



BRAZILIAN COMPANIES GO INTERNATIONAL

# Internationalization: CAN YOU AFFORD TO MISS OUT?

The attempt by mining giant **Vale** to buy Anglo-Swiss competitor **Xstrata** sparks a debate about the **benefits** and **risks** of Brazilian companies investing abroad

**MAURICIO DE SOUSA**

Soccer star **Ronaldinho** is leading an international attack by **Brazilian cartoon** characters

**THE SECRETS OF SABÓ**

**Buying factories** in Europe was the key to **keep on growing** in Brazil

**REAL ESTATE**

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Year 2  
Number 3  
Apr/May  
2008



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Vale's announced bid for the management of Anglo-Swiss mining group Xstrata was received by the market as another bold stroke by the Brazilian giant. However, reservations to the operation have cropped up in some government sectors. Here, answers to the most relevant issues.

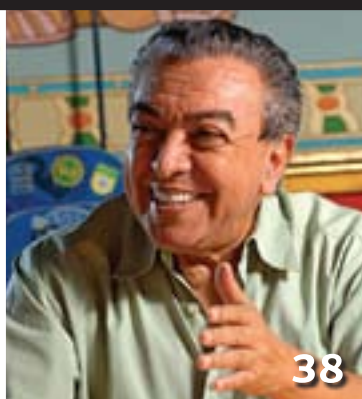
**Eliana Simonetti, with an article by Lidia Goldenstein**



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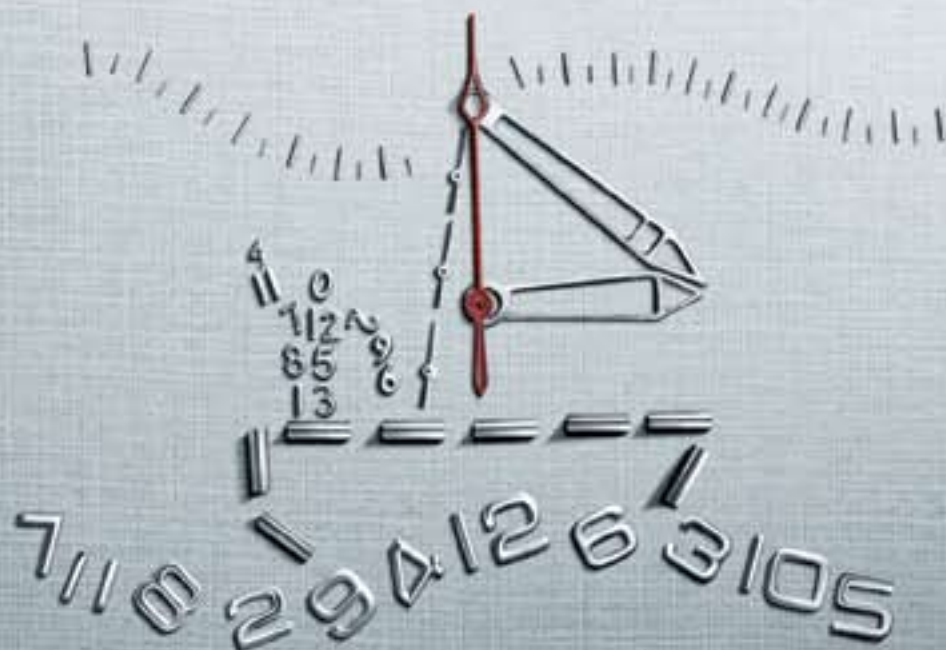


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*The magazine is clear, filled with interesting stories, and projects a realistic image of Brazil to the rest of the world. The market was crying out for such a publication.*

**PAULO POMPILIO**

Director of Corporate Relations and Social-Environmental Responsibility for the Pão de Açúcar Group

São Paulo - SP

*Allow me to congratulate you on the quality of your publication: PIB - Brazilian Companies go International.*

**MAURICIO AZEDO**

President of the Brazilian Press Association

Rio de Janeiro - RJ

*Thank you very much for regularly sending me your excellent publication PIB, which I read with great interest.*

**AMBASSADOR FLÁVIO**

**MIRAGAIA PERRI**

Brazilian Consul General

London - United Kingdom

*Last December, I was on a trade mission in Brazil, organized by the Brazilian Embassy in London and the Brazil-United Kingdom Chamber of Commerce, and I had the honor of being introduced to PIB magazine. I saw it is a very interesting publication, published in two languages. I hope that this periodical will be made available in London, where there is an important Brazilian business community.*

**VITORIA NABAS**

**Nabas Legal**

**Consultancy Ltd**

London - United Kingdom

*The Goiás State Industrial Confederation - FIEG, by way of its International Business Center, CIN, would like to congratulate you for PIB magazine. The stories are great.*

**JOHANNA GUEVARA MÉNDEZ**

Foreign Trade Analyst  
International Business

Center - CIN - FIEG

Goiânia- GO

*Excellent story on coffee in the Cerrado, "One Foot in Japan," in PIB's last edition. The Café do Cerrado brand name has been gaining prominence as a reference point for quality and organization. It is*

*important to highlight the organizational structures of cooperatives and associations, which are the result of idealistic and competent men who fight hard to give coffee growing its true and deserved value. There's no doubt that internationalization of the brand is an essential part of this process.*

**JULIANO TARABAL GONÇALVES**

**Gepeccafe-Unicerp**

**Marketing and Management**

Patrocínio - MG

*PIB's story on the Cerrado coffee farmers who purchased a stake in a Japanese company shines light on an innovative idea. One great difficulty is to sell food to the Japanese. Cerrado coffee growers were able to do so, by way of an original strategy.*

**PAULO OKAMOTO**  
**President of Sebrae**

Brasília - DF

*I would like to congratulate you for the quality and content of PIB magazine: excellent, objective and different. Keep it up.*

**ABADIA CAMARGO**

**Regional Superintendent of CPRM/Brazilian Geological Service - (Goiás, Mato Grosso, Tocantins and the Federal District).**

Goiânia - GO



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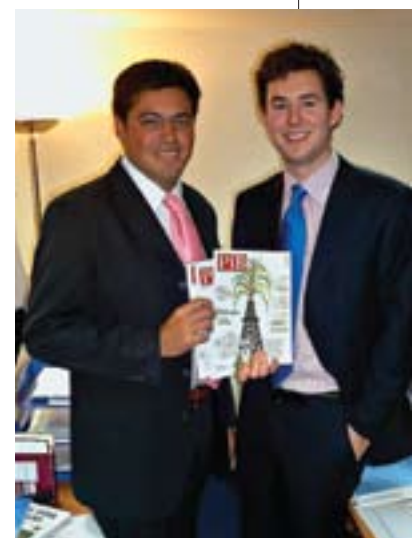
# Defending internationalization

When we first discussed our editorial priorities for PIB magazine, the defense of internationalization came pretty high up on the list. Right from the start we knew that in addition to showing the world how Brazilian companies, products and services are faring in terms of penetrating global markets, we also had to speak out in defense of the phenomenon itself. Even then, we felt sure that as internationalization forges ahead, there would be those who question or criticize both its legitimacy and fairness.

