beginning of the international expansion of one of the most original startups in Brazil. This is Colab.re, a social network that offers users a channel to inspect the public services in their city, assess the quality and suggest improvements. Paulo Pandolfi, one of the founders of the network that originated in Recife in Pernambuco state in 2013, presented the startup to the municipal governments of a number of Portuguese cities in October and November. He said negotiations were advanced for the network to begin being used in northern Portugal in the transition period from 2105 to 2016. "We should begin in the region of Porto, Braga and Guimarães," he said. In Brazil, 100 cities, including Curitiba (PR), Niterói (RJ), Santos (SP) and Teresina (PI), and around 120,000 users are already employing Colab.re as a relationship channel between the citizen and the authorities. The startup has won several prizes. The Inter-American Development Bank highlighted the app as the technologic innovation with the greatest impact in 2015 and the UN chose it as one of the five best digital government platforms in the world.

1 Anubz:
plant on
the screen

2 Pandolfi (left)
and partners:
towards Portugal



2



3 questions for André Friedheim

André Friedheim is the international director of the Brazilian Franchising Association (ABF), which has just announced renewal of an agreement with the Brazilian Agency for Export and Investment Promotion (Apex-Brasil). Through this partnership, initiated in 2005, Apex offers support to Brazilian franchises interested in foreign markets. The agreement has resulted in about 106 companies participating in trade fairs and business meetings in more than 50 countries. "We now have almost 120 Brazilian franchisors exporting their business models and concepts," says Friedheim. "We want to end 2016 with 180 franchisors operating internationally."

1. Which companies have excelled in making use of those opportunities?

Food companies have exported their concepts; companies in education and clothing, personal accessories and shoes also have developed a strong international presence. We have seen service businesses expanding internationally. That is a very broad concept: from car rental companies to aesthetics, health and beauty businesses. Speaking of restaurants, a good case is Giraffas in the United States; Spoleto has also had success outside Brazil. In the field of education and training, I would highlight Wizard, which has, for instance, schools in Japan where it teaches Japanese to Brazilians.

2. Who are the franchisees out there? Are they Brazilians abroad or local entrepreneurs interested in Brazilian brands?

The vast majority are local entrepreneurs. A lot will depend on the strategy the company adopts. For example, take Chilli Beans, which already is quite successful abroad. In the United States, they own their own stores; they will start to license franchises only after they have managed to consolidate their brand in the USA. Giraffas began by with their own shops and is now seeking US franchisees. It also has Brazilians on board, people who know how it operates in Brazil and would like to live in the United States. Again, it will depend

on the strategy, but I think the vast majority of the franchisees end up being local entrepreneurs.

3. What path should a brand choose to take advantage of the services offered by the ABF/ApexBrasil agreement?

Many expenses are paid for by ApexBrasil, so it can be an inexpensive way of seeking international investors interested in a certain brand. It is inexpensive because we provide access to franchising and business fairs; the franchisor needs to invest only in transportation and lodging. The booth is paid for by ApexBrasil and the franchisor will also take part in international events that the agency pays for. The key word is access: access to markets, to would-be investors, and to consulting and law firms that can provide support to the franchisor outside Brazil. If he or she were to go alone, it would probably be much more expensive, and maybe they would not get the quality services we provide. As we have support from Apex and make an effort to bring together many companies, we end up by harnessing economies of scale.



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Design and nanoparticles against bacteria

Docol Metais Sanitários, in Joinville, Santa Catarina state won the World Red Dot Award in the personal hygiene category for its bacteria-free technology that protects with a permanent anti-bacteria action —through nanoparticles of silver that can be incorporated into chrome metal sanitary fittings without interfering with their design. Around 5,000 products from 61 countries competed in a number of categories. The Red Dot Award is a prize for product design granted by the Design-Zentrum Nordrhein-Westfalen of Essen, in Germany, and is presented to the winners in the Red Dot Museum in Singapore.

Tapioca for the world

After cheese bread, it is time for tapioca as the wave of gluten-free food is helping to expand exports of this product made from manioc. Casa Maní, a traditional family producer from Tarabal, in upstate São Paulo, has begun to sell a line of ready-made dough to the United States and Japan made with tapioca and vacuum packed in individual portions that have also been launched on the Brazilian market. Germany and China are in the line. Casa Maní expects to have total revenues of R\$ 8 million this year and R\$ 60 million next year. To do so, it needs to double

the current production capacity of 50 tons a day. The humble tapioca, a popular food in the North and Northeast, has won a new gastronomic status for its impeccable credentials as a healthy food. Besides being free of gluten and transgenic products, it can boast of having zero everything, i.e. no fat, sodium, sugar and food preservatives.



2

Members of the jury

Two Brazilians will be members of the jury judging the iF Design Award 2016, one of the most valued design prizes in the world. They are Marco Lobo, projects coordinator of the Instituto Europeo di Design of São Paulo, and Bruno Porto, coordinator of the Graphic Design course at the Centro Universitário IESB in Brasília. "It is very important that Brazilian names appear on this committee," said Ana Brum, director of the Centro Brasil Design which represents the iF in the country. "Being among the iF jury members is one of the most important conquests at international level." Brazil has been represented at the latest editions and the designers Marcelo Rosenbaum and Gustavo Greco were chosen in 2015. The committee will meet in Hamburg on January 19 and 21, 2016 to elect the winners. The prizes will be handed over on February 26 at the BMW Museum in Munich.



1 Docol: prize in Germany
2 Casa Mani: single servings of tapioca

Aerospace meetings in São José dos Campos

Companies and organizations from 20 countries took part in the Aerospace



Meetings Brazil 2015 event held in São José dos Campos in upstate São Paulo at the beginning of December. The event is held in different countries every year as a meeting place for companies operating in the aerospace sector and hundreds of suppliers of goods and services that are part of the industry's global supply chain. The world's biggest plane makers, such as Airbus and Embraer, took part and the event was held in Brazil for the first time this year. This is being seen as a sign of the maturity of the Brazilian aeronautic chain which is structured around Embraer. Suppliers and buyers of goods and services throughout the production chain of the aerospace industry took part in conferences, workshops and individual meetings to pursue business opportunities.

Butantan tests vaccine against dengue fever

Seventeen thousand volunteers will take part in phase 3 of the tests of a single vaccine against four kinds of dengue fever developed by researchers at the Instituto Butantan of São Paulo. The volunteers are from 13 Brazilian cities in 12 states and the tests will be accompanied by 14 centers of study accredited by Butantan and by scientists in Brazil and abroad. In the previous phases, 900 people were tested in the United States and Brazil, with results that were favorable for the vaccine. If phase 3 is also successful, the Butantan expects to have the vaccine approved and released for use in 2017. The chairman of Investe São Paulo (Paulista Agency for the Promotion of Investments and Competitiveness), Juan Quirós, said domestic and multinational companies are already interested in producing the vaccine for distribution on a global scale. Dengue fever threatens millions of people in the Americas, Europe, Asia and Africa. Investe São Paulo, the Butantan, the state government and private institutions should also discuss and build a manufacturing model for the vaccine should the tests confirm its effectiveness and safety.



Alpargatas change hands



The holding company J & F Investimentos, the owner of the multinational JBS, the biggest meat company in the world, announced in November that it had purchased Alpargatas, the producer of Havaianas sandals. Havaianas is one of the rare Brazilian consumer brands with global reach. The company was sold by construction multinational Camargo Correa that controlled the brand. Camargo Correa is

accused of involvement in the corruption scandal centered on Petrobras that has been investigated by the Car Wash Operation in Brazil. The sale, amounting to R\$ 2.667 million, involves the transfer of around 44% of Alpargatas's share capital and still depends on the approval of the antitrust agency known as the Cade. Alpargatas had already divested its sport shoe brands Topper and Rainha at the beginning of the month.

PICTURES: HANDOUT

A robot submarine from Bahia

The prototype of an autonomous submarine vehicle — that can carry out inspections of equipment and installations for oil and gas exploration in deep waters without depending on external operators — was presented at the Senai-Cimatec campus in Salvador, in Bahia state, at the beginning of December. The robot submarine, baptized FlatFish, is the result of a joint project of BG Brasil (from the British oil and gas concern BG Group), Senai-Cimatec and Embrapii (Brazilian Company for Research and Industrial Innovation). The FlatFish aims to enhance the regularity and efficiency of the inspections made in underwater installations, while also reducing the costs by at least 30%. The project was developed over two years, at an investment of R\$ 30 million, by the Brazilian Robotic Institute (BIR) which is part of the Senai-Cimatec campus in Salvador, in partnership with the German Robotic and Artificial Intelligence Institute (DFKI). Eighteen Brazilian researchers worked on the development of the FlatFish, another prototype of which was built in Germany. The project will start a new phase in 2016 with the construction of the first production vehicle that will be tested in the field by BG Brasil.

The globalization of the São Paulo hamburger

The Burger Lab chain of hamburger outlets from São Paulo, owned by businessman Jorge Boratto, announced that it will become a multinational in 2016. Burger Lab was created in 2012 and plans to open three stores in Europe at the beginning of next year: two in Madrid and one in London. The international expansion plan for the brand is not stopping there. Within 10 years, Burger Lab expects to have 217 hamburger outlets around the world. For 2015, the forecast for the franchise chain for Brazil, that currently has 14 stores, is to end the year with revenues of R\$ 17 million.

1 Burger Lab:
heading for
Europe

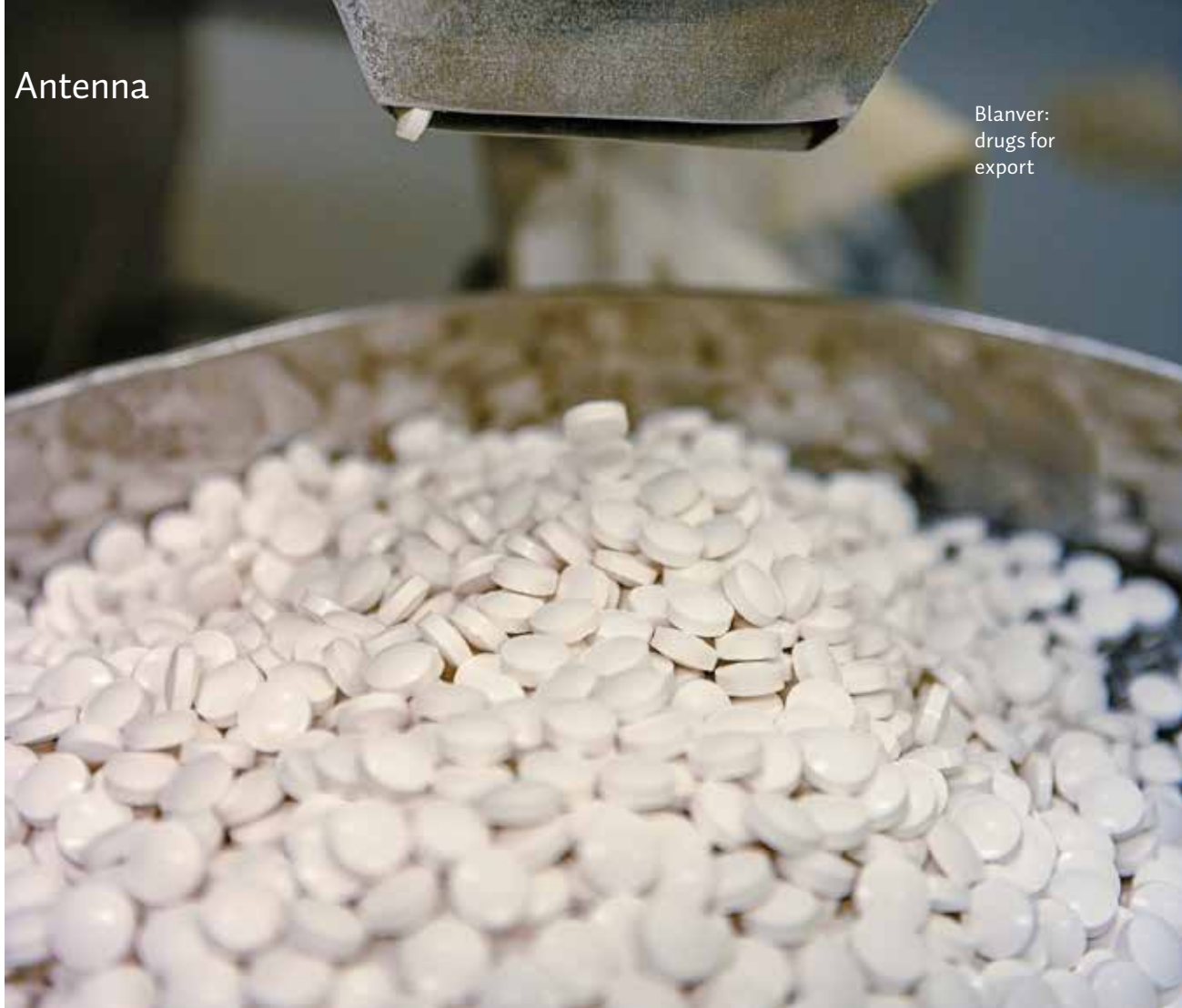
2 FlatFish
robot: made
in Bahia



Chile comes closer

Brazil and Chile have been operating an Investment Cooperation Facilitation Agreement since November, following the signature in Santiago by the Development, Industry and Foreign Trade Minister, Armando Monteiro. The agreement includes measures to offset risks, resolve disputes and improve the institutional environment for investment between the two countries. It is the only agreement of this kind between Chile and a member country of the Mercosul free trade area. More than 70 Brazilian companies already operate in Chile, and the Chileans expect the agreement to facilitate the export of Brazilian products to Asia on favorable terms through their country, thereby encouraging new investments.