This is exactly what happened when Brazil's giant Vale mining group decided to bid for Xstrata, an Anglo-Swiss competitor. As soon as it was announced, the venture came under fire. Some people feared for example that it might lead to dilution of Brazilian ownership, or predicted possible problems in raising the cash needed for the takeover. Others insisted that Vale should be expanding and diversifying its investments in Brazil, to create more jobs at home.

However, as our cover story in this edition makes clear, these fears are groundless - Vale has set aside more than US\$ 7 billion for domestic investment through 2008. In fact, as you read our story the conclusion becomes inevitable that companies which face competition overseas, far from simply exporting capital and jobs, end up gaining strength and management ability to survive and prosper at home.

Marcus Peçanha, a graduate in International Relations from São Paulo's Catholic University, is a great supporter of this magazine. Peçanha is a partner in Interaction Times, a company that organizes exchanges for Brazilian students and businessmen with a series of international organizations, and he's taken to carrying a stack of PIBs with him on each foreign trip. Everyone he meets with receives a copy. But Peçanha does more than just distribute PIB, he writes for us too, in this edition together with Jonathas Campos, his colleague at Interaction Times (see page 72). They're in good company - other contributors to this edition include businessman Mario Garnero, the president of the Brasilinvest group, and Lídia Goldenstein, one of Brazil's leading economists. ■



**Promoting free trade:**  
**Peçanha, with Tom**  
**Clougherty of Britain's**  
**Adam Smith Institute**



Eager customers: Brazilian jeweler Vancox is a big hit in the Arab world

HANDOUT/VANCOX

## Tailing Tiffany's

**SEVEN YEARS AGO**, Vancox jewelers began discovering the path, paved in precious stones, to the Middle East. Today, its exuberant pieces are all the rage among wealthy Arab women.

At the most recent edition of Jewelry Arabia in November in Bahrain, women covered head to toe in black cloth were fighting for space at the Vancox stand. They were there, at one of the world's most prestigious jewelry and watch-making exhibition, to check out the latest work by Wânia Gontijo, a Minas Gerais artist who trained at London's renowned Saint Martin School of Arts.

What lies behind the success of this jeweler established 26 years ago in Belo Horizonte, capital of the Brazilian state of Minas Gerais and practically unknown among Brazilian women? "A lot of hard work and persistence," explains Ricardo Bronfen,

founder of the company which ventured into foreign markets a mere three years after it opened.

In addition to the Middle East, which accounts for half of Vancox's exports, the jeweler also sells its wares in the United States, Europe and Japan. Vancox is sold alongside such well-known names such as Tiffany's, Valentino, Chanel and Versace in jewelry stores in the Persian Gulf, today the world's premier jewelry market worth US\$30 billion a year.

Two factors were fundamental to the brand's success in Arab countries: perception of the local passion for exuberant jewelry and the ability to offer exclusive pieces with bold designs, featuring gold, diamonds and Brazilian stones. "Vancox became one of the most visible and prestigious brands among women in the region," says Dina Fahkro, editor of *Arabian Lady* magazine,

a luxury magazine published in English in Bahrain. "Ever since its work was exhibited here seven years ago, it was able to establish strong ties with people and create a relationship of such loyalty that some clients nowadays are practically collectors."

Arab and Brazilian women also have much in common, she believes, and that helped. "We are in love with all that is beautiful, we adore new things and value boldness and sensuality," Dina explains. She notes a curious fact: in Bahrain and other Arab countries, fairs such as this one usually set aside one morning just for female buyers. The declared purpose of the "Ladies Only" morning is to offer local women a more relaxed atmosphere in which they can peruse the stands – where there is always an unending supply of Swiss and Belgian chocolate. (Nely Caixeta)



## The advance of the meatpackers

**THE RECENT SPATE** of arm wrestling between Brazilian beef producers and European Union health inspection authorities did nothing to dampen the international appetite of the big Brazilian meatpackers. Significant deals have been closed recently, and it is likely that more acquisitions are right around the corner. Recently, JBS-Friboi shelled out US\$1.3 billion to purchase two companies in the United States and one in Australia. With these additions, JBS-Friboi now runs seven production plants in the U.S. and another seven in Australia. The company is, therefore, among the top three meat processors in North America, right up there with Tyson Foods and Cargill.

SERGIO LIMA / FOLHA IMAGEM



**End of the embargo: Minister Stephanes offers Russians a celebratory barbecue**

Incursions into the United States, Australia, the United Kingdom and Russia by JBS-Friboi, Marfrig and other Brazilian companies make up for part of the damages caused by the E.U. embargo introduced in January. The confusion regarding the number of ranches qualified to sell beef to the European market is being resolved, and Russia's decision to reopen exports has cleared the air a bit. At the time, Brazil's minister of agriculture, Reinhold Stephanes, celebrated the Russians' decision with a barbecue offered to negotiators from Moscow.

Even so, the E.U. embargo will be costly. The industry was expecting 15% growth in sales for 2008. Now, in a best-case scenario, sales should equal 2007's US\$4.4 billion, according to the National Confederation of Agriculture (CNA). (Arnaldo Comin)

The expansion of Brazilian investments overseas will have to be carried out by Brazilian companies. Multinational companies installed in Brazil have their own agendas.

AMBASSADOR SAMUEL PINHEIRO GUIMARÃES,  
SECRETARY-GENERAL OF THE  
FOREIGN TRADE MINISTRY

DANIEL CASELLI/AP

## Back on the old gleaming route

**EVER SINCE VARIG** was taken over by new Brazilian airline Gol in April of 2007, the country's most traditional aviation company has been working hard to recover the sparkle that made it a reference for quality at airports around the world. Paris, Madrid, Caracas, Buenos Aires, Bogotá, Mexico City and Santiago are among the airline's current international destinations. By the end of 2008, Varig should resume flights to the United States and expand its

partnership network, which already provides customers with travel to 47 cities in Europe, connecting from Paris and Madrid. When Gol took over, Varig had a fleet of 18 airplanes. Today, that has climbed to 35, and should rise to 43 by the end of the year.

Varig's growth plans don't conflict with Gol's own expansion strategy. This month, the younger company will begin operating between Uruguay's Punta del Este and the Brazilian cities of Rio de Janeiro and São Paulo. It plans making good use of the fascination the Conrad Resort & Casino, considered one of South America's most luxurious resorts, holds for Brazilians. In the tourist season, over 40% of the hotel's guests come from Brazil. (Andressa Rovanni and AC)

**Punta del Este:**  
Varig back on the  
glamour track





**Spoleto in Spain: Italian food chain is an example of Brazilian franchise expansion**

## Mama's cooking

**BRAZILIAN FAST-FOOD** chain Spoleto, specialized in à-la-carte Italian cuisine cooked according to the taste of each customer, is celebrating one year since its incursion into Spain and is already a hit with the public. A survey of 2,800 people questioned regarding meals away from home, carried out by the Spanish Confederation of Independent Users-Consumers (FUCI), showed that Spoleto is a favorite among Spaniards. Of Spoleto's 198 restaurants, 13 of them are outside of Brazil, in Mexico and Spain. In Brazil, 25 of the units are owned by the company itself, the rest are franchises.

Spoleto's forecast is that at least 50 restaurants will be

opened in Spain over the next five years, at the same time reaching out to Portugal and other European countries. The Italian fast-cuisine chain had revenues of R\$207.6 million in 2007, and expects this figure to increase by 23% through the end of 2008.

The company is yet another bright example of the expansion of Brazilian franchises abroad. Nowadays, Brazilian brand names can be found in several European and American countries. Data from the Brazilian Franchising Association shows that Brazil currently has 52 chains in varying phases of going international. For consultant Marcelo Cherto, this movement should continue through 2008. The chart below shows the most globalized chains and the countries in which they are located. (Andressa Rovanni)

### The Brazilian Web

Some Brazilian franchises present in overseas markets

CARMEN STEFFENS	Portugal, Mexico, United States, Saudi Arabia, Paraguay, Germany, Australia and Argentina.
LILICA RIPILICA & TIGOR	Colombia, Italy, Portugal, Peru, Lebanon and Guatemala
CASA DO PÃO DE QUEIJO	United States and Portugal
CCAA	Argentina, Chile, United States, Japan, Portugal, Guatemala and El Salvador
CHINA IN BOX	Mexico
COLCCI	Guatemala, Saudi Arabia and Europe
GOLDEN SERVICES	Mexico and Angola
NOBEL BOOKSTORE	Portugal, Spain, Angola and Mexico
LOCALIZA RENT A CAR	Argentina, Chile, Ecuador, Paraguay, Bolivia, Peru and Uruguay
MICROSIGA	Argentina, México, Chile, Paraguay, Porto Rico and Uruguay
ROSA CHÁ	United States and Turkey
SHOWCOLATE	United States, Portugal, Spain and Honduras
VIA UNO	South Africa, Germany, Guadalupe, Cuba, Argentina, Philippines, Chile, United Arab Emirates, Spain, Italy, Mexico, Venezuela, Holland, Peru and Jordan
WIZARD	United States, Japan and Portugal



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Nizan: an agency influenced by the digital era

## Publicity takes talent (and money) abroad

**VERY FEW SEGMENTS** of the Brazilian economy have suffered more influence from foreign capital over the last decade than advertising. The amount of 100% national groups has dwindled to close to zero.

Now, Brazilian agencies are beginning to make a move in the opposite direction, by branching out overseas. At the beginning of March, Nizan Guanaes, founder of the Africa agency and one of the controllers for ABC, a holding company that groups together five agencies, decided to become the major shareholder in Pereira&O'Dell, which is opening an office in San Francisco. At the helm is PJ Pereira, founder of AgênciaClick, Brazil's largest digital agency.

Three years ago in California, Pereira closed a deal with Andrew O'Dell, who presided over the creative area of local agency AKQA. "It will be a complete advertising agency, but very much influenced by digital culture," says Pereira, who has no immediate plans for bringing the new brand to Brazil. On the contrary, his idea is to open offices in New York, major European cities and even Asia. (AC)

## 'Pedigree' and seal

**CACHAÇA**, the typical Brazilian spirit distilled from sugarcane, is known locally by at least 200 names. Until recently, one of these, "Parati", also the name of an old town on the coast near Rio, was not much different from all the rest. Now, however, Parati has won a place of distinction.

The region along the Rio de Janeiro coast is one of the first places in Brazil where cachaça was

produced, and recently received a Certificate of Indication of Origin from the National Institute of Industrial Property (INPI). Up to now, only three other products from three other regions in the country won similar recognition: wines from Vinhedos Valley in Rio Grande do Sul, beef from the Pampas region also in Rio Grande do Sul, and coffee from the Cerrado region of Minas Gerais.







**Custom-made: AlmapBBDO will produce ads for the sandals all over the world**

## Export-type advertising

**HAVAIANA SANDALS** have been exceptionally skillful at international marketing that ties into basic attributes of the Brazilian culture. From here on, the brand's overseas campaigns will be handled by AlmapBBDO in a systematic manner. Previously, the agency was only used for consultations and preparation of a few isolated marketing materials. Now, following the example of what is already taking place in Australia and New Zealand, consumers from the U.S. and Europe will have advertising campaigns that are custom-made for each country. (AR)



However, Brazil's most coveted certificate, the Certificate of Denomination of Origin, has yet to be awarded. The DOC also reflects the concept of geographical location, but instead of just certifying a region specialized in a certain type of production, it also attributes a number of unique aspects – the impact of climate and soil, plus other geographic prop-

**Wines from Vinhedo Valley: certified origins**

erties in the product's characteristics determine if the seal can be granted or not.

In the competition to receive the first DOC, rice from Rio Grande do Sul looked to be ahead of the game and should be the first Brazilian product so recognized. Another four products are awaiting Geographic Indication Evaluation: oysters from Florianópolis, Santa Catarina; Paraíba's colored cotton; cheese from Minas Gerais and Maria Rosa saffron. (AR)

## Oriental Fascination

■ Executives at Santista Têxtil should really be racking up the miles on their frequent flyer programs over the next couple of years. The company, controlled by the Camargo Corrêa group, has begun to study the possibility of installing a denim factory in Asia, to make products with higher added value. Santista has factories in Brazil, Chile, Mexico, Spain and Morocco and its clients include Zara, Diesel, Blue Cult and Miss Sixty.

## Castello Branco's Mission

■ Minas Gerais native Marco Antonio Castello Branco, a 48-year-old metallurgical engineer who went to Germany for his PhD, was chosen by the controllers of steel company Usiminas (Nippon Steel, Mitsubishi, Vale, Votorantim and Camargo Corrêa) to succeed Rinaldo Soares

as president. Castello Branco was recruited from the executive committee of French company Vallourec for his global experience and returned to Brazil with a new mission: to take Usiminas international. Analysts point to the example of companies such as Gerdau to argue that expanding outside Brazil is the main option open for companies that want to have sustained new growth.

## Pleasing Cristina

■ Rio Grande do Sul's Paquetá group has gained approval and popularity with the Argentine

head of state. Last year, around the same time as Kirchner began her mandate, the Paquetá group opened its first factory in the southern country, at Chivilcoy in Buenos Aires province. Paquetá will produce Diadora and Adidas sports shoes at the new unit. Initially, 700 jobs were created, but this should increase to 2,000 once the plant reaches full operating capacity.