HANDOUT

From the excipient to the finished drug

São Paulo company Blanver Farmoquímica, an established producer of excipients for the global pharmaceutical industry, is now setting off in pursuit of international clients for its complete drugs. (Excipients are the inert component of a drug, i.e. the part that is not the active ingredient.) It is the third-largest excipient producer in the world, with a market share of 13%, and exports to almost 100 countries. Blanver also produces complete drugs in Brazil, particularly those distributed by the public health service, known as the SUS, to treat patients with HIV and hepatitis, but has not exported until now. Sérgio Frangioni, CEO of the company that was founded in 1964, drew up a plan to enter into the dispute for this global market whose main clients

are governments, public agencies and health plans (in the case of the US). He sees good conditions to compete in Argentina, Canada, the US, Europe and African countries. “The difference for the excipients market is the regulatory question which is more complicated for drugs,” he said. A first step was to make a presentation of Blanver’s pharma division to clients at CPhI Worldwide, a business event for the sector that was held in Madrid in October. The regulators from the target countries are scheduled to make inspection visits to the company’s plants in Itapevi and Taboão da Serra in 2016 and 2017. This is a crucial step towards obtaining certification before selling the drugs. Frangioni says Blanver expects to have net revenues of R\$ 375 million in 2015.

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The future from Recife and Copenhagen

CESAR is a private innovation center in Recife, in Pernambuco state, known for its use of information technology and communication to create products and services. The Copenhagen Institute for Future Studies in Denmark is looking to strengthen the bases of the decision-making process in public and private organizations by researching future scenarios and has been working in Brazil and Latin America since 2013. The two institutions announced they were associating to undertake future studies on the issues of health and retail. "We set up a partnership to identify future scenarios in these sectors, in which we believe we can make a really radical contribution," said Eduardo Peixoto, chief business executive of CESAR. "We are aiming to understand what will cause an impact." The trend towards automation in medical procedures which is becoming increasingly stronger would be an example. Clients for this kind of work would be players in the sector as a whole; doctors' associations, companies that provide services and the government itself, amongst others, Peixoto said.



Minas Gerais state looks for investments in Milan

Minas Gerais state was also in the limelight at a seminar on Information Technology and Communication held in mid-October in Milan, the capital of Lombardy. Thirty-one Italian companies took part in the seminar which was part of the Minas Gerais in Milan Week program. The Italian public and investors were also presented with the design, fashion, tourism and gastronomy of Minas Gerais, with menus created by chefs from the state.





HANDOUT
3

Students win at market games

Three students from the Management Formation School (EFG) of Sebrae, the agency that looks after Brazil's small and medium-sized enterprises, won awards in the international Practice Enterprise Business Challenge 2015 competition held in Germany in November. Luiz Felipe Castro, Dante Nolasco and Camila Gomide from Minas Gerais state were part of the teams that came in first, second and third place in the challenge that brought together around 100 students from Germany, the US, Italy, Romania, Belgium, Switzerland, Brazil and Argentina in Karlsruhe. The students took part in a business game. They were split into mixed teams made up of different nationalities and had to put forward strategic and marketing solutions for a case involving Bosch, the German auto technology company on how to bring a recently-created product, electrical bicycles, to the consumer market.

Support for exports

Companies from São Paulo interested in selling abroad can use a support program provided by the state government in partnership with the Brazilian Trade and Investment Promotion Agency (ApexBrasil). The program, known as SP Export, was launched in October and will be run by the Investe São Paulo agency. It aims to encourage an exporting culture between companies from the state and help them find markets abroad for their products and services. The program foresees seminars on training for exporting and the creation of an online platform with information to help companies go abroad.



1 e 2 CESAR:
technology
scenarios

3 Minas Gerais
in Milan:
investments
and gastronomy

In brief

■ In November, Saudi Arabia ended the ban it had imposed on imports of fresh Brazilian beef in 2012.

■ The Dumond brand of shoes and accessories will take its new architectural project to its store in Dubai, in the United Arab Emirate, in 2016.

■ The Emagrecentro beauty and slimming clinic opened its first unit in Bogotá, the capital of Colombia, in November.

■ TI Prime Systems announced that it would go international from 2016, beginning with the United States.

■ The Desenvolve SP agency launched a digital, interactive Fast Guide to help startups and small companies invest in innovation.

Embraco
employee
in China:
global way

Increasingly more global

*A study by São Paulo University
and the FGV business school shows
that Brazilian multinationals are
becoming more numerous and mature*

ARMANDO MENDES

Brazilian companies have become much more international in recent years. There are now 210 multinational companies which have their head offices in Brazil. This compares with 95 in 2010 and a mere 44 in 2006. The Brazilian multinationals not only started looking abroad for new markets and resources in this period but they increasingly absorbed more technologies and knowledge that fitted in with the aim of strengthening their competitive positions

in the global production chains. Around 12% of this growing number of Brazilian companies operat-

Around 12% of the Brazilian multis see themselves as global innovators

ing abroad see themselves as global innovators, i.e. they can mobilize their planning, design, engineering

and production resources to create and offer new products that can boost their competitiveness on the

international markets. This is still small but it is a significant advance.

These are the findings of a study entitled Strategic Management of Brazilian Multinationals, carried out by professors and re-

searchers at the University of São Paulo (USP) and the Fundação Getúlio Vargas business school



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(FGV)* in partnership with PIB magazine. This is the third time the study has been undertaken and follows the two previous ones - in 2006 and 2010 - which gave an insight into how some of the points considered had developed. The 2015 study was based on a survey of 70 questions on business management split into themes. These included the factors behind the Brazilian companies' international expansion, their strategies, skills and managerial styles, innovation, social responsibility and sustainability.

MULTINATIONAL INCUBATORS

The number of Brazilian multinationals has almost quintupled since 2006. Some sectors, listed below, are outstanding in the creation of new global Brazilian enterprises:

- ❑ providers of IT systems and services and automation
- ❑ technology companies that have created services for universal use (*Read more about one of them, Easy Taxi, on page 30*)
- ❑ medical and dental equipment manufacturers
- ❑ pharmaceutical laboratories
- ❑ autoparts and mechanical components manufacturers (*Read more about one of them, Embraco, on page 28*)
- ❑ suppliers of food and food services



HANDOUT/NATURA
1

Sixty-two Brazilian multinationals took part in this latest survey. The results were presented at the beginning of November at an FGV seminar in São Paulo with the participation of the authors and representatives of the Brazilian multinationals Oxiteno, Embraer and Stefanini. The Foreign Trade Chamber and national development bank, the BNDES, also appeared on behalf of the federal government. Maria Tereza Leme Fleury of the FGV's São Paulo Business Administration School, believes it is significant that 210 Brazilian multinationals were identified in this latest study, an increase of almost five times over the 44 featured in 2006.

"I would draw attention to the fact that these are companies with a presence and actual operations abroad. They are not only exporters," she said. The fact that these companies are continuing to pursue global markets considering the difficult economic backdrop is very important. "We need to capture not only new markets but also technolo-

"Managing companies in other business environments is a different animal."



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gies, as well as upgrade the productive chains. Going international is extremely important in doing so," she added.

What does the experience of globalization teach Brazilian companies that have gone abroad? Some answers appeared in the survey and seminar. Pedro Wongtschowski, a former director of Oxiteno and Ultrarap and member of the board of directors of the Ultra Group, threw light on the cultural factors that condition a company's international expansion, after presenting a résumé of the industrialization process in Brazil. He believes that managing a business abroad is a central problem and is as important as any other. "Managing companies abroad,

** The authors of the study are Professors Maria Tereza Leme Fleury (São Paulo Business Administration School - EAESP/FGV), Afonso Fleury (Polytechnic School - Poli/USP), Felipe Mendes Borini (Economics and Administration Faculty - FEA/USP), Moacir de Miranda Oliveira Junior (FEA/USP) and Germano Glufke Reis (EAESP/FGV). ■*

1 Natura in Paris: attention to local habits

2 Oxitenno in the US: one of six units abroad

3 Ana Paula: following the clients

GOING ABROAD TO GROW

RAW MATERIALS, markets and clients were the main reasons behind the international expansion program of Oxitenno, the Ultra Group's chemical industries arm. The decision to grow abroad resulted from a sequence of incentives. When it took its first step as a multinational — an acquisition in Mexico in 2003 — Oxitenno faced a dilemma. It saw opportunities to enter the United States and Mexico but would not have been able to do so by export-

detergents, paints and varnishes, amongst others.

The leap abroad 12 years ago also helped to overcome a barrier created by the growth itself. As it had around 70% of the Brazilian market, Oxitenno did not have much scope to grow internally. A third factor arose which led to it going ahead with the decision. As a producer of intermediate products — in the middle of the extensively globalized produc-

in other countries and around 30% of its revenues come from abroad. It announced investments at the end of the year in North America. Of these, US\$ 20 million is being invested in expanding the plant at Coatzacoalcas, in Mexico, and US\$ 113 million to build a new factory in Pasadena, Texas — an operation that got underway in 2012.

Scale makes a difference. The American market for its products is 10 times larger than in Brazil. "The



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ing from Brazil. There was no supply of the main raw material at home — ethylene — in the volume required to expand production at the rate needed.

The solution was to start production for the two countries from Mexico, where a competitive industrial chemical industry uses natural gas as its base. Oxitenno produces derivatives of ethylene oxide, a petrochemical product obtained in Brazil from naphtha, which is a derivative of petroleum. The products it supplies are essential input for a wide range of industries with a global reach, such as agrichemicals, personal hygiene,

tive chains — Oxitenno had large multinationals among its clients in Brazil which showed interest in also having it as a supplier abroad. "Having global clients facilitated things," claimed Ana Paula Santoro Coria, the company's administration director and controller. "Being able to attend these clients abroad is also a guarantee of access to the markets."

The recipe has been copied and extended since then. Oxitenno is now present in nine countries, with six industrial plants abroad — three in Mexico and one each in the United States, Uruguay and Venezuela. It also has commercial arms

size of the market is taken into consideration at the time to make decisions," said Ana Paula. This creates its own demands. For example, a global client with a strong presence in the United States may be served initially by exports from Mexico. "At some point he will tell me that 'to continue buying from you, I want you to serve me here in the US.'"

With the investment in Pasadena, Oxitenno wants to increase its revenues in the North America Free Trade Agreement region (NAFTA) by US\$ 250 million. This currently amounts to US\$ 150 million, or 10% of the company's sales of US\$ 1.5 billion in 2014. ■



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in other business environments, is a different animal. The road to going international begins in the market, passes through technology and has a permanent restriction in the management model and the adaptation to local culture,” he said.

Wongtschowski gave the example of Mexico, a country where specialty chemicals company Oxiten

“‘Now’ in Mexico can refer to a much more elastic period of time”

began its move abroad in 2003. He said that even the apparent cultural

proximity concealed very different ways of doing business. “When they talk about “now” in Mexico, it certainly does not mean immediate and can refer to a much more elastic period of time,” he warned. (See more about Oxiten on page 27).

GLOBAL WAY TO GET TO KNOW CLIENTS

EXPORT OR produce outside Brazil? Every company that has decided to dispute international markets needs to answer this question sooner or later. The reasons and the right time to stop being just an exporter and becoming a complete multinational — with production units abroad — are decisive choices that can support (or prevent) a highly successful international expansion.

The answer is clear for Embraco which produces compressors for the refrigeration industry and is based in Joinville in Santa Catarina state. Its thinking is that if the clients are global, the supplier should also be global. Luis Felipe Dau, Embraco’s vice-president of business and marketing for Asia, believes that producing outside Brazil not only makes it more convenient to serve

the client faster but is also the best way to get to know the trends and the international markets. This was the main leverage for the company’s international expansion that got underway in 1994 with the acquisition of a plant in Italy. “Exporting is important but we need to be abroad and have production units that are closer to the clients,” he said.

The next step was to go to China where Embraco completed 20 years of operations in 2015. It then set up production units in Slovakia and Mexico, the latter to serve the North American and Caribbean markets. Dau believes this presence in different countries and continents gives the company a global touch that is one of its greatest assets in competing for international markets. “The stage we are in now means it is im-

portant to learn from these cultures as this encourages innovation even further.”

Innovation and technology create another competitive leverage, as well as a degree of standard quality in all the worldwide operations, Dau said. “The manufacturing processes and management are very similar in any of them. You recognize Embraco in all the plants.” The company has research and development programs run by its own teams or in partnership with universities and has developed models of compressors that can consume less energy and have a lower environmental impact.

Embraco’s highly particular management model draws attention. It is a company that originated in Brazil and is run by Brazilians but controlled by a global multinational

1 Embraer in Florida: learning abroad

2 Embraco Asia's Dau: different cultures help innovate

Ailton Barberino do Nascimento, the vice president of Stefanini, a technology and engineering services company, said the cultural difficulty is stronger in Asia. "We had a lot of difficulties in China. Asian culture is more difficult for Westerners. The company had to learn that is not good policy to send expatriate Brazilians to run the business in Asia. They have taken 5,000 years to build a culture and we would take 2,500 years to get where we wanted." The solution is to work with those who know what they are doing. "We don't have an employee in China who is not Chinese".

What motivates a Brazilian company to want to go abroad? Stefanini felt that just being a big Brazilian company was not going to be enough to ensure its survival in a globalized

It is not good policy to send Brazilian expatriates to run the business in Asia

market. If it had not become a global competitor itself, Stefanini would have ended being swallowed by a

global multinational from another country. "They were all entering Brazil. We are the fifth-largest IT and communications market in the world and any company that wants to be a global player has to be here," said Nascimento.