## CVC's IPO

■ São Paulo-based CVC, Brazil's largest tour operator, is biding its time and waiting out the turbulence on international markets to list its shares simultaneously on Brazilian, U.S. and European stock markets. According to Guilherme Paulus, president of CVC's Board of Administrators, KPMG consultants have been camped out at CVC since last October, to help the company align itself with corporate governance guidelines required for publicly traded companies.

## Change of plan

■ Santa Catarina-based Tigre, Brazilian market leader in PVC tubing and connections, had everything ready to build its Peruvian plant from the ground up. It had purchased the necessary machinery and was on the hunt for an adequate piece of land for its new factory. At the end of last year, however, the company revised its plans and decided to take a shortcut. It acquired Plastica, one of Peru's top three manufacturers in the sector, for a value estimated between US\$30 million and US\$50 million. Tigre, which is headquartered in Joinville, currently operates in Argentina, Uruguay, Paraguay, Chile, Bolivia, Colombia, Ecuador and the United States.

**President Kirchner: "Argentina is good for business"**



## Awaiting Cristina

■ One of the last of the Mohicans in the domestic auto parts industry, São Paulo-based Mangels, is doing its sums to decide if it is worthwhile producing aluminum rims at its own factory in Argentina. According to Robert Mangels, heir and president of the company, all signs point to yes. Holding back any decision is uncertainty regarding the path to be chosen by Argentine President Cristina Kirchner. If it's up to

"la señora", Mangels, celebrating its eightieth birthday this year, can get ready to tango. "Argentina is good for business," Kirchner said in mid-March.



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**Artefacto Store:**  
Segment exported  
US\$1 billion in 2007

HANDOUT/ARTEFACTO

## New Furniture

■ Of course, if the exchange rate were better, high-class furniture manufacturers would be wearing even broader smiles. However, most find it impossible to hide an aura of happiness and prosperity sparked by 2007 international sales results: last year, according to Abimóvel, the trade association for the furniture industry, exports reached US\$1 billion. For this year, the segment expects a 10% increase in sales, not only to more sophisticated markets such as the United States and Mexico, but also to the United Arab Emirates and emerging markets like Angola and Algeria. Some of the sector's main brand names already sell their furniture abroad in regional stores. Such are the cases of Artefacto, based in São Paulo and owning five stores in the U.S. and one in Mexico; and Rio Grande do Sul's Unica, which should end 2008 with stores in Barcelona and Lisbon.

## Against the grain

■ Very few people in their right mind would consider opening a factory for industrial scale manufacture of consumption goods in the United States. Well, Rio Grande do Sul's Tramontina is definitely going against the grain of common sense. It not only has a unit that produces 50,000 aluminum pots and pans daily in the state of Wisconsin, but has decided to build a second plant in Houston, Texas, not far from its distribution center. Tramontina supplies goods to giant U.S. clients such as Wal-Mart, with whom it has maintained a decade-long special relationship. Carlos Barbosa's company, along with selling cooking ware to Sam Walton's company, also manages some of the domestic utilities shelves in Wal-Mart supermarkets. Its commitment is to guarantee an agreed level of revenue and profitability per area used. If this is achieved exclusively through the sale of its own products, wonderful. If not, Tramontina uses the competition's products to reach its goal.

## Juquinha in Africa

■ Balas Juquinha, one of Brazil's oldest domestic candy and lollipop producers, almost gave up completely on exporting because of the soaring value of the Brazilian real against the US dollar. Last year, however, the sexagenarian company resumed its overseas sales, which make up two-thirds of its R\$6 million in revenues, due to a hike in demand from the African market. With customers in 50 countries Juquinha, based in Santo André, in São Paulo state, does particularly well in Angola. The African country has replaced the United States as Juquinha's biggest customer.

## Shift change

■ Giuliano Donini, 33 years old, took command of Marisol, Santa Catarina's main clothing confection company, at the end of March. The previous controller Vicente Donini, father of Giuliano and main executive at the Jaraguá do Sul-based company, is now a member of the company's board of directors. The new president has grabbed



**Donini: more  
stores abroad**

HANDOUT/MARISOL

the baton and is sprinting full-speed into internationalization. Three brands owned by Marisol – Rosa Chá bikinis, Lilica Ripilica children's wear and One Store wholesale clothing – already have stores abroad. The hallmark of this new investment phase will be the opening of a new Rosa Chá unit in New York. The company's 2007 revenues totaled R\$420 million. ■



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dominant force  
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# The world's scientific granary

*With laboratories or small offices in the United States, Europe, Ghana and Venezuela and plans to set up operations in Asia this year, Embrapa wants to be the technological launching pad for the expansion of Brazilian agribusiness abroad*

NELY CAIXETA

**T**he Brazilian Agricultural Research Corporation (Embrapa) was created by the military regime in 1973 and is one of the greatest sources of pride for Brazil's scientific community. Embrapa is a body which is firmly rooted in scientific research and aims to provide support for rural producers. It will commemorate 35 years of existence in April with a new lease of life - as a technological anchor to supply and develop strategic partnerships to boost Brazilian agriculture abroad. President Luís Inácio Lula da Silva has promised Embrapa a birthday present consisting of an investment package which will increase the current staff of 2,300 researchers to more than 3,000 over the next two years. One of Embrapa's aims is to strengthen the body's international ties. It is looking at China and Africa, areas where it believes the greatest potential for absorbing its uniquely Brazilian agricultural technology are concentrated. 'We are the dominant force in tropical technology in the world,' says Silvio Crestana, Embrapa's chairman. Crestana is a graduate in physics

with more than 150 scientific works published and has been a researcher at the company since 1984. International recognition on its own is not enough, he believes. 'There is no point in just being the leader. We have to transfer our new technology, win business by disclosing our knowledge and bring the country a profitable return,' he added. In this interview with PIB, Crestana, who is a specialist in soil studies, reveals how the institution intends consolidating its position among the world leaders in knowledge of food safety and bio-energy.

## **Why has Embrapa decided to speed up its international activities?**

Our aim is to be present on all continents which are leading the way in terms of agricultural science. We have a small, permanent staff

**We have to transfer our new technology, win business by disclosing our knowledge and bring the country a profitable return**

of highly qualified researchers in Washington, Montpellier, France and the Netherlands. This is the model which we call Labex (Embrapa Laboratory Abroad). We are currently negotiating in the UK and Germany to place one of our scientists in strategic areas. We opened an office in Ghana last year. Negotiations are still underway to have a Labex presence in Asia. More progress is being made in China and we are also talking with India, South Korea and Japan.

## **What does the Labex do exactly?**

It has a two-track approach. It is neither a consulting model nor a conventional training arrangement in which one side passes on its knowledge and the other only absorbs it. It involves an intense exchange of information. Soybean rust, for example, is not just a problem in Brazil but also in the United States, China and India which are all interested in finding a solution. Part of Labex's time is dedicated to expanding the frontiers of scientific knowledge. The staff carries out research together and organizes a network of bilateral cooperation. Another part is dedicated to what we

call technological prospecting. What we want from these countries which often compete with us is to accompany the advance of knowledge and the prospects ahead.

#### How do you achieve this?

Research comes well in advance of any market breakthrough. We have to schedule a research program seven to 10 years in advance before a new technology can be used on the market. We want to get to know consumers in China, India and emerging and developed countries better. What kind of foods should be introduced to these markets? Will they need to be monitored or certified? Will they be organic? And what about transgenetic crops?

#### In a world where innovation represents an important advantage in the competitive game, does Embrapa share its discoveries?

We work on a “win-win” and not a “win-lose” principle. There has to be a mutual interest and common benefit. Look at our relationship with the United States and European countries: we have the largest tropical biodiversity in the world and they have the best methods for managing the ecosystem of a temperate climate. In this case, there is great interest in exchanging information which goes from the germplasm bank, genetic material (vegetable and animal) and micro-organisms. Climate change is of interest to the two worlds. The same thing is happening with precision farming. In both regions ñ North and South ñ farmers are short of

## Farming does not operate like a company but depends on ecosystems and, for this reason, there is room for cooperation

information, knowledge, technology, equipment, tools and many other items. Exchanging information is something which is carried out face-to-face with the other side over the negotiating table.

#### Up to which point is the climate of cooperation genuine?

Farming does not operate like a

company which develops a product and puts it on sale all over the world. It is very different from a production plant which makes a computer screen in Korea for sale in the United States, for example. Agriculture depends on ecosystems. The soybeans which are planted in the United States are a different variety from the kind we have in Brazil. For this reason, there is lots of room for cooperation as in the case of precision farming. For example, an experiment was carried out in Nebraska during the planting season there which occurs, of course, at a different time of the year from here. When it is planting time in Brazil the American researchers come here and repeat the experience. This

cuts the time needed for experimentation by half and we can get the result in one year instead of having to wait two.

#### What kind of research is on the cooperation agenda with the United States?

We have many common problems such as greening, a disease which affects orange groves in the US and Brazil. This is so serious that if we have not found a solution within 10 years the citrus fruit culture in the state of São Paulo will become unviable. We are also faced with global questions such as bird flu, mad cow disease and global warming. What is happening in the area of climatic changes? We will never be able to give the public a reliable answer in relation to climate changes or the greenhouse effect if we have no way of calcu-



Laboratory in the US: Embrapa's next destination is Asia





PHOTOS: HANDOUT/EMBRAPA

**Odebrecht corn and rice plantation in Angola: Embrapa helps groups interested in planting grains in Africa**

lating the volume of the emissions and by how much they are heating up the atmosphere. This problem does not only affect a single country but needs to be dealt with on a world-wide basis. There must be a global model although it has to be tuned to regional differences. This makes it essential to have tropical data provided by scientific institutions located in the southern hemisphere.

### **What does Embrapa have to gain by forming closer ties with Africa and Asia?**

Part of our agenda is humanitarian. We are helping countries which are recognized as being in a much worst situation than Brazil in terms of development and nutrition. These are basically African countries, most of Latin America and some countries in Asia. Manioc, for example, is not a commodity but a subsistence plant. Although it originates in Brazil, we are not worried that it has spread to other countries. More manioc is now planted in Nigeria than Brazil. We have all the knowledge of how to manage this culture. However, when the manioc is being cultivated for commercial purposes, we have manioc with higher productivity. In cases like this, it is worth the effort of protecting our technological area and that's where we stand in terms of our business agenda.

### **How does this function?**

We have to generate income as well as financial and economic dividends. For example, Angola wants to use Embrapa's technology to produce corn and soybeans and is also interested in producing biodiesel to export to Europe. We have received many orders of this type. Odebrecht and Portuguese groups are investing in farms in Angola. Germany, Japan and Korea are interested in our ethanol but they do not want to become dependent on this type of fuel since Brazil and the United States currently dominate the market, with 80% of production.

### **How can Embrapa see the demand for food from a country like China, where the economy has been growing rapidly for decades?**

The Chinese are limited in terms of the availability of agricultural land and the water and energy resources needed to drive their development. With annual growth of around 10%, China has not been able to become

self-sufficient in food. The second serious problem the Chinese face is related to pollution. China's energy matrix is based on coal but the demand for other sources of energy is rising. Part of this will be imported but they want to use Africa for production to resolve the other part. As a result, they are resolving two problems: the industrial need for 30% of the oil China imports comes from Africa and food. China will invest 25 billion dollars in Africa in the coming five years.

### **But how can Embrapa gain from this?**

To plant soybeans, corn or rice, the Chinese will now have to learn to deal with the ecosystems of tropical regions. Who has this technology? We do and they don't. That's why we need to occupy this space. It's not enough just being the leader, having the technology and doing nothing with it. We have to transform this know-how into production, teach these countries to produce and make gains by using our knowledge. For example, we are seeing great business opportunities for technology with Venezuela, where we have just set up an office. In the medium and long term we expect this relationship to bring a return for Embrapa and for Brazilian companies which will invest in agribusiness in Venezuela. ■

**Angola wants to use Embrapa's technology to produce corn, soybeans and biodiesel to export to Europe**

# Brazilian designers win recognition abroad

*Brazilian products receive awards at one of the world's most important industrial design events* **ARMANDO MENDES**

**A** red and white seal with the letters iF gives the international stamp of approval and confirms the quality of the design of a product. Eighteen Brazilian companies won the right to use it this year and were officially recognized at the International Forum Design 2008. The Forum has been held in Hanover, Germany, since 1953 and is one of the most important meetings concerned with industrial design in Europe.

Student Daniele Adamo Andreo, 21, has still not finished her course at the PUC college in Paraná state but received an award for his first professional project. This was a platform to help wheelchair-bound passengers enter buses and was created by the Daiken company from Paraná state. At the other end of the scale in terms of professional experience, one of the best known architectural firms in Brazil, Indio da Costa Design, from Rio de Janeiro, was also recognized. It was chosen for its modular furniture system produced by the 3X company (incidentally, the system was christened Carrapixxo, with three Xs).

A total of 18 of the 98 Brazilian products under consideration won the red and white seal of approval at the iF Product Design Awards.

(Light Design from Recife won three prizes for its lampshades). The designs were varied and included, as well as those already mentioned, a surgery table, washing machine, lampshades, gold ring, furniture, ceramic floors, porcelain sanitary fixtures and packaging.

The results confirms Brazil's impressive ranking in the German competition. During the five years in which Brazil has taken part, 99 projects have been recognized for their quality. This performance puts Brazil among the 10 countries with the best iF Design global ranking. The 2008 event included 35 countries and 2,771 projects, 821 of which received awards in various categories and were displayed at the event.