Another Brazilian multinational with a technological base, Embraer, realized right from the very beginning that it was in an unusual business environment as the aviation market is global, has no national barriers and is disputed only by a few manufacturers in each niche. "Our only chance was to go to the international



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group, Whirlpool from the United States. Whirlpool incorporated the original owners (Brasmotor and Multibrás) at the end of the 1990s. However, Embraco supplies com-

pressors to clients throughout the world, including to competitors of Whirlpool's own brands. Dau says this leads to it having great autonomy and independence. An

armored-plated program protects the information from the other clients. "We have to add value for the shareholder, like any company, but details related to clients and internal processes are confidential," he said. "We do not have any representative of the shareholder here on a daily basis."

Asia is currently the target of special attention by Embraco — particularly China, a market with enormous consumption potential for refrigeration products. Dau said that the company was passing through a consolidation stage in its global presence from the time in which arrived in almost all continents but added that it would continue to assess new opportunities. "This is always in our strategic plan. What more can we do? How can we grow?" ■

markets,” said Nelson Salgado, vice-president of Embraer’s institutional relations and sustainability. “It was a founding factor right from the beginning.” Even when Embraer was a state-owned company created from an investment in an aeronautic engineering center, it looked abroad. The company’s first aircraft, the Bandeirante turboprop, was developed as a military transport plane. Embraer quickly made an 18-seater passenger plane from it which was exported within three years. This small airliner that emerged from Brazil ended up creating its own global market. “It was a regional air transport niche that did not even exist in the US at that time,” said Salgado.

The replies to the question on the reasons for going abroad varied according to the company. The overall picture that emerged from the USP/FGV survey showed a significant development, said Felipe Borini, from FEA/USP. For the first

followed by access to resources to improve the efficiency of the operations. (This latter category included natural resources, cheap labor and better financing conditions than was available in Brazil.) “Access to markets was a more important reason in the previous surveys,” said Borini.

Access to technologies and knowledge came first in the survey

time, the most important reason for going international was to obtain access to technologies and knowledge,

The authors of the study believe this development points to a recognition by the Brazilian multinationals that they are lagging behind in relation to the more advanced technologies and more dynamic markets. Acquiring assets or investing in more de-

GLOBAL TECHNOLOGY WITH LOCAL SERVICE

THE CREATORS of Easy Taxi — the app for smartphones that finds and calls a taxi a few minutes from where the passenger is — only wanted to provide a better service in Rio de Janeiro at first. However, they quickly discovered two or three things that turned this idea upside down. There were clients with the same needs in many Brazilian cities and emerging countries. The model could be copied and as the technology is new, it was very important to be the first in every market at the time of replicating it.

From there on, the step was to go international. The app was launched in Brazil at the beginning of 2012, arrived in Mexico City at the end of the same year and spread to other Latin America countries shortly afterwards. “It was a strategic decision,” said Easy Taxi’s co-CEO, Dennis Wang.

“The biggest barrier to entry in this industry is that you need to have a volume of taxis and rides.” In other words, progress needed to be made to occupy the promising spaces before other apps emerged on the market - in Brazil and abroad.

Easy Taxi is now operating in 30 countries, ranging from Saudi Arabia to Argentina and from Paraguay to South Korea. The company says the app has already been downloaded 22 million times worldwide and more than 450,000 taxi drivers are registered with the service. (The company does not reveal its revenues.) The numbers and accelerated expansion worldwide brought Easy Taxi close to those “born global” companies, usually technology startups that do not expect to grow in their country of origin in order to go

international and look at the global markets from their earliest days.

So, this means that what works for taxis in Rio, São Paulo and Mexico City works just the same in Seoul and Nairobi, right? Wrong. The lesson learned was that the app may be the same but to win clients (and taxi drivers) in different countries, you need to understand and respect the peculiarities and needs of each market. In other words, the technology may be universal but the service is always local and is not transferable.

Wang says Easy Taxi works on three pillars: safety, practicality and speed of attendance. What is important is the weight given to each of the components as they vary from country to country. “In one place, personal security is very important whereas in others the payment through the app is the

Wang from Easy
Taxi: 450,000
cab drivers in
30 countries

veloped countries may be the best way of catching up in terms of technology for some of these companies. Afonso Fleury, of Poli/USP, gave as an example the recent announcement by Biolab Farmacêutica, a São Paulo company, that it had set up a

research and development center in a drug industry hub in the Canadian province of Ontario.

The cosmetics and personal hygiene products company Natura, amongst others, has also adopted a similar strategy and has a research

and innovation laboratory in Singapore. The intention is to integrate the new Asian laboratory with the company's other laboratories in Brazil, the US and Romania.

"Having the labs working together will make an enormous difference," said Stefanini's Ailton during the debate. "Technology is changing. We have the Internet of things, In-

dustry 4.0 and the mega companies that are transforming themselves into services companies. We are

Investing in developed countries helps in the technological catch up

center in New York. (See more about Natura on page 32.) Stefanini itself announced the creation of a research

most important thing." In a country where credit cards are not used a lot, the integration of the payment systems to accept the card is not so important. "It's all a question of understanding the consumer's habits," he adds.

At the end of the day, the idea that Easy Taxi is a technology company is only partly right. "When you think of the company today, it is a hybrid of 50% technology and 50% operation. We always have to balance this out," says Wang. When the time comes to assess where it can enter, Easy Taxi begins by making a social and economic analysis of the market. It then aims to learn how the taxi business in the country works, evaluates the quality of the services and tries to understand consumer habits. Only then does it decide whether to enter or not.

There have been countries where it has opted not to proceed after carrying out a pilot experience.

Has being a Brazilian startup been a help or a hindrance? One concrete difficulty is access to capital. Wang says that outsiders entering Asia, as in the United States or Europe, are up against local companies that raise resources from investors with much more firepower than Brazilian companies. For this reason Easy Taxi decided to work with American, Asian and European investors, one of which is Rocket Internet from Germany. The startup says it has raised a total of R\$145 million in investments since it was founded. In terms of advantages, Wang believes cultural flexibility helps Brazilians to adapt more quickly to the way each country does business. ■



LEO NEVES

leading Stefanini into this new era.”

Learning abroad can be useful in other ways, even for a company that has technology in its genes like Embraer. Nelson Salgado told the seminar about a big additional gain the company obtained when it opened its capital abroad. The immediate reason was the need to obtain resources to invest in new programs after Embraer was privatized in 1994. These resources brought the need and opportunity to improve its corporate governance to satisfy the demands of the advanced markets. “The company had to adapt to the

For Embraer, it was a chance to upgrade its corporate governance

more developed standards of these countries and this put us in a much better position to face future challenges. We went after the resources and brought with it an experience of a far stronger governance that we had previously had.”

One new factor in this latest edition of the study was the evaluation

of the management styles adopted by Brazilian multinationals. The aggregate results of the survey showed that Brazilian global managers were primarily concerned with

achieving goals and results and following standard processes within the organizations. The development of innovative products and services and the management of talents were

LEARNING TO CHANGE CHANNELS

IN BRAZIL, Natura is almost synonymous with direct sales. A legion of individual distributors, known as consultants, spread throughout the country selling cosmetics and hygiene and beauty items produced by the company. Natura was founded in 1969 and is based in Cajamar, upstate São Paulo. It currently has 7,000 employees and 1.8 million consultants and had net revenues of R\$ 7.4 billion in 2014.

The multinational arm of Natura is present in six Latin American countries and France. Although it maintains a focus on direct sales, it also uses other distribution channels, in line with local habits. Meanwhile, the Aesop network — an Australian cosmetics brand Natura has controlled since 2013 — works with 120 retail stores in 18 countries in Oceania, Asia, Europe and North America.

What is the reason for this variety of distribution models by a company that is so associated with direct sales in its home market?

“The personal hygiene, perfume and cosmetics sector is very dynamic and most of the large groups operate more than one model,” said Marcelo Behar, the group’s corporate affairs director. This was an important learning point for Natura, he said, and it began to sell its products and services abroad through other channels, looking carefully at the experience of the consumer in each country. “The customers may want to have access to our products in different forms and find them at different moments of their day.” Aesop, for example, is the group’s brand for mature markets.

The regional and geographical differences can be striking. Behar said virtually a quarter of cosmetic and personal hygiene sales in Brazil were made directly. Neighboring countries and those with similar cultures, such as Argentina, Chile and Peru, receive this model well. However, direct sales do not attract more than 2% of the market



in France. The strong French retail tradition led Natura to set itself up as a store that could serve as a meeting point between the clients and the *conseillères* as the consultants are known. “The clients can buy directly in the store if they want to,” Behar said.

Why go directly to a consolidated and traditional market, such as France, after beginning to go international in Latin America?

in second place. Even innovation, when sought, was subordinate to these priorities. "Innovation was seen to be more directed at controlling costs," said Germano Reis, of EAESP/FGV. "It shows a profile that is very specific and also directed at efficiency and processes."

On the other hand, the results of the survey show that the global Brazilian companies do not reflect the image often attributed to domestically-based companies, such as mak-

Planning and CRM are among the priority managerial skills

ing decision on the spot and being centralized, in some of the features assessed. The incentive to absorb technology and incorporate knowledge could be a sign of this change. Afonso Fleury also pointed to the result of the evaluation in this survey of the managerial skills the Brazilian multinationals give

priority to. Planning and client relationship, i.e. CRM - Consumer Relationship Management, jumped into first place. This highlight indicates an approach that is directed at learning over longer periods and for external relationships, two characteristics that go against the stereotype of a company that is unable to plan ahead and concern itself with its clients' needs. ■



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(Natura's debut as multinational was in Chile in 1982.) "It was a vision of our founders to have a direct connection with the birthplace of cosmetics," said Behar. Paris and New York are the two benchmark centers for the sector and any company that wants to be global has to be present in them. Natura also has a research and innovation center in New York. "It is not a commercial operation but an important institu-

tional presence," he said.

Behar believes that innovation linked to sustainability is the main competitive advantage Natura has on the global market. He said Natura had been building a direct relationship over the last 30 years with 32 different communities whose input is extracted and sold at a fair price. Thirty-one of them are in the Amazon region and one in the south of Brazil. "We work with plants and seeds from the Amazon, such as *pripioca*, *murumuru* and *andiroba*, which no one had ever worked with before," he said. He is certain that the consumer notices the connection between keeping the forest alive and the products that are sold. "When people see a product made with elements that are so different from what they know in their daily lives, they understand the connections behind that story and see value in it".

Concern with sustainability

ends up driving the international expansion process itself. Behar says that Natura tries to reduce the environmental costs associated with international transport by manufacturing its products in countries where it is installed whenever it is economically viable. This is the case, for example, with Argentina — the group's largest international operation — Colombia and Mexico. These markets have enough scale and volume to sustain production by local partners. "Our management indicators are not only economic. They also take into consideration the environmental costs and social gains from the activity," he said. If the difference between producing in the country of consumption or importing from Brazil was not important from the economic point of view, the choice of one or other side is taken without any problem. "When producing in the country of consumption brings an environmental gain, we have opted for local production." ■

“We can’t remain outside”

The international affairs director of the São Paulo State Federation of Industries (Fiesp), Thomaz Zanotto, believes Brazil has to take part in the discussions on the new global governance which have arisen as a result of the negotiations on the Trans-Pacific Partnership (TPP)

NELY CAIXETA AND ARMANDO MENDES

It has been a long time since a business news item has raised as much interest as the announcement last October that 12 countries, including Brazil’s neighbors Chile, Peru and Mexico, with the United States and Japan leading the way, agreed on the biggest trade partnership in history, the Trans-Pacific Partnership, better known as the TPP. In this interview, the director of the International Relations and Foreign Trade Department of the São Paulo State Federation of Industries (Fiesp), Thomaz Zanotto, warns that Brazil cannot remain on the sidelines of a group that has not just created the world’s biggest free trade zone, involving 40% of global GDP, but one that will also rewrite the trade rules for the 21st century thanks to its unprecedented reach. “A new global governance is being discussed at a very fast speed,” said Zanotto about the agreement that will be signed next February in New Zealand. “We would prefer the government to give the lead in this process but if it does not show the way forward then we will.”

Why did Fiesp decide to publish a full-page announcement in the newspapers to alert the public to the impacts of the TPP?

This should be seen against a more general backdrop in which there is a change in the framework of how business leaders behave. The chance of applying band aids with

Brazil, which spends all its time complaining that it did not take part in the post-War global discussions, is outside once again

the government and trying to offset problems by little agreements has ended. We now want to discuss the kind of country we want. We see that we have reached such a point that there will be no recovery from this crisis unless we reformulate the whole country. As part of this, Fiesp’s international area decided

to hold an internal discussion and concluded that, whether we want it or not, we are entering a new economic political cycle at world level. A new global governance is being discussed at a very fast speed. Meanwhile, Brazil that spends all its time complaining that it did not take part in the post-War global governance discussion – the structuring of the large bodies like the United Nations Security Council and the International Monetary Fund – is now seeing that this is happening again and, once again, will remain outside. The fact is that we are not outside. We are inside. Only we are not participating. At the end of the day, these are the rules that will be valid for us as well.

What are the immediate consequences of this agreement for Brazil?

There will be a very quick revocation of 18,000 tariffs within this bloc which could have a direct economic impact on Brazilian exports. The Japanese gave the Australians a meat quota and if they buy coffee now, they will buy it from Vietnam and no longer from Brazil. The same



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goes for shoes. The Financial Times and other newspapers have drawn attention to the geo-economic consequences of the TPP. The trade part is certainly important but the reach of this new arrangement goes much further. This is precisely the question which appears in that announcement we put in the newspapers. A new world center is rising rapidly which will have a very strong impact on world decisions. I'm talking about an expanded Asia – the Asean countries, China and India. This will be the world's fastest-growing region in the coming two decades. It is actually the only region in the world that will have considerable growth. The rest will experience the so-called new normal – a period marked by low growth, low inflation and a low increase in consumption.

In what ways is the TPP a different trade agreement from those that have been made until recently?

First of all, in its reach. If we go back 10 years in time, the World Trade Organization's Doha Round, for example, that now looks Jurassic, was a round of talks that only dealt with access to markets – tariffs and subsidies. It did not discuss services and other things. The TPP, known as the agreement of the 21st century, is a fourth generation accord. Of course it deals with trade, tariffs and access to the market but it also deals with services, the transfer of Internet data, the location of data centers and patents. In other words, it is an agreement that has an exceptional reach which caught us a little by surprise because we did not know this was even being discussed.

Are there other surprises in the points that have been announced?

The agreement enters into the

domestic policies of countries, something that would have been unthinkable 10 years ago. Do you want to make an agreement with me Vietnam? OK, well your labor unions will have to be really free and no longer a pretend association that is actually run by the Communist Party.

It was an attempt to create equal conditions for all among the signatory countries, is that so?

Exactly, that's the nub of the question. To give one example, Vietnam has to provide clear rules on how its labor unions operate, for the

We would prefer the government to give the lead in this TPP consultation process. If it does not then we will

question of the SOEs (State-Owned Enterprises), how they will function, what kind of subsidies they can have and under what rules they will play. Brunei agreed to ban child labor. Slave labor is being combatted, as is trafficking in wild animals and predatory fishing. All this is aimed at China to an extent.

In what sense?

China is still not part of the agreement although it is the world's second-largest economy. However, it still does not have the ability to exercise its power and tell others what to do. Nevertheless, the time will come when it will have its own aircraft carriers. Therefore, the countries that signed up wrote the rules

for global government so that when China does join, the other members will be able to say: "Great, China, you are warmly welcome providing you follow the rules practiced here".

Is Brazil prepared to participate in a game with these new rules?

Do you know why we chose to put an announcement in the newspapers? Because we saw that the Brazilian government, for all the reasons that are known and others, is still running a 1.0 program in this business while these people are running a 5.0 program. We wanted to give a wake-up call saying a revolution is going on and when this happens you lead, follow or get out of the way. This is the message we are conveying. We went to the Itamaraty, in various places and said we cannot remain out of this agreement because if we stay out of it, Brazil will miss the boat once again. We are still in 1946 or 1947 in terms of global governance and foreign trade. Everything is being redrawn again. Brazil has the conditions to sit at the table and give its input. However, once again we are outside because part of the government is paralyzed. Another part is doing something else that I don't really understand. If it is the Bolivarian caliphate, then obviously it did not work. This change will only come about with an order from above.

Do you believe in the government's convictions in this respect?

President Dilma Rousseff has various notions about this. She talks a lot about science, technology and innovation and pushed the question of relations with United States very strongly. However, she has a foreign affairs secretary who lives in the 19th century. We would prefer the government to give the lead in this

process but if it does not show the way forward then we will

What is industry suggesting that Brazil do?

Brazil should analyze and create mechanisms of consultation and exchanging information to see what these agreements are about and whether they are of interest to the country or not. Our first impression is that they are in our interest. We believe it will be more advantageous for the country than the best we can achieve in a bilateral, bi-regional agreement with the US for example.

What would be the best way for Brazil to integrate itself in a regional agreement of this kind?

The US has managed to give trade conditions to its partners that it would never give in a bilateral agreement. To such an extent that some countries that already have bilateral agreements with the US are asking to upgrade to the TPP because the conditions are better. The Americans managed to get Japan on board, a country that has made no significant agreement for 20 years because they were flexible in the agricultural question and gave Japan 30 years to remove subsidies.

But what concrete benefits could Brazil have in an agreement like this, as it is not a Pacific country?

Those countries that are in the TPP represent almost US\$ 53 billion in exports for Brazil. This is not peanuts. Our exports are now falling but we are talking here about around 20% of exports. We already have agreements with all the countries in South America that have joined and will join the TTP. Colombia will enter in the next stage. We already have agreements in which tariffs will be abolished by 2018 and 2019.

We will have a trade zone with Peru and Chile, both signatory countries to the TTP. The agreements are on trade but they are also on governance and a series of other subjects, such as, for example, the question of the use of hormones in cattle, patents etc.

Why do you believe this new kind of order would be positive for Brazil?

Brazil has already delivered a large part of the internal policies requirements that are in the agreement. We already have a sophisticated labor law which is, in fact, too

Brazil has already delivered a large part of the internal policy requirements that are in the Trans-Pacific Agreement

burdensome. Slave labor is a crime in Brazil and trafficking in wild animal can lead to a prison sentence. The question of fishing is highly regulated, as is the whole environmental issue. This facilitates an agreement that involves countries like Malaysia, for example. Industry did not want an arrangement like this in the past because child labor was practiced there and there was no minimum wage but now there is. A higher level playing field, as the American call it, has been introduced. This is a rule of the game at a higher level that applies to everyone and allows everyone to compete except those who do not respect the environment, use child labor and have plants with slave-like labor conditions.

Why would the countries that are in the TPP be interested in Brazil joining?

People look at Brazil and know it is a country that will be stronger in a short time, in two or three years. The weight is greater when you add Argentina and the other Mercosul countries. We are essential in solving the world's food problem. Brazil has an asset that will be the main flashpoint from now on which is water. Professors from an American university told us a year and a half ago that Brazil would be the next focus of global industrial investment due to its water reserves. I answered: "I know, a cow drinks 50,000 liters of water and a ton of soybeans needs so many liters of water". They answered: "No, we are not talking about agribusiness. Making a microchip requires 40,000 liters of pure water. Billions of microchips are needed and China will not be able to make them if it does not have water close by".

Has Brazil received any signs?

We spoke recently to the chief lawyer of the US Trade Representative (USTR) who was enthusiastic about the possibility of Brazil joining the TPP. The Japanese Ambassador spoke to one of our directors and also showed pleasure at this possibility. We recently had a meeting with the equivalent body to Fiesp in Chile (Sofofa). They are enthusiastic and we have already agreed how to set up this mechanism. As I said it is time to act. From our side, we cannot wait for the situations related to Congressional leader Eduardo Cunha, President Dilma Rousseff and foreign affairs secretary Marco Aurélio Garcia, to be resolved while everybody else is beginning to change their minds and decide what the world will look like in the 21st century. ■



Heavyweight newcomers

Votorantim Cimentos and InterCement, which belongs to the Camargo Corrêa Group, only started to go international with their operations this century but already occupy outstanding positions in the sector globally

DARIO PALHARES



Expansion
ahoy:
VC plant in
Turkey

Some observers attribute the caution to a certain aversion to competition on a grand scale while others relate it to the satisfaction with the domestic Brazilian market which is one of the biggest in the world. The fact is that the large Brazilian corporations usually give a lot of thought before taking the decision whether to go abroad or not. Votorantim Cimentos (VC) and InterCement, which belongs to the Camargo Corrêa Group, were no different. It was only in this century that both of them, which jointly had around 60% of the sector sales in Brazil, decided to raise their banners abroad for good. Despite the delay, the results achieved to date

have been impressive. Thanks to a great extent to acquisitions made abroad, both are already among the 20 largest corporations in the sector in the world in terms of installed capacity, with Votorantim in 12th posi-

Cemex's thrust was a stimulus and alert for Brazilian companies

tion and InterCement in 18th. When Chinese and Indian cement producers are excluded – since their overseas operations are insignificant or non-existent as they give priority to

their home markets – the two Brazilian firms stand out even more in the ranking. They jump to fifth and ninth positions, respectively, with around 80 plants, two thirds of which are in other countries and

have a total production potential of 100 million tons a year.

“Although they are highly successful, the delayed move towards international expansion by InterCement and Votorantim Cimentos, in particular, were in response to the lower rate of growth in Brazil in the 1990s and the start of the next decade,” said economist Albino Fernando Colantuono, author of the

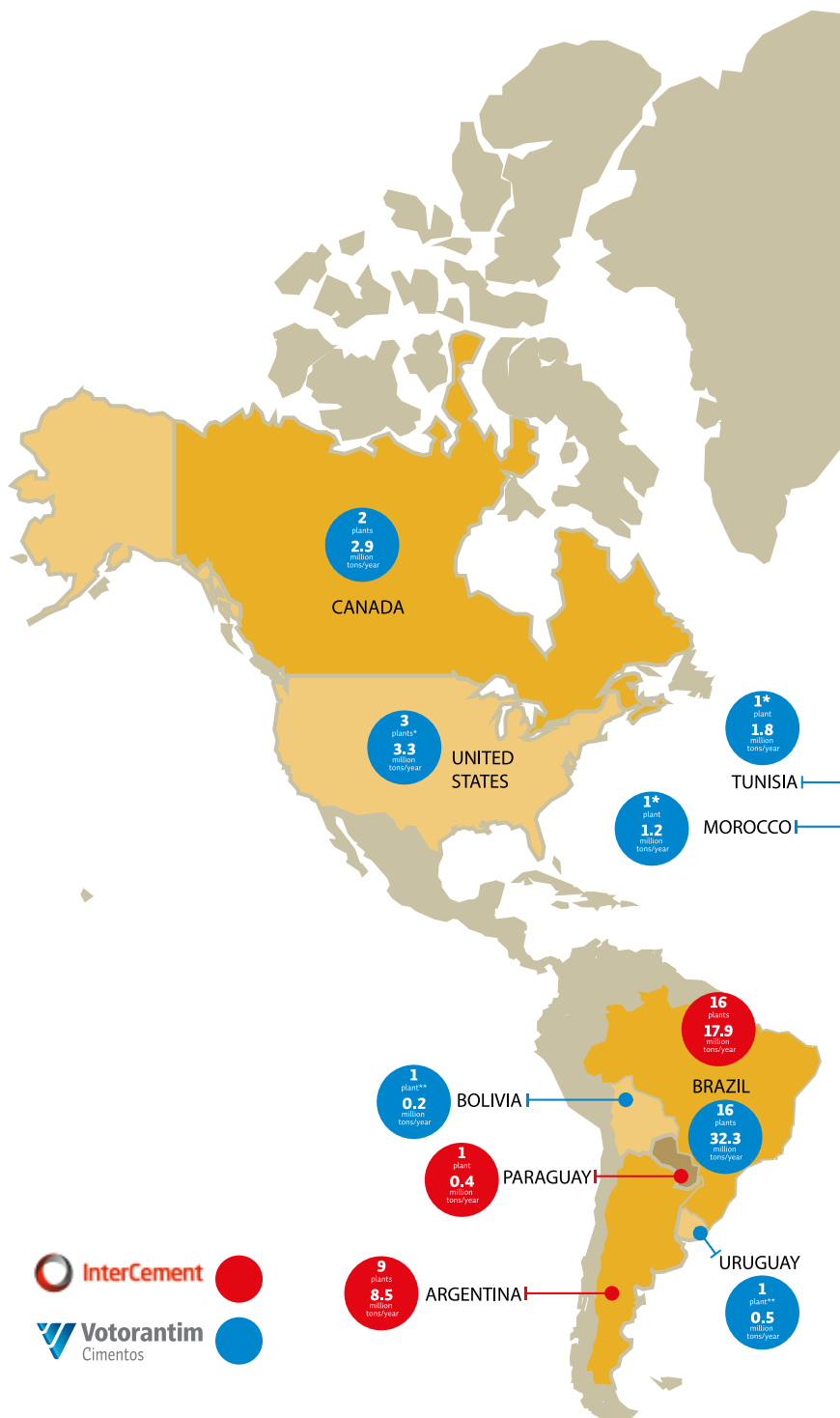
master's dissertation "International expansion of raw material producers in developing countries – Analysis of steel and cement companies" which he presented to the Science and Literature Faculty of the Paulista State University (Unesp) in Araquara in 2009. Colantuono said an external factor also influenced the decisions in both cases. This was the thrust by Mexico's Cemex (see box on page 56) from the end of the 1980s, which also served as a spur and alert to other cement producers from emerging countries. "Cemex began its expansion in the United States and shortly afterwards started setting up in other countries. By the 1990s, it was the third-largest global cement producer. In the wake of this process, a number of its rivals went shopping to gain muscle, thereby reducing the risk of being swallowed up," he added.

VC was founded in 1933 and had an additional reason for pursuing business abroad. As it had a domestic market share of around 42% at the end of the 1990s, it had little room to grow at home by buying other producers, due to the tight grip of the federal anti-trust body, the Economic Defense Administrative Council (local acronym CADE). The company had actually made a step towards international expansion in 1989 when it linked up with the Bolivian company Tumpar Materiales de Construcción to create the Companhia de Cimento Camba, a crushing mill in Puerto Quijarro, a town near the border with Brazil's Mato Grosso do Sul state. It then decided to go on higher and longer flights.