This confirms an important change which has affected Brazilian companies. Whereas they used to copy or adapt foreign projects, they have be-

gun to establish themselves as creators of original products. Two factors have caused this breakthrough - globalization and the coming to maturity of companies and designers who felt the need to create their own language for products which were "made in Brazil".

"Exporters were sending products abroad which were copies while those who copied products for the domestic market started being hit by the competition from the originals, which began to be imported." That is how the impact of globalization on Brazilian companies which produced consumer goods was summed up by Fábio Righetto, who teaches design at the Armando Álvares Penteado Foundation (FAAP) in São Paulo. (Another highly-regarded institution is the Higher Industrial Design School in Rio de Janeiro which won an iF Design award in 2005). The way out for

the more flexible companies was to start creating their own designs as a means of escaping from the same old rou-

**Ursa Maior: sofa designed by Maria Bernardete Galvão from Curitiba**







**Bossinha:**  
lampshade  
designed by  
Lumini was  
one of 18  
award-winning  
Brazilian  
products



tine in a market saturated with look-alike products.

"This is an area which has been opening gradually," says Dan Strougo of Índio da Costa, a firm which was established at the end of the 90s to design urban furniture for the Leblon district within the Rio Cidade project. "Since 1994/95 to date, things have begun to change, including market demand," says Shelda Márcia Daluz, one of the partners of Facilities do Brasil, a company with hands-on experience of the transition. It used to make furniture in traditional English style to order but began creating utensils it had designed itself. "The news started to spread, even through the Internet and, at the same time, people started asking for lighter things," she added. The Neo table, designed by Shelda and partner, Armando Sanchez, received an award at the iF Design 2008 event. They have also won prizes at previous events for projects with domestic utensils.

The Daiken company from Paraná used to create self-service areas for banks before turning to

designing equipment to make life easier for people with physical deficiencies, a market niche which is beginning to grow. "Society is now making efforts to promote the inclusion of such people and obstacles in the architectural and transport areas have to be overcome," says Osmar Yamawaki, the company's commercial director. Being located in Curitiba helped as 65% of the city's buses have already complied with a law under which the entire fleet must have access for wheelchair-bound passengers by 2014. Other cities are still lagging but demand will increase says Yamawaki. He is planning to build 300 platforms like the model which received an award this year. He believes this figure could rise to 2,000 in a domestic market with an annual demand for 10,000 to 15,000 pieces of equipment.

Daniele Adamo, the company's young designer, used recyclable ABS plastic instead of metallic coating in

the vertical columns which form the entry to the bus and support the mobile platform (a kind of small elevator for the wheelchair which forms the step when not in use). "The design became more ergonomic and sustainable," she explains.

The Índio da Costa firm has won six iF Design seals since its groundbreaking urban furniture project for Leblon. Three of these were versions of the Spirit overhead ventilator. The 2008 award was made for Carrapixxxo which aims to be as changeable as people's own lives, according to Dan Strougo, who says that if design is to be well conceived, it must originate within the actual conception of the product. "It is not a passing stage or only an esthetic intention but performs a strategic role in companies. This is the main way the brand is differentiated," he said giving Apple as an example.

Small and medium-sized companies which are unable to take part in the entry competition for Hanover on their own can apply to the Design Excellence Program Brazil (CDP), run by the Design Excellence Program Brazil which is run by the federal government and Apex-Brasil. The Paraná Design Center, a not-for-profit organization in Curitiba,

handles the program. "We choose the Brazilian competitors through a selection committee," says Letícia Gaziri, coordinator of the CDP. Five years of participation may not be much but Brazilian industrial design has already gained a position to defend in the 2009 iF Design Awards. ■

## Student from Curitiba is recognized for her first project

**FOR FURTHER INFORMATION**

[www.ifdesign.de/awards\\_product\\_allgemein\\_e](http://www.ifdesign.de/awards_product_allgemein_e)

# Who's afraid of internationalization?

*Vale's offer to purchase Xstrata reawakened some old prejudices regarding Brazil's investments abroad. But the basic question remains: in a globalized economy, can you afford to stay out of the game?*

**BY ELIANA SIMONETTI,  
WITH COLLABORATORS**

**Vale in Carajás: expansion outside of Brazil is the mining giant's main path to growth**





PAULO AMORIM/AE

Over the last few years, Brazilian companies – especially the larger ones – have become aware of a new imperative, something they had never even dreamed of for most of their existence. For many of them, expansion into the international market has become their only real chance to increase sales, dilute operational risks and protect their home markets against attack by heavyweight competitors from abroad. For companies such as Vale, Gerdau, Embraer, Odebrecht and dozens of others, the expansion into new markets has become not just an option, but the main option for growth.

“There’s a feeling of urgency because, even if later rather than sooner, it’s increasingly clear that those who don’t get moving, who don’t globalize, will get run over,” says economist Luis Afonso Fernandes de Lima, president of the Brazilian Society for the Study of Multinational Companies and Economic Globalization (Sobeet). “Here we are, taking our first steps when we need to be running, because this movement is not confined to Brazil and it’s not something we can control.”

According to Lima, in 2006 there were 78,000 multinational companies in the world, with investments totaling almost one quarter of the global Gross Domestic Product (GDP) – numbers no less than five times greater than in 1980. Just by looking at Brazilian companies, it becomes clear that the number operating overseas has grown and will tend to rise further in the next few years. One recent study by Accenture, a consulting firm, indicated that 10% of the 500 biggest Brazilian companies plan to go shopping for foreign assets. What lies behind all this interest?

Looking at the question from the point of view of companies’ needs, the internationalization movement is extremely positive. In an open market regime with companies controlled by private capital, there is nothing that can be done to keep an ever-expanding amount of Brazilian capital from being used to purchase firms, build factories and generate jobs abroad. And therein lies the problem. At the beginning of the year, Brazilian President Luiz Inácio Lula da Silva announced publicly that Vale, who had just announced its plans to acquire control of Anglo-Swiss mining company Xstrata, should invest more in Brazil instead of looking so keenly abroad.

Two comments on the critique by the Brazilian president. First, Lula was referring specifically to Vale, but what he said could apply equally well to a considerable number of organizations, and second, he was not the first or only Brazilian to express reservations regarding international expansion.



One of the most highly-regarded economists in the country, former finance minister Antonio Delfim Netto, for example, decides to express a similar opinion every now and again. Others go even further:

“Vale is a big company, with vast revenues, but it is digging up ore from our ground, ruining our country and carrying away our wealth,” a source close to the president told PIB. “It generates few jobs and doesn’t pay very much tax. So I ask: should this type of company get incentives? Should it receive special treatment?”

Perhaps the question should be: does international expansion of companies represent any risk of harm to the country as a whole? Could jobs that national companies create abroad be generated at home if the financial resources that fund globalization were invested inside Brazil? That, perhaps, is one of the main issues to be debated at this moment when an increasing number of companies have unfurled their sails in search of new ports in which to drop anchor.

For the Brazilian government, the internationalization of a company like Vale gives rise to two worrisome issues. The first is with regard to payment conditions and eventual changes in the company’s shareholder profile. The second is the need for the company to increase its presence in Brazil by amplifying and diversifying its activities. “It has to add value, create income, create jobs,” said one government minister (see box on page 31).

In the specific case of Vale – which in the last week of March announced its decision to temporarily withdraw from negotiations with Xstrata, while indicating it may resume talks through the next six months – the situation must be analyzed with care.

Much has been said about the role that Vale’s US\$17 bil-

lion purchase of Canadian mining company Inco had in making 2006 the first year ever in which Brazil’s overseas investments exceeded inward FDI. In terms of acquisitions, Vale has been especially voracious. Between 2001 and 2007, the mining giant acquired no less than 18 foreign companies. It has not, however, neglected its operations in Brazil. In October 2007, the company announced its 2008 investment plans with a projected total value of US\$11 billion, the greatest amount in Vale’s history. Investments will be split 65% for over 30 projects in Brazil, and the remaining 35% for projects in eight other countries.

Two of the Brazilian projects are typical of the company’s diversification of activities and sound like an answer to President Lula’s concerns. The first, previously announced, is the construction of a US\$3 billion steel mill at Marabá, southwest Pará, in the Eastern Amazon region. The second, also a steel mill but this time in the Northeast state of Maranhão, is being discussed with the Indian Tata group. This US\$3.9 billion investment would also involve the Brazilian Development Bank (BNDES) and the Gerdau steel group.

This mountain of money will add up to many jobs. At the end of March, Vale announced that over the next five years it plans hiring 62,000 employees to work at its operations all around the world. Nearly 80% of these will be destined to boosting Vale’s workforce in Brazil. “Besides hiring, we are also investing heavily in employee training,” says Maria Gurgel, Vale’s director of Human Resources planning. This year, roughly 3,500 people will undergo intensive internal training courses.

The possible acquisition of Xstrata over the next few months could tip the scales in the other direction. Xstrata mines copper, coal, nickel and zinc in coun-

### Vale: key data in perspective

The Brazilian company has announced the largest 2008 investment plan of all mining and steel companies in the world (INVESTMENTS IN US\$ BILLIONS, EXCLUDING ACQUISITIONS)

Vale	11.0
BHP Billiton	5.7
ArcelorMittal	5.2
Votorantim	4.8
Rio Tinto	4.5
Anglo American	4.3
Xstrata	3.7
Alcoa	1.9
Freeport-McRan Copper & Gold	1.5
Gerdau	1.1
Norilsk Nickel	1.0

...and is the champion in returns according to the Total Shareholder Return Ranking (TSR) (TSR PER YEAR BETWEEN 2002 AND 2006)

1. Vale	54.6%
2. América Móvil	53.3%
3. Apple	50.6%
4. British American Tobacco	25.8%
5. Genentech	24.5%
6. Anglo American	23.2%
7. BHP Billiton	3.2%
8. Endesa	20.8%
9. Toyota	20.7%
10. Boeing	20.1%

SOURCE: COMPANIES

SOURCE: THE BOSTON CONSULTING GROUP





**Votorantim Celulose: the group should double offshore revenues in 2008, following acquisition of various cement companies**

tries such as Argentina, Canada, Chile, Colombia, the Philippines, South Africa and the United States. Even so, US\$7.1 billion of Vale's cash is set aside for new projects at home.

"Apart from China, which has an astounding domestic market, national companies that are focused on their respective internal markets will tend to disappear," says Stephen Cooney, an industry specialist at the U.S. Congressional Research Service. "To compete in a global arena that is in a process of consolidation, Brazilian iron and steel companies must diversify and grow."

There is one last aspect to be analyzed.

Vale is currently the number two mining company in the world, and is the world's most profitable company for shareholders, among companies worth over US\$50 billion. It placed first in the 2007 Value Creators Report, a global ranking list organized by the Boston Consulting Group. The survey analyzed the performance of 610 companies in 44 countries between 2002 and 2006. Vale was also (understandably) Wall Street's favorite foreign company last year, according to average daily trading of American Depositary Receipts, or ADRs. BHP Billiton, the world's largest mining company, ranked seventh.

Judging by the moves made recently by a number of Brazilian companies, their overseas investments are likely to continue expanding.

## 10% of major Brazilian companies plan foreign acquisitions

A study by Rio de Janeiro's Federal University showed that, throughout the 1990s, direct investments abroad by Brazilian companies did not exceed US\$2.5 billion, and the bulk of that sum could be traced to Petrobras. Today, the country has at least 20 companies that are prominent globally, with over 50 industrial units operating abroad. The continued, and more widespread, trend of internationalization of the Brazilian economy has also been detected by the United Nations Conference on Trade and Development, or Unctad, which tracks international investment flows in annual studies. The phenomenon is especially clear in sectors that are natural resource-intensive, but it has also begun to appear among industrial companies. Two Brazilian firms made the list of the 25 largest transnational, non-financial companies in developing economies, classified by assets held abroad, published in Unctad's World Development Report 2007. They were Petrobras (13th place) and Vale (18th place).

The trend has been stimulated by the need to improve competition, of course, but also by recent favorable market conditions. Major infrastructure investments in China and soaring worldwide steel production have stimulated the formation of large groups in both mining and steel. Other segments are also benefited by Chinese advancement. Take, for example, the case of airplane manufacturer Embraer.

In 2002, the company began to manufacture aircraft in China. A joint venture with the Chinese communist government resulted in the creation of Harbin Embraer Aircraft Industry Company, located in the city of Harbin, 150 kilometers northwest of Peking, for the production of ERJ 145 jets. The company is working on an order of 50 jets to be assembled at the Chinese unit. China has also purchased another 50 Embraer 190s, built in Brazil. "I believe we would not have sold the nationally produced airplanes had we not been present in China," says Horacio Forjaz Aragones, vice-president of administration and communication at Embraer. "Results obtained with internationalization more than compensate for the energy and dedication required to overcome obstacles."

The most ingenious entrepreneurs have already discovered this. They have come to realize that exports from Brazil do not guarantee a global presence, something that becomes much easier when a foothold has been firmly achieved in production areas of other countries. The overseas presence helps companies increase their awareness regarding local needs and contributes to reducing the cost of accessing clients. "It is an absolutely natural trend that the leading companies in emerging countries become international," says Wieland Gurli, a McKinsey consultant specialized in mining and steel.