Its first big opportunity abroad arose ironically thanks to a decision by the Canadian anti-trust body known as the Competition Bureau. At the turn of the century, it decided

GLOBAL REACH

OPERATIONS OF Votorantim Cimentos and InterCement – cement production plants and installed capacity

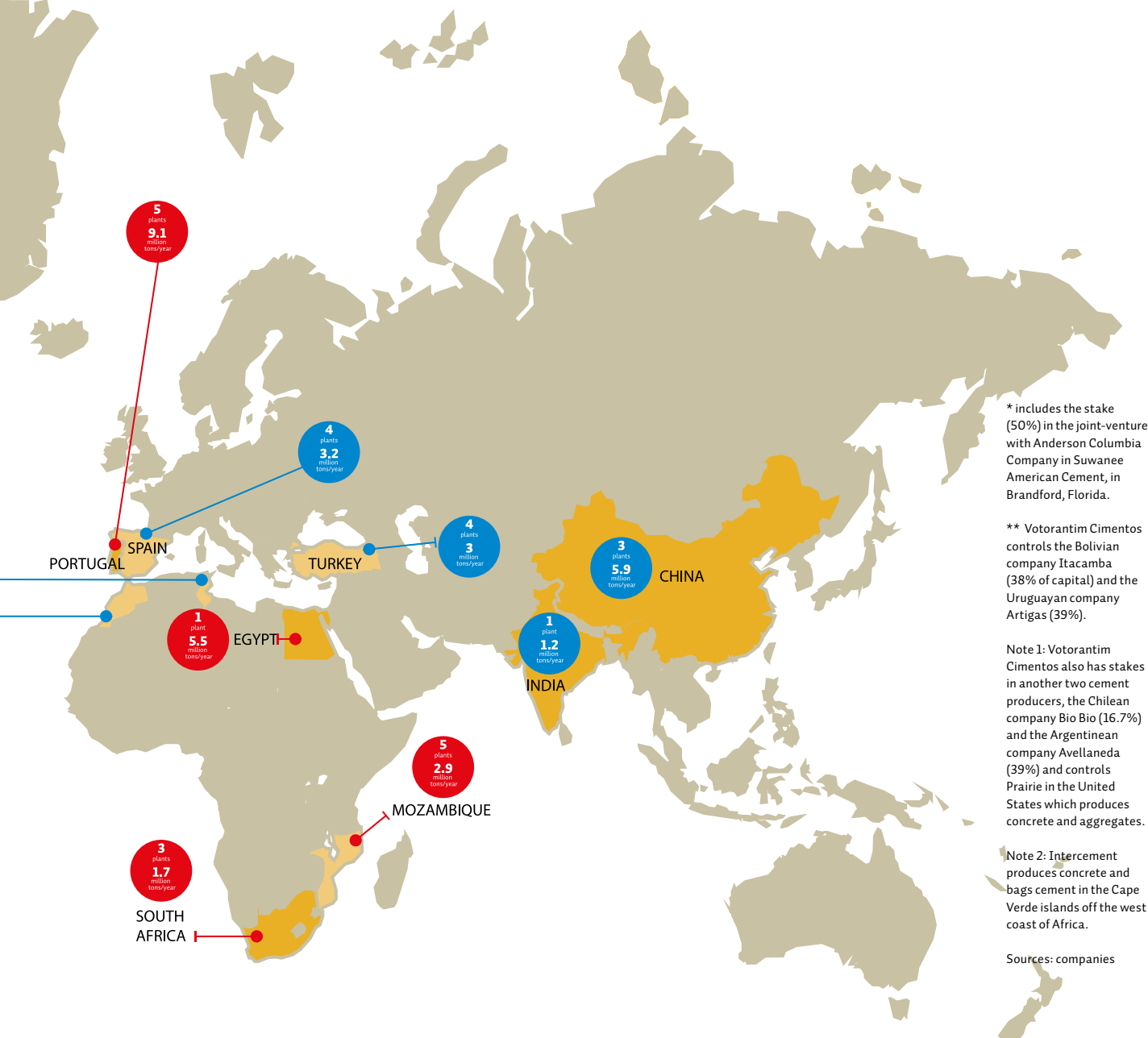


that the French producer Lafarge would have to sell off some of its assets in Canada. The part that ended up in the hands of VC, which is controlled by the Ermírio de Moraes family, was respectable. It paid US\$ 727 million and assumed control of St. Marys Cement in 2001. The

company had two cement plants in Ontario province, a crushing mill in Detroit, in the United States, seven terminals on the shores of the Great Lakes, a transporter and 39 concrete production units. “The Great Lakes region where St. Marys operations are situated is strategic. The busi-

ness is carried out by barges and is intense,” said André Leitão, global executive director of corporate development.

The experience paid off. So much so, that VC crossed from Canada to the US shortly afterwards. It paid around US\$ 104 million for a 50%



stake in Suwanee American Cement in Florida in 2003 and became the owner of Badger Cements, a cement crusher in Wisconsin. In November of the following year, it consolidated its presence in the Great Lakes region by acquiring two plants in Charlevoix (Michigan) and Dixon (Illinois) from Cemex for US\$ 413 million. The package also included eight cargo terminals and some boats. “We opted to strengthen our presence in the United States, which was the biggest cement consumer at the start of the century. It’s true that the Americans were later overtaken by the Chinese and Indians but their market is still very strong. Lafarge and the German company Heidelberg were the only producers with a national reach and, even so, they had to work hard as no-one had a



share of more than 20% of sales in the 50 states,” Leitão added.

At that time, in the second half of 2004, the attention of the cement giants was directed at the southern hemisphere. More precisely on Argentina, where Loma Negra, with 48% of local sales, was put up for sale to would be buyers by Amalia

Lacroze de Fortabat, the widow of the founder, Alfredo Fortabat. The price was high at around US\$ 1 billion, equivalent to nine times the expected operating cash flow for that year. Cemex pulled out of the dispute after acquiring the British company RMC for US\$ 5.8 billion and, by doing so, doubling its size. Another three strong candidates, Cimpor from Portugal, Switzerland’s Holcim and Lafarge also withdrew. Those left were Votorantim, which hoped to see a fall in the price demanded, and a name that coveted a place on the international front, Camargo Corrêa Cimentos, a subsidiary of the conglomerate founded by Sebastião Camargo, which was created in 1968

At first, the aspiring multinational proposed paying partly with shares but its offer was rebuffed.

TECHNICAL STANDARDS BOOST INTERNATIONAL EXPANSION

THE INTERNATIONAL expansion process of Votorantim Cimentos and InterCement also occurred at domestic level. They were accompanied by the sector’s trade body, the Brazilian Portland Cement Association (ABCP), which also started looking abroad. The association’s head office is located near São Paulo University and it did not open or intend setting up offices and laboratories abroad. However, it already has an international presence, thanks to its work on the Cement, Concrete and Aggregates Committee of the Brazilian Technical Standards Association (ABNT), which represents the country in the International Organization for Standardization (ISO) on issues related to concrete. The first achievement of the group, in which technicians from institutions of the

industry and academics participate, occurred in 2008 when the ISO evaluated the ABNT’s NBR 6118 standard which established the framework for concrete structure projects. The ABCP and its partners repeated the analysis in October of this year, thereby ensuring a new international recognition for the Brazilian standard.

“We needed the ISO to be re-endorsed, as the NBR 6118 standard has been improved in recent years, particularly in terms of sustainability and durability,” said geologist Arnaldo Battagin, director of the ABCP’s laboratories. “We were given the green light at a meeting in South Korea two months ago. For the second time in seven years, our standard was regarded as being 100% in line with the global benchmark in the ISO 19338 area.”

As a result, Brazil ensured its position within a select group consisting of the European Union and eight other countries, including the United States, Japan and Australia. This is a breakthrough for the projects and buildings offices of the members of this “club” as they can now plan and execute concrete structures anywhere in the world in the same way they do in their head offices. “This represents a good saving for Brazilian companies operating abroad as they do not have to hire foreign technicians to adapt projects to the standards of this or that country,” Battagin explained.

The ABCP was founded in 1936 and, although it is a benchmark in standards, its main purpose is research. Around 25 years ago, for example, its laboratories put

It then offered to pay the whole amount in installments. Amalia Lacroze de Fortabat agreed but raised the asking price to US\$ 1.2 billion. Camargo Corrêa did not give up and, with a lot of cool and patience, presented all the arguments possible to convince the widow that its final offer was the most generous.

The soap opera only ended in July when Camargo Corrêa Cimentos concluded the biggest transaction in its history until then and paid US\$ 1.025 billion for Loma Negra's nine cement plants and all its subsidiaries. These included Cementos del Plata, a joint-venture with the state-owned Uruguayan company Ancap,

Recycomb, which treated industrial waste, and Ferrosur Roca, a railroad with 3,300 kilometers of track that interlinks the Argentinean group's production units. "Loma Negra's installed capacity, of seven million tons a year, was higher than our capacity in Brazil. This allowed us to quadruple our sales in a short time – from 2.7 million tons to 10.2 million between 2004 and 2009," said Ricardo Lima, InterCement's CEO, who headed the operation in Argentina between 2008 and 2010.

Besides leveraging its business, the acquisition ensured the company learned the fast way on its first venture abroad. Lima recalled that Loma Negra already had a modern research center, a key factor in



Brazil on the world map in terms of co-processing – which involves using waste in cement kilns – with the burning of tires. This technique was established in the mid-1990s and brought about an environmentally correct way of burning. In 2011, 220,000 tons of rubber tires, equivalent to 45 million units, which if placed one after the other would stretch from Rio de Janeiro to Tokyo, were burnt. "As well as reducing the effects on the environment with the

decomposition of those that take the longest time to break down and bring a decline in the use of fossil fuels, the co-processing of tires led to the emergence of a business chain. The collectors and processors of the material are at one point of the chain and are remunerated by the cement producers when they supply a refined input. Companies involved in projects and adapting kilns, some of which also have clients abroad, are at the other end," Battagin added.

The Association's latest innovation may be seen shortly by the people of São Paulo. These are blocks of self-cleaning concrete, developed in partnership with the city's São Judas Tadeu University, which are being installed on the pavement in the Sete de Abril street area in the center. The technology was created by the Italian company Italcementi and incorporates titanium oxide to the cement blocks which then manage to free themselves of stains and odors in a few weeks by means of vaporization. Furthermore, to the delight of the street cleaners, the material makes it easy to remove sticky chewing gum. "Our touch in the European invention is the use of a paint based on the main active ingredient that guarantees the same benefits at a much lower cost," Battagin said. ■

product development, and excellent practices in retaining client loyalty. The combination of these factors with the new controller in monitoring markets guaranteed greater technical and business negotiating expertise in the dual national project. “Years earlier, Cemex had begun to assimilate modern managerial techniques in its expansion. This experience also encouraged the Brazilian cement producers to follow its example,” said Colantuono.

The following investments by VC and Camargo Corrêa Cimentos, which had still not changed its name, made the differences between their international expansion strategies more evident. VC had invested around US\$ 190 million at the end of the last decade to become a partner in three South American cement producers – Chile’s Bio Bio (16.7%), Argentina’s Avellaneda (39%) and the Uruguayan company Artigas (39%). On the other hand, it spent an estimated three times as much in the same period to strengthen its operations on its priority foreign market, by obtaining control of the concrete producers Prestige and Prairie in the US. For its part, Camargo Corrêa began building a cement plant in Paraguay in 2009 and signed an agreement with an Angolan company, Gema, the following year to set up another plant in Lobito, in Benguela province. “Our focus is centered on emerging markets with a growth potential above the world average. This includes Africa and South America, as well as Brazil. Obviously, the risks are greater but the return is much higher and well above that from the developed countries,” Lima said.

The range of the two companies’ preferences would be expanded when the battle to win the giant Portuguese company Cimpor



started. It had plants in nine countries (six in Brazil) and installed capacity of 46 million tons a year and was being looked at by CSN Cimentos, a subsidiary of Companhia Siderúrgica Nacional (CSN) which had just started operations. It presented a hostile bid of US\$ 5.5 billion for control at the Lisbon Stock Exchange at the end of 2009. It used the same tactics as Cemex in its first

chance for CSN and Camargo Corrêa to gain positions in the domestic ranking. Votorantim, with 40% of the local market, had nothing to lose. It would be difficult to obtain the anti-trust body’s approval for the incorporation of the sector leader’s plants in the country. However, if the attempt should fail, taking over the Portuguese company’s plants abroad would still be a good deal.

Votorantim rehearsed its expansion process, in Bolivia in 1989

attempt to take over the Australian company Rinker three years earlier. VC and Camargo Corrêa wasted no time in reacting.

Cimpor’s jewel in the crown was its Brazilian arm which was responsible for almost 40% of its global production potential. It was a great

Despite getting to the forefront, CSN soon fell behind. Its offer was not well received and the competition gained time to react. In February 2010, Camargo Corrêa and Votorantim already held stakes of 32% and 21.2% in Cimpor, respectively. Two years later, Camargo Corrêa, which had changed its official name to InterCement in 2011, acquired another 41% of Cimpor’s shares, making it the majority shareholder. It then assumed the Votorantim stake



HANDOUT

1



DIANA QUINTELA / GLOBAL IMAGES

2

1 Loma Negra: “baptized” InterCement abroad
2 Lima: eyes on the emerging markets

in exchange for 12 plants abroad, raising its total spending on gaining control to around US\$ 3 billion. The CADE, which ended up vetoing the Ermírio de Moraes family’s participation in the company, approved the partition.

“Before the acquisition of Loma Negra 10 years ago, we were the fifth-largest producer in Brazil, with five plants and sales of 2.7 million tons of cement a year. Now we are the vice-leaders on the domestic market, have 40 plants, are present in eight countries and our sales have reached the 30 million ton mark,” said Lima. Before taking over InterCement’s global operations, Lima ran Cimpor in Lisbon for three years between 2012 and last July.

Portugal, as we saw, did not figure in the company’s expansion plans. However, the five plants located there have become valuable triumphs, thanks to the recovery in local sales which have jumped by 10% and also for the prospects

of penetrating on new fronts. The Portuguese have been playing a decisive role in exploiting the Africa market – one of the priorities of InterCement which is present in four African countries. They have also helped in taking the brand to Paraguay through exports. “When our plant in Yguazú was ready in 2014, we already had a 40% share of the local market. We only had to replace

Dispute for control of Cimpor involved three Brazilian companies

the cements of Cimpor, Loma Negra and ours, here in Brazil, by the Paraguayan cement.”

Votorantim, which considered opening its capital two years ago, also changed level. Its installed capacity at the time jumped in the blink of an eye from 35.9 million

tons to 52.2 million a year with the incorporation of the Cimpor plants in Africa, Spain, Turkey, China and India. Revenues grew between 2010 and last year at an even greater rate – from R\$ 8.5 billion to R\$ 12.8 billion, an increase of 50.6%. “We began operating in markets we knew nothing about, with very different customs. We then decided to adopt a governance with a world character,” Leitão said.