The trend impacts both private companies like Vale and state-owned Petrobras. The oil giant's international investments, adjusted by the dollar-real exchange rate

### Offshore expansion will seem natural in the coming years

from 2004, leapt from a modest US\$139.9 million in 1990 to US\$3.3 billion in 2006. The rise in petroleum prices has given Petrobras increased liquidity, but this only partly explains the company's determination to become a worldwide oil player. "We will be one of the five largest integrated energy companies in the world," says Petrobras President Jose Sergio Gabrielli. To get there, the company has approved investments of US\$112.4 billion between 2008 and 2012, of which

13% is destined to other countries and 87% to Brazil. The United States, Nigeria, Argentina, Angola, Venezuela, Colombia and Turkey are some of the destinations for the company's resources.

Movements such as this have the potential to be considered increasingly natural business decisions from here on. One of the trailblazers along this path,

the Gerdau group, is now in its second year as top of the international company list in the Brazilian Transnational Ranking, produced by the Dom Cabral Foundation of Minas Gerais in conjunction with Columbia University of the United States. In 2007, Gerdau totaled 12 international acquisitions. Brazilian units accounted for 47% of the steelmaker's R\$34.2 billion gross revenues that year. Industrial plants in the United States and Canada contributed 33.3%, Latin American units (excluding Brazil) accounted for 10.6% and Spain represented 9.1%. "The growth platform for the Gerdau

group in the international steel scenario has been enlarged. We will follow our strategy of growth with profitability and maintain elevated standards of competi-

**Embraer: factory in China guarantees orders for aircraft made in Brazil**



(LEFT) HANDOUT/EMBRAER — (RIGHT) LALO DE ALMEIDA/FOLHA IMAGEM



tion,” said the group’s president, Andre Gerdau Johansen, when he announced the company’s results.

The Dom Cabral study comes at a good time. “We evaluated how much representation each company has abroad, in terms of assets, sales and jobs,” explained Luiz Carlos de Carvalho, the Dom Cabral Foundation’s international business coordinator. The survey showed that the 20 Brazilian companies with greatest overseas assets have over US\$65 billion invested outside of Brazil. It also showed that Brazil is Latin America’s greatest investment exporter, and the second among all developing countries.

Be that as it may, what is certain is that despite passionate discussions sparked now and in the future by the question of internationalization, Brazilian companies will continue to tread the global path. Autoparts manufacturer Sabó already has factories in Germany, Austria, Hungary and the United States, it is building one in China and is reaching out to India (see story on page 42). Meatpacker JBS-Friboi is on a non-stop acquisition drive worldwide (see Antena section). And like Friboi, other sectors with little or no experience in international investment are seeking new spaces abroad. It is an exceptional moment for a number of reasons.

First of all, there are many businesses for sale, not just in developing countries but also in developed and industrialized countries. Second, there is presently a vast supply of credit available and Brazil is no longer seen as a high-risk country. Besides, with the strengthened real, external investments have become relatively cheap. Thus it is that Rio Grande do Sul custom-made furniture company Unica, which controls the Dell Anno brand, has been multiplying its stores in Latin America and is now also present in Europe, with extremely positive results: an increase in the number of employees, along with expansion of installations and revenue in Brazil. “We have a bold plan for growth and internationalization,” says the company’s export manager, Juliano Barreti.

Wherever you look, there are more examples of how this process is irreversible. The beginning of 2008 has been incredibly busy for Votorantim, for example. The group took over the Colombian steel mill Acerias Paz del Rio in which it already had minor participation. Votorantim Cimentos purchased U.S.-based Prairie, one of the largest concrete and aggregate companies in the U.S. Midwest. The new acquisition has been integrated into the company’s subsidiary Votorantim Cement North America, which operates in conjunction with Canadian group St. Mary’s Cement, purchased by Votorantim in

## THE GOVERNMENT POSITION

**PIB INTERVIEWED** one of President Lula’s closest ministers regarding Vale’s possible purchase of Xstrata, now temporarily on ice. Below, the government’s general position on the operation:

“The government is not for or against internationalization. It is an inevitable process, a fact of life. The consolidation of the Brazilian economy, with an ever-increasing presence in the international scenario over the last 10 years, has also resulted in increased activity by Brazilian companies overseas. Brazil’s government has every interest in the continuing extension of Vale’s presence all around the world. If it does end up buying Xstrata, it will have more clout in South America, which is very positive.

The problem is the following: what is good for a company is not necessarily the best for the country. Vale has to say how it will pay for Xstrata. If payment is carried out in voting shares (common shares), it may be a problem because, in theory, you may not be internationalizing as much as denationalizing. One argument could be that participation used as payment will be smaller than the sum total that all Brazilian shareholders possess. Maybe, but that doesn’t prevent the creation of a situation of potential weakness, one that makes Vale vulnerable to a maneuver of share composition and consequently to undesirable offers. We cannot have another AmBev. It all looks very pretty, but in fact it (AmBev) ceased to be under Brazilian control.

At the same time, Vale, in becoming a large multinational, has to make sure it is careful to continue being fundamentally a Brazilian company. It needs to have a strong presence in Brazil, and not only in mining segment, but also in activities that add value to the product. Why don’t they have a steel mill in Pará? Or Maranhão? They argue that they cannot compete with their clients. Well, they could join their clients and bring some stability into the whole thing. They have to add product value, generate income and create jobs.

The BNDES and investment funds have an enormous participation in Vale. The deal with Xstrata will go through only if the government approves it. But the idea is not to get in the way. The president has neither illusions nor prejudice regarding businessmen, with whom he has negotiated his whole life. He knows they are people, flesh and bones, wanting to take advantage of situations – which is part of the game – but what they say or sell is not always the truth.” (Nely Caixeta)



HANDOUT/VALE

**Inco: purchase of the Canadian mining company by Vale in 2006 was a landmark for Brazilian investments abroad**

2001. By 2008, Votorantim Cimentos plans to double overseas revenues to US\$1.5 billion.

These are just a few examples of a phenomenon that can be seen in several segments of the Brazilian economy, in all regions throughout the country. There are many advantages to this movement, according to Welber Barral, foreign trade secretary at the Ministry of Development, Industry and Foreign Trade. "There are benefits for companies and for the country. Companies are able to work around trade barriers and gain more stability, access to raw materials, scale and productivity. Furthermore there are intangible gains with regard to brand publicity and reputation on the international market. For the country, the expansion of investments generates new export opportunities and makes the Brazil brand widespread – which effectively multiplies business."

At this point, an example of a company in the service segment would be quite appropriate. Construtora Norberto Odebrecht (CNO) has a high degree of internationalization in terms of geographic dispersion, overseas activities and international experience. It began its activities outside of Brazil in 1979. One notable characteristic is the domino effect it causes in the country (see box on page 54). Another is the incredible capacity Odebrecht has to adjust to markets where it has staked a presence. "Our experience is highly successful," says the director of institutional

relations for Odebrecht's engineering and construction activities