The process began with the arrival in December 2013 of the German executive Walter Dissinger who became the general CEO, heading all the businesses in Brazil. As soon as he assumed command of the company, with its head office in a modern tower in the Vila Olímpia district of São Paulo, he began to form his senior staff of eight executives, including those responsible for operations in Europe, Asia and Africa, based in Madrid, and for North America, with its main office in Toronto. The company had around 16,000 employees worldwide in February and took a further step to enhance its global management with the holding of its first international meeting in São Paulo which was attended by 80 directors and managers from various countries.

VC operates like InterCement and prefers to keep local people in charge of its foreign operations. Africa is the only place where this rule was not followed. “We have different levels of social and economic development in the various countries where we operate along with spe-



LEONARDO RODRIGUES

HANDOUT



1 2

cific cultural factors. We integrate new accents, learn with them and prepare the company for a new wave of value creation,” Dissinger said.

Appreciating the local people from its operations abroad facilitates their integration with the head office. It also allows a greater flexibility in identifying and absorbing the innovations of the subsidiaries. For example, VC “imported” logistical systems from its American operations that allow it to manage its concrete mixer fleets in Brazil better. It is now preparing to adopt an Af-

rican creation. “We learned that our people in Tunisia have developed a

VC will increase installed capacity in the US and three other countries

technology that transforms the heat generated by the cement kilns into energy and are evaluating its implementation in Brazil and other coun-

tries,” Leitão said.

The company raised € 500 million to extend its debt profile and promises to expand installed capacity abroad shortly. Four new production lines will come into operation in the next three years – in Turkey, Bolivia, the US and Argentina. VC is a partner of Cementos Avellaneda in Argentina which will account for a large part of the investments scheduled for the 2012-

MEXICAN BOGEY MAN

THERE IS nothing like a large, prosperous neighbor to encourage the adventurous spirit of companies. As Mexico’s Cemex gained muscle in the first half of the 1980s, it began exporting to the United States. The growing sales led the company to sign partnerships in 1986 with Southwestern Sunbelt Cement and Texas Sunbelt Cement, control of which it would assume shortly afterwards. It would subsequently take over another five American

companies. These acquisitions were rehearsals for the undertaking of the next step in the expansion plan which foresaw the company moving overseas. Cemex’s appetite for the undertaking won it headlines in the foreign business media. This was because its first investment – the purchase of the Spanish companies Valenciana and Sansón for US\$ 1.8 billion in 1992 – was followed by another 12 big deals by 2007. The highlight was the acquisition of

Australia’s Rinker for US\$ 14.2 billion in June of that year.

“Cemex’s international expansion strategy, which influenced those of Votorantim Cimentos and Intercement, was audacious. The group, which had divested all of its non-core businesses in the 1980s, looked for distant markets and stood out as a result of the sheer size of some acquisitions. It often took out loans to make the deals possible,” said economist Albino



1 On the edge of the Sahara: VC team in Morocco
2 Dissinger: “Integration of different accents”
3 New front: InterCement plant in Portugal

countries. This is a natural choice, as Brazil, which previously accounted for over 50% of revenues that came to € 2.6 billion in 2014, saw its share shrink to 35% as a result of the crisis caused by the adjustment in the public accounts. Among the priorities are Egypt, Argentina and Mozambique, where the economy has been growing at double digit rates for some time and the company has a share of 60% of sales.

“There is a lot of growth potential in these markets due to their housing shortages and need to build infrastructure projects,” said

Lima who is currently considering potential partners to serve these overseas demands. “Minority partners will help us a lot in expanding the business and meeting two of our main goals – to remain

among the 10 largest cement producers, excluding those from India and China, and figure among the five most profitable.”

2018 period amounting to a total of R\$ 5 billion. Therefore, everything indicates that the share of revenues in foreign currency of the total, currently around 40%, should increase. There may also be new overseas investments which could arise by the end of the decade.

“We are currently examining various opportunities at global level,” said Leitão, indicating that Latin America was one of the regions the company is considering. “Peru, Colombia and Mexico, for example, are very interesting markets. How-

ever, the opportunities must have a growth potential and important

InterCement considers the entry of partners to leverage business

positions as far as market share is concerned.”

InterCement is also planning to increase its firepower in emerging

Fernando Colantuono, author of a master’s dissertation entitled “International expansion of raw material producers in developing countries – Analysis of steel and cement companies” which he presented to the Science and Literature Faculty of the Paulista State University (Unesp) in 2009.

Cemex is currently present in around 50 countries – including Brazil, where it has a riverside terminal located 20 kilometers from

Manaus. The Mexican bogey man has annual revenues of US\$ 15.7 billion and 57 plants worldwide. It is seventh in the sector ranking, with installed production capacity of 94 million tons of cement a year – 8.4 times higher than in 1985. However, its firepower is not what it used to be. Cemex has been hit by a double blow from the effects of the international financial crisis, which toppled its sales and increased its liabilities to US\$ 16 billion – mainly related

to the acquisitions carried out until 2007. As a result, the Mexicans have become mere onlookers at the negotiations to buy the assets estimated at € 5 billion which France’s Lafarge and Switzerland’s Holcim are having to sell off as part of the conditions imposed by the anti-trust bodies of a number of countries to approve their merger. This new merged company will be the largest cement company on the global market.

Brave new world

Digitalization has the potential to boost Brazilian industry's competitiveness

JOSÉ BORGES FRIAS JR.*

What do Uber, WhatsApp and Google Music have in common? They are all responses from technology to society's demands for services and information with quality, speed, efficiency and security. In 1965, the American Gordon Moore, co-founder of Intel, claimed that the capacity of processors would double every 18 months while their costs would remain constant. This forecast became known as Moore's Law and has now been more than established. This burst of high tech that began in the 1960s was the base for all the digital progress we know today.

This enhanced development is a threat to many established businesses. The change is usually so fast that they have no time to accompany the rate at which the paradigms are broken in terms of author's rights, regulations and taxation. For example, the distribution of music through digital compact disks - in itself a complete break from the analogical vinyl disk - was soon made obsolete by the streaming model downloaded via the web. It is not unusual for a musician or band to release a new album by making the download available through the Internet. Similarly, selling books has migrated to virtual bookstores. The mobile phone that was created to literally bring mobility to a fixed line phone became very different

after the launch of the smartphone at the start of the 2000 decade. We now hold in our hands a miniscule,

powerful, portable computer that can handle multimedia messages, games, videos, television on de-



mand, as well as support the social networks, electronic business and apps with the widest uses.

Another example is Uber, a service that challenges an urban transport model that has existed for over a century — the taxi. Alternatively, apps such as 99taxi and Easy Taxi modify the use and business equation of the taxi services without threatening their very existence, as Uber does.

These examples are part of the

B2C area (Business to Consumer). However, there have been even more dramatic impacts in the B2B area (Business to Business) arising from the constant pursuit of productivity, flexibility and the efficient use of resources. In Germany, the government, academics, companies and trade associations claim that a fourth industrial revolution is underway, based on the complete merger of the real and virtual world through the integration and connection of machines, processes and the means of

allow products with a great variety of features to be made on the same flexible production line. Through sensors and Radio Frequency Identification chips (RFID), the products tell the machines how they should be produced. After reading the product specifications, the machines talk amongst themselves to produce them in coordination.

The new industry operates by being connected to a dynamic production network backed up by intelligent systems that use, for example, cloud computing and big data analysis. The new model is responding to the demand for greater productivity and the need for a more efficient use of energy and resources. However, in Industry 4.0, in-

novation is not restricted to technology but crosses over to impact the business models themselves. This is a real cultural change.

The United States, which had transferred some of its industries to Asia in pursuit of cheap labor, is now bringing them back again. Digitalization is now responsible for closing the competitiveness gap and bringing about this Manufacturing Renaissance. Both the Americans and the Germans see digitalization as a means of raising the level of productivity of workers in manufacturing industry which is currently in the range of US\$ 67 and US\$ 56 an hour, respectively.

China faces a new outlook, ma-

Merger of real and virtual worlds brings new industrial revolution

production within an efficient value generation chain. This is known as Industry 4.0.

This revolution assumes the use of digital resources in the design and prototyping of products and their means of production, reducing or eliminating the need to build real prototypes, which is speeding up product and production line development. The time-to-market in a project that is developed and tested virtually is much shorter. The time to create a car was reduced from eight to three years.

Another important concept for Industry 4.0 is that of cyber-physical systems which can bring about mass customization. These systems



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rked by the fall in the GDP growth rate from two digits to just one. With an eye on this decline, the government launched two programs in 2015: Made in China 2025, aimed at making the country the world's leading manufacturing nation, and Internet+, which is encouraging digitalization as the way ahead for innovation and productivity.

BRAZIL: GREAT OPPORTUNITIES

The prospects that are opening for the rich countries and China for industry based on technology and digitalization increase the challenges facing Brazil, where industry's share of GDP has slumped from 27% in the 1980s to 9.3% in 2015. The cost of production in Brazil is high and the productivity per worker in manufacturing industry is only US\$ 11/hour.

Brazilian companies that intend taking part in this new global digitalized market face the unavoidable task of modernizing and reinventing their business models to fight on an equal basis with foreign competitors. The good news is that, even in a crisis, Brazil is in transition and digitalization brings a great opportunity with it to increase productivity.

A recent study carried out by Siemens in partnership with the Fundação Dom Cabral business school shows that digitalization can increase Brazil's competitiveness and boost its economic growth. This is the feeling of 85% of the 250 CEOs, CIOs and technology specialists of the main Brazilian companies operating in strategic sectors of the economy who were interviewed in the survey entitled Digitalization, Trends and Solutions for a More Competitive Brazil. The result showed that Brazilian industry has the flexibility

to adopt new technologies and that companies' information technology areas are increasingly taking part in strategic business decisions.

The study also shows that digitalization is bringing benefits in terms of the efficient use of resources (for 95% of those interviewed) as well as decision taking and energy efficiency (for 90%). A smaller amount (64%), identify digitalization as a facilitator for new business models and 60% see it as a way of shortening the time-to-market. Asked whether they already had a wide-ranging digitalization strategy developed in their companies, the combined "yes" and "yes, partly" answers came to 72%.

The result in a similar survey carried out in Germany was 56%. This could give the wrong idea that Brazilian industry is more digitalized than that of Germany but when we compare other results, our conclusion is that the level of maturity and understanding of the two countries on the issue is really very different. Brazil has to do its homework and understand that digitalization technologies provide us with means to define the right strategies. Brazil cannot run the risk of being marginalized in this global movement for productivity. However, it should be pointed out that Brazil has lost positions in the world competitiveness ranking and is now in 75th place among the 144 economies analyzed. This fact coincides with the worrying loss of manufacturing industry's share of Brazil's GDP.

IN THE DISPUTE

Four of the 12 pillars that measure a country's competitiveness, according to the Global Competitiveness Report (GCR) of the World Economic Forum (WEF), focus on



HANDOUT/SIEMENS AG/KÖRBER INDUSTRIEFOTO GMBH

factors related to the development and adoption of digital technologies.

These are:

- ⚡ **Technological Readiness:** flexibility in absorbing technologies.
- ⚡ **BUSINESS SOPHISTICATION:** the quality of the business networks, operations and corporate strategies.
- ⚡ **INNOVATION:** the ability to innovate in processes and products.
- ⚡ **INFRASTRUCTURE:** the quality of the logistical infrastructure, transport, communication and energy.

The disparity in the rankings between Brazil and Germany and the United States is obvious. It is not by chance that these two countries are busy tackling questions of competitiveness and undertake consistent, coordinated initiatives to leverage their economies based on the future state of industry which is essential to obtain excellent



levels of productivity. When Brazil is compared to Mexico, China and Russia, it fares better in the Technological Readiness item and appears in 54th place (Russia is 60th, Mexico 73rd and China 74th). This shows it is predisposed to implement digitalization technologies. Nevertheless, in the Business Sophistication factor, Brazil is in 56th position and only beats Russia. In the Innovation and Infrastructure pillars, Brazil is in the grim position of being among the worst placed in the group: 84th and 74th, respectively.

The WEF analysis suggests that Brazil has been dangerously reducing investments in technology, innovation and business sophistication. This trend towards a decline in investing in technology and innovation must be reversed in the short term to bring about the development of technological solutions with a greater potential to add value. Brazilian industry has

taken important steps over the last 20 years, incorporating the aims of sustainable development and social responsibility in its strategies. However, it is essential that its global competitiveness increases if it is to become more relevant and active on the international markets.

A broad, reliable and intelligent infrastructure will ensure the re-

Brazil needs to make a great effort in innovation and infrastructure

sources needed for continuous industrial and commercial growth. As is occurring in Germany and the US, the government, the business community, universities, sector bodies and labor unions must work to create the conditions to raise the

country's competitiveness. The enthusiasm to engage in digitalization should involve an understanding of its broad technological scope. The digital uses that will give Brazilian industry and infrastructure the conditions to achieve higher levels of productivity will need to be identified. The issue should be tackled in a strategic way based on the choice of partners that can cooperate in the right technological direction.

Brazil faces a period of transition and digitalization represents a great window of opportunity to raise competitiveness — therefore, providing a chance to reposition the country and its companies in the global value chains. It is time to decide whether we are ready to bet on this opportunity or if we are going to lose an outstanding place in the new revolution. ■

Small but outstanding ■

You don't need to be big to go international

Brazilian beauty

Truss, from São José do Rio Preto, wins markets abroad thanks to Brazil's passion for hair care

ANTONIO CARLOS SANTOMAURO

The world has already noticed that Brazilian companies (and individuals as well) like to take care of their appearance. Hair counts a lot for this attention so why not export the Brazilian way of looking after it? That is what Manuella Bossa, the creator and CEO of Truss Cosmetics, a company from São José do Rio Preto, in the northeast of São Paulo state, does. Truss obtains 18% of its revenues, estimated at around R\$ 70 million this year, from international sales to countries such as Ecuador, Venezuela, France, Poland, Portugal, Peru, Chile, the United Arab Emirates and the United States which joined the list at the end of last year.

The company's sales curve has been rising even in times of crisis. Last year's revenues were 18% higher than in 2013, a performance that should be repeated this year, taking them to R\$ 70 million. The Truss portfolio has more than 100 products — including shampoos, conditioners, finishers, reconstructors, steam straightening and colorings,

amongst others. They are used by hairdressers and professionals in beauty salons. The company's products are not on sale in drugstores and supermarkets and anyone who wants to have them at home needs to buy them in places where these professionals work or obtain their supplies.

Manuella (41) founded Truss in the upstate São Paulo town of Botucatu in 2003 after graduating in fashion and doing a postgraduate course in business management

Truss has a line of over 100 items sold to professionals

and marketing. At the end of the 1990s, she left for New York where she worked in the product development area of Calvin Klein, one of the best known brands in the fashion and beauty world. On her return to Brazil, the young and curious Man-



uella noticed that consumption of hair treatment products was growing rapidly in Brazil. There was a greater use of products that had previously been restricted — such as for coloring and finishing — and consumer groups which had been of little importance until then, such as men and adolescents, arrived on the market.

To support her intuition, she used a study that she had been commissioned to carry out for a Japanese multinational to assess the possibility of entering the dispute for Brazilian consumers of per-



sonal hygiene and beauty products. The Japanese decided to keep out of the Brazilian market but Manuella believed in the opportunities that had been seen and asked for permission to use the information from the study. She was not only authorized but encouraged to do so.

She saw the opportunity to mine a niche for a Brazilian brand on the professional use market which had been occupied until then by large multinational corporations such as L'Oreal and Wella. She relied on the cooperation of a cosmetology professor from the Federal University of São Carlos to develop her first products. She even became a guinea pig herself for the formulas

he created and would wash her hair up to three times a day to assess the results. "Even today I wash my hair

Manufacturing her products in the US is part of Manuella's future plans

with products to test them," she said. Fourteen people now work directly in the research and development area which is equivalent to almost one fifth of the company's 85 employees.

In the first year of the partner-

ship, two items that are still among Truss's key products appeared: a permanent brush and steam straightening product with keratin that treats the hair while straightening it. Both were only available in Brazil at that time as imports. Right from the beginning she spotted a range of consumers

who were ready to pay a little more for a product with greater quality. "I knew that to compete with multina-

Manuella and her products: global ambition

Small but outstanding

You don't need to be big to go international

tionals in the sector — which were very traditional and had lots of resources — I would need to innovate and offer differentiated quality,” she said. She was supported financially by her father, a businessman in the hotel sector, and started to publicize the Truss line in specialist publications and at trade fairs.

It was at a trade fair in São Paulo that she met her first international clients. Since then, she has built a chain of 25 distributors abroad (there are 92 in Brazil). Truss is part of a sector program developed by the Brazilian Personal Hygiene, Perfumery and Cosmetics Industries (local acronym Abihpec) in partnership with Apex-Brasil (Brazilian Trade and Investment Promotion Agency) which is dedicated to the international promotion of Brazilian products. Truss began to take part in trade fairs in the United States two years ago and was present at four fairs held this year, in New York, Chicago, Orlando and Las Vegas.

The direct presence on the American market was a project that was put into action at the end of last year at an event called Truss in Miami in which hairdressers and professionals from the beauty sector took part. This new expansion front is run from an office in Boca Raton, Florida, with 12 people handling sales, marketing and administration.

Before setting up in this market, she hired a company that offered services such as mapping the market and suppliers, and helping with the procedures to set up operations in the United States. Five distributors in Florida and Massachusetts — covering the southern and northern points of the east coast — and California, on the west coast, work with Truss in the US. The company is implementing a gradual strat-

egy to further the acceptance of its products among the target public of beauty salon professionals. “We are very satisfied with the results of this validation process,” said Manuella.

She has ambitious plans for the American operation and wants the

Truss is currently consolidating its position in the American market but nothing prevents the US being used as a trampoline for other countries in the future.

What was it like to arrive in such a mature and difficult market? The



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business to reach the same size as the Brazilian head office within four years. “The return in the US operation may be lower, as it is a very contested market, but the volume of revenues should be the same,” she said. Truss is investing US\$ 15 million to establish its brand in the biggest and most competitive economy in the world. The US is also the world's largest market for personal hygiene, perfumes and cosmetic products. “The country is a great international benchmark for the industry and people from all over the world go there to follow events in the sector and get to know the latest developments,” Manuella added.



GLEICE VESCHI

international fame Brazil has acquired as a supplier of beauty and personal hygiene products helped consolidate the brand, in her view.

1 and 2 Truss in Miami: launch in the US
3 Plant in Rio Preto: environmental credentials
4 Truss products: ready for the global market

“Brazil is a strong benchmark in this market,” she said. The country has even given its name to some services. “Waxing in the US is known as ‘Brazilian wax’ and progressive brushing as ‘Brazilian blowout’”. She moved to Boca Raton to take

spends his time travelling between the US and Brazil where he has a business.

Truss did not need to develop specific products for the American public. The entry into the new market required only some one-off

other asset that is appreciated by the public to which Truss products are directed. The company is concerned with its sustainable credentials. It uses input of plant origin and does not include items such as salt and petrochemical products in its formulas. It also does not carry out tests on animals and reuses the largest amount of water possible in the industrial processes at its plant in São José do Rio Preto. The water comes from the Guarani Aquifer, the large underground natural potable water reservoir shared by Brazil and neighboring countries. The area where the plant is located – covering around 4,500 square meters – combines landscaping with areas of preserved natural forest. “People here are sympathetic to eco-friendly or environmentally friendly concepts,” she said.

Manuella’s ambitious plans do not stop in exporting to the US. She is thinking of starting production in the US although the project has been temporarily put on the back burner due to the recent depreciation of the Real. This currency development has made it more advantageous from the financial point of view to continue exporting the products made in Brazil. “However, I intend returning to this idea of producing in the US should there be a change in the currency situation,” she said. Meanwhile, the stronger dollar has ended up benefitting Truss’s business on the Brazilian market as well. “A large amount of the professional products that multinationals place in Brazil is imported, making us now more competitive on this market,” Manuella added. ■



FABIANO SILVA PHOTOGRAPHY



GLIECE VESCHI

personal care of the consolidation of the US operation, taking her two children — aged seven and eight — along. Her husband, who is a lawyer,

alterations in some items, particularly in the packaging. The changes ended up being incorporated to the products sold on the Brazilian market. There was one exception: a hair reconstruction product known on the Brazilian market as Uso Obrigatório (Obligatory Use) which was renamed The Lux Prime in the US to make more sense to the American public. However, the original brand name did not change in Brazil itself. “We decided to maintain the Uso Obrigatório brand on the domestic market because it is very strong in Brazil,” Manuella said.

Attention to the environmental sustainability of production is an-

Small but Outstanding

You don't need to be big to go international

In the steps of canvas shoes

Alpercartas or alpargatas, depending on how the name is pronounced in different parts of Brazil, are those comfortable shoes with a rope sole and colored canvas. Perky Shoes, from Porto Alegre, is renewing this tradition with models made with manufactured plastic soles and a



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modern, exclusive design. The company was created four years ago by a young couple, Rodrigo Casas and Gabriela Giovannini, and has taken off in a big way. It already sells its products in most of Brazil as well as in markets such as Portugal, Saudi Arabia, Australia and New Zealand through a network of distributors. Perky Shoes has only eight employees – production is outsourced – and should have revenues this year of R\$ 14 million, of which 12.5% will come from abroad. Its portfolio now includes, as well as alpargatas shoes, boots, running shoes and a line of accessories such as rucksacks which will be launched shortly. An area dedicated to foreign sales will be set up next year to increase its international business. The strategy of Rodrigo, the partner director of Perky Shoes, is to try and increase sales through enhancing the value of a brand that differentiates its products from those of Chinese competitors which are usually cheaper. The idea is to increase the value of the “Made in Brazil” seal through exclusive design and associating the brand with a laid back lifestyle. “This can have an important appeal, as happened with the Havaianas sandals,” he said referring to the famous Brazilian brand produced by a company that by coincidence is also called Alpargatas. It was founded in Argentina at the end of the 19th century and produced the same model of shoes that are now the base for the success of Perky Shoes.

MC1 strengthens its presence in Miami

MC1, a company that develops mobile corporate solutions, has had an office in Miami for around four years dedicated only to sales and marketing. Now it is expanding its operations to offer project developments and technical support as well. This will increase its team from the current eight to 15 members by the end of 2016. “We have already transferred this operation to a bigger area that can house this expanded team,” said César Bertini, CEO of the company that is based in São Paulo city.

The American office will be a base for MC1's international expansion. The company is currently

heavily involved with clients it won in Brazil although it also has a presence in other countries. The US office has also gained some of its own clients, such as the Ambev brewery in the Dominican Republic. The company expects to have revenues of R\$ 40 million this year and also has offices in Argentina and Venezuela (in these two cases, basically to be able to remit the profits). MC1 has clients in 19 countries in the Americas and should also expand geographically through a partnership with a global distributor to place its products

3 in other continents. “The foreign market will generate around 20% of our business by the end of next year and this should rise to 50% by 2019,” Bertini said.



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Playing to win

Avell produces its own laptops for high performance uses – such as games, design and engineering software – and is now directly aiming for the “cherry on the cake” of this market which is the consumer in the United States. The company, based in the town of Joinville in Santa Catarina state, set up an operation with a showroom in Miami in July, providing technical assistance and a team of 10 professionals. The company has a partner in this project, the electronic articles distributor Best Solutions, which is also based in Miami and run by a Brazilian, that was previously only a client. Avell will be facing enormous corporations in the United States such as Dell, Samsung and Asus, although they do not focus specifically on the niche to which Avell pays exclusive attention. Moreover, as a large part of the components in Avell’s laptops



RODRIGO GIESEL FOTOGRAFIA

2

come from the US, the idea is to set up a local production structure in the future. “We are even thinking of making the US our base to expand into Latin America, which is the next step in our international expansion project,” said Emerson Salomão, Avell’s founder and owner. He foresees around 10% of the company’s revenues this year – just over R\$ 40 million – coming from the American operation.

1 Gabriela and Rodrigo: giving a new face to the old canvas shoe

2 Avell’s Emerson: taking on the big guys in the US

3 Bertini (center) of MCI: beefed up presence in Miami

4 Bird calls from Espírito Santo: 20% of revenues come from abroad

Bird calls echoing far away

Wind instruments that imitate bird calls may seem like something from the time when hunting and survival were mixed but for Fábrica de Pios de Aves Maurílio Coelho from Cachoeiro do Itapemirim, in Espírito Santo state, they are leading the company to look abroad. The instruments, produced with wood from the furniture and homebuilding industry, are sold in countries like the United States, Spain, Italy, Germany and Denmark. Exports already account for approximately 20% of around 8,000 instruments the company produces every year. They are sold in kits of 40 units and cost about US\$ 650. Maurílio Coelho was founded in 1903 and goes back to a time when the calls produced by the instruments served for hunting. However, the products are now used mainly for ecological tourism or as musical instrument. How do they go abroad? “Some tourists got to know our

HANDOUT

4



instruments at the art crafts fairs we participate in Brazil,” said Fábio Coelho Marins, the company’s director and member of the fourth generation of the founding family. “There are also people who know our instruments and asked to sell them to people they know in their own countries,” he added.

Globe-Trotter

EXECUTIVE TRAVEL

Marco
Antônio
de Rezende

MUSIC

New orchestra house in Paris

THE PARC de la Villette, one of former French president François Mitterrand's biggest projects for Paris in the 1980s (like the Louvre pyramid), which is located in a former 19th century municipal slaughterhouse, is finally ready. The City of Science and Industry appeared first, followed by the futuristic Géode dome, an equestrian center and then other attractions. However, the City of Music, which houses the Paris Conservatoire and the headquarters of the Paris Phil-

harmonic, designed by the star architect Jean Nouvel, only became ready at the beginning of this year. The outside may cause a shock as it is like a building by the architect Frank Gehry who created the Bilbao Museum which looks like a box of crumpled cardboard and did not catch on. Nevertheless, the auditoria inside, particularly the grand hall with 2,400 seats, are spectacular and have perfect acoustics. It is worth a visit as the Michelin Guide would say. philharmoniedeparis.fr/en

1 2

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CITY

Something new in old Saigon

Ho Chi Minh City, formerly Saigon, is undergoing an urban transformation like those that have altered large Chinese cities. Vestiges of the historic center from the colonial era still remain, as do other typical local aspects, such as the chaotic noisy traffic, strong aromas and the friendliness of the local people. Ho Chi Minh City gained a modern architectural landmark last month - the new head office of Vietcombank, the first bank to be privatized by the Communist government. It was designed by the American firm Pelli Clarke Pelli, headed by the Argentinean-American Cesar Pelli. The firm has designed other buildings, such as the World Financial Center complex with its pyramid-like roof near the former Twin Towers site in New York. It was also responsible for the Petronas Towers in Malaysia.



HANDOUT



CHARLES PLATAU

GASTRONOMY

Airport food – and it's great!!

THE GORGEOUS Kitchen, in Heathrow's Terminal 2, was chosen by the American site The Daily Meal, CNN, the Conde Nast Traveller magazine and the Travel Channel as the best airport restaurant in the world in 2015. In an area which is notorious for charging high prices for indifferent – if not downright awful – food, the English restaurant's achievement is even more remarkable as it is not run by a celebrity chef but by four young women chefs, Gee Charman, Sophie Mitchell, Jo Pratt and Caroline Artiss. The Gorgeous Kitchen is open all day and you can try a classic English breakfast, a tasty afternoon tea, accompanied by pistachio cake, or have lunch or dinner. The menu ranges from hamburgers and fish and chips to fresh fish of the day grilled with leek and creamy garlic sauce or roast pork with peach sauce accompanied by fennel sprouts. thegorgeouskitchen.com

1 and 2 Paris: the new Philharmonic hall, a spectacle in Itself

3 and 4 Heathrow: salmon dish and The Gorgeous Kitchen chefs

5 Saigon's new architectural landmark



HANDOUT



HANDOUT



3 4

A growing number of Brazilian tourists are visiting Vietnam, usually combining it with a trip to other attractions in Southeast Asia, such as Myanmar or Thailand. Vietnam has 90 million people and is a modest trading partner of Brazil. However, there is obvious growth potential and trade between the two countries jumped from US\$ 43 million to US\$ 1.6 billion between 2003 and 2013. ■

AIRPORTS

In Los Angeles, go by train

Los Angeles international airport (LAX to those who know it well), the world's fifth busiest, is investing US\$ 5 billion so that passengers can arrive at the terminals by train. There is actually no need to go by car as a bus service connects the airport to the nearest municipal metro station. However, the train project is so ambitious that it will not be ready until 2023. The Automated People Mover (APM) will connect terminals, the metro network, car parks as well as the new centralized parking lot for all the rental firms along the side of the San Diego Freeway. TAM and American Airlines fly from São Paulo to Los Angeles, in a code share arrangement, while Korean Airlines makes a stopover in the city on route to Seoul. ■



RANKING

The good life in Sydney

SYDNEY HAS been rated as the most accessible city in terms of the cost of living, from 55 large cities analyzed by the Affordability Index, produced by the YouthfulCities startup. The index is aimed at those young people aged up to 29, known as the millennials. The other nine most convenient cities for them are Montreal, Detroit, San Francisco, Berlin, Tokyo, Boston, Osaka, Paris and Los Angeles. The calculation of the cost benefit is based on the minimum hourly wage and indicates that life is usually better where the minimum wage is higher. The ranking is

accompanied by a plea to entrepreneurs and the authorities saying that, as they depend on the intelligence and energy of young people, they should ensure that this talent, creativity and strength should be encouraged to promote the social, cultural and economic human capital of the city as a whole. São Paulo and Rio de Janeiro fare badly and appear in 46th and 47th places. The last five among the 55 listed cities are Mexico City, Mumbai, Dar es Salaam, Accra and Caracas. media.wix.com/ugd/3a3a66-89dc6bc33c0e4946a228c24ae36b98af.pdf

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AUSTRALIA TOURISM



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HANDOUT

EMANUELE RAMBALDI

TECHNOLOGY 1

Where is the email that was here?

Remember that joke “this message will self-destruct in a minute”? Well, this trick can now happen, thanks to the Confide app. An email sent using Confide is codified and disappears from the smartphone of the recipient as soon as it is read. The message is decoded line by line according to the movement of the reader’s finger. This eliminates the risk of anyone photographing the screen showing the entire message. Even the actual recipient cannot do so.

The messages go exclusively to email addresses and the sender is alerted when they are read. There is no chance of copies of the text being found anywhere. ■



HANDOUT

TECNOLOGY 2

Intelligent headphone

THE KOKOON headphone which not only protects the ears from external noises but also induces sleep, thanks to sensors that capture cerebral activity, will be in the stores in January. The volume gradually declines in line with the activity detected and the appliance switches itself off when the user goes to sleep. It is good for long flights. The price has not yet been fixed but it should not be more than US\$ 300. Pre-reservations are being accepted

kickstarter.com/projects/1861630723/take-control-of-your-sleep-with-kokoon-eeg-headpho ■



3

1 Sydney is for you if you’re a millennial

2 Confide app: the secret is safe

3 Kokoon headphone: listen and relax

4 and 5 Duke’s Hotel in London spoils the ladies

6 TAM’s new A 350 takes off In Brazil

FLYING

Something new in the air

FATHER CHRISTMAS’S present from TAM to its passengers, a brand new Airbus A 350 XWB (with an “extra wide body”), has its maiden flight scheduled for the end of December on the São Paulo – Manaus route. The new plane will then be heading off to Madrid, Miami and Orlando as well. The LATAM group has bought a total of 27 of these latest generation jets, Airbus’s response to Boeing’s equally new and hyper technological 787 Dreamliner. New technologies and advanced design have resulted, as was to be expected, in more room and comfort in all classes, less fuel consumption and a better operating cost. The A 350 can carry almost 400 passengers depending on the final configuration. Two other Brazilian airlines, Avianca and Azul, have made firm orders for the A350. ■

6

P.PICQVE/RE/MASTERFILMS



HOTEL

Ladies’ Club

THE VENERABLE Duke’s Hotel, a traditional London hotel in St. James, which has always been seen as a kind of gentleman’s club (James Bond would have a martini in its bar), has announced some good news for women executives travelling on their own. These are the “duchess rooms”, with special touches and a personalized woman butler service. The hotel, which also has a new general manager, is five minutes’ walk from Buckingham palace, bordering Green Park and close to Piccadilly Circus. www.dukeshotel.com ■



Globe-Trotter

EXPRESS TOURISM

CAROLINA CARVALHO de Queiroz from Brasília lives in São Paulo but she also regards herself as a citizen of another older metropolis - the Spanish capital, Madrid. Carolina graduated in Law from the University of Santiago de Compostela in Galicia and lived in Spain until 2010. She worked for a number of companies during her time there and, on returning to Brazil, she started working as the executive director of the Spanish Chamber of Commerce in May. "Spain is also my country and I feel as at home there as I do here. I miss my parents-in-law, brothers-in-law, nephews and friends, as well as the marvelous food," she said. In this tour, she talks about "her" district of Madrid and suggests visiting parks, restaurants, museums and the area surrounding the city....

MADRID
CAROLINA CARVALHO DE QUEIROZ

If you only have a few hours...

IF YOU only have a short amount of free time and want to get a feel of the city, I suggest a walk through the area close to the El Retiro park and the beginning of the Paseo de la Castellana, the big boulevard that crosses part of Madrid. El Retiro is one of the most beautiful city parks in Europe, a place that is open to everyone where you can meet inhabitants of all ages and origins and visitors to the capital. The Prado and other large museums, such as the Thyssen-Bornemisza and the Reina Sofia, are located near the park. You can choose one and use part of your short spell to get to know it in passing. (If time is limited, you cannot do more than this but we will get back to the subject of Madrid's unforgettable museums.) The right area for a stroll, shopping and having a drink is around the Paseo de la Castellana. The best stores and boutiques are in the Serrano and Velázquez streets, parallel to Castellana. My current favorite place for a drink is a bar and restaurant called Ten con Ten in Ayala street (that cuts through these three streets). They make excellent and varied gin and tonic there. Delicious! ■

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LUIS GARCÍA
HANDOUT



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- 1** Paseo de la Castellana: city axis
- 2** del Oeste Park: a walk in the rose garden
- 3** Cuenllas, in Argüelles: best appetizers
- 4** Ten con Ten restaurant: great for a gin and tonic
- 5** Retiro Park: meeting place for local people
- 6** Reina Sofia: modern Spanish art center

If you have a whole day...

WHEN I go to Madrid I stay in an apartment in Argüelles close to the Paseo del Pintor Rosales, a central avenue in the region. I love my district! I recommend walking along the paseo and having an aperitif — a tapa appetizer accompanied by beer or wine — in one of the many bars with little tables outside along the avenue. The del Oeste park is right in front of the paseo and is worth a visit. Don't miss the pretty Rosaleda rose garden where a world competition devoted to this flower is held. If you enjoy nature, the park shows various species of European trees.

MY FAVORITE restaurant in Argüelles is Cuenllas, in Ferraz street, which has the best appetizers, known as tapas, in the city. Cuenllas has a delicatessen alongside where visitors can buy Iberian products and wines of the highest quality. Princesa street, which is also in the

HANDOUT

Globe-Trotter: EXPRESS TOURISM



HANDOUT



WIKIMEDIA COMMONS ZARTEPAN

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HANDOUT

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HANDOUT

5



LUZESTUDIO

6



DAVID CORRAL GADEA

7

district, is an excellent alternative to the Castellana region for shopping. Stores with the best brands are there, as well as the famous and practical El Corte Inglés, the most traditional department store in the country. (Make sure to show your non-resident's passport as it will allow you to obtain discounts of 10% anywhere. Get a copy of the tax free form to obtain the reimbursement on the taxes on leaving the country.)

TALKING ABOUT restaurants, a general tip is that one of the best ways of eating in Madrid is on the balcony found in many places. Some of my favorite places for having a glass of wine with excellent tapas are, besides those already mentioned, the Laredo, Casa Rafa, El Pescador and Puerta 57. This last bar is located within Real Madrid's historic Santiago Bernabéu stadium. The food is excellent and it is great to have lunch or dinner with the mythical football field in the background. Fans can take advantage and visit the stadium museum. It is worth the visit as Real Madrid is the team that has won most trophies in the world! ■

If you have an entire weekend...

I HAVE left the art museums for the weekend trip so I could recommend the purchase of a pass that gives you the right to visit the three main institutions in Madrid: the Prado, Reina Sofía and Thyssen-Bornemisza. If you have two days to spend, it is worth the effort to squeeze the three into the itinerary but if you have less time, you can choose one or two



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1 and 2 *Botella y frutero* by Juan Gris: In the Thyssen Museum

3 The Prado: home of Goya and Velázquez

4 Shrimps at Casa Rafa: appetizers and wine

5 and 6 *Arroz con carabineros* rice dish at Puerta 57: inside Bernabéu stadium

7 Segovia aqueduct: Roman work



and forget the pass. In the Prado, go straight to the rooms of the old Spanish masters, Velázquez and Goya. The paintings by Picasso and Dali and modern and contemporary artists are in the Reina Sofía. The Thyssen-Bornemisza is more compact and has an interesting private collection of European art open to the public in a beautiful restored mansion. I also recommend visiting the National Archeological Museum that has been recently restored.

IF YOU have more time, it is worth taking a day trip outside Madrid. I recommend a visit to the city of Segovia, an hour's drive away. The aqueduct in Segovia is a Roman construction dating from the first century. It has an extraordinary size and is in a fantastic state of conservation. Take advantage and

at lunchtime, try the lamb or suckling pig dishes that are prepared in Segovia in a fantastic way. Another must place to visit is the El Escorial monastery which is less than an hour from Madrid. It was built in the 16th century by king Felipe II and is an enormous complex that houses, besides the monastery, a palace, a rich library and an extremely interesting museum. It is a real history lesson for visitors with an interest in the period when Spain challenged Holland and France for domination of Europe.

ON RETURNING to Madrid, if you still have some time and feel like going shopping, I recommend Las Rozas Village, an outlet with good brands and prices. I hope you all feel like visiting this marvelous country which I have the luck to be able to return every year. ■

The time to cross borders

Everything changes in a new market; what is a success in Brazil is not always going to work out in the US

LAIZ RODRIGUES*

Doing business in the United States is a dream for many Brazilians but not all of them manage to realize it. The failed attempts result in an overwhelming disappointment. Just imagine what it is like to see a project of this size fall apart, at times due to lack of information. The losses are great, ranging from the financial investment to hours of work dedicated to a dream that demands changing country, language and culture plus a strong personal and emotional involvement.

What is the most common reason for failure among entrepreneurs who exchange Brazil for North America? As a member of the board of directors of the Central Florida Brazilian American Chamber of Commerce since 2012, I see one error being repeated, i.e. brands trying to enter into the highly contested American consumer market without paying attention to local demands, assuming they will be accepted in the same way as they are in Brazil. It is not enough just to want to bring products and services that are successful at home to the US.

After years of witnessing stories with unhappy endings, I decided to set up a conference to better inform those Brazilians with their eyes on the American market. It was a great experience. We discussed errors committed in the past and recommended tools that could help avoid these mistakes. I call attention to the need for extremely careful

planning, with a strong investment in gaining knowledge of the market and establishing the brand. These are essential elements for a well-made business plan.

Another error is to underestimate the diversity of the country. The US is a great big melting pot and this is its greatest quality. The company that takes this diversity seriously can take off. However, be-

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fore anything else, you need to take care and get to know American law well. Good legal advice and paying attention to the law are basic requirements to set up business there. Some people try to take shortcuts but these can end up costing a lot.

I never stop telling people that it is essential to establish their le-

gal immigration status. I recall with sadness the case of a family that moved too quickly and bought a business in Florida before resolving its immigration process. They did not look for a lawyer and left the process and the business in the hands of an accountant and a legal assistant while they rushed back to Brazil to finalize the moving. When they returned to Florida, they had the immigration status denied and their dream was destroyed. As they had no legal residential papers for the US, they were obliged to get rid of the business they had acquired at a loss and go back to Brazil.

Once the immigration factor is resolved, you can proceed to buy real estate and establish the business. Under no circumstances should you listen to the opinions of people with no experience, references or without the support of the local Chamber of Commerce. The Chamber should be able to show the safe way, recommending honest, experienced professionals to ensure a smooth transition without any surprises. I believe we are planting the seeds of a strong Brazilian business community in the US that can embrace the American market in all its diversity. When you cross a border, everything needs to be renewed, beginning with the very entrepreneur. ■

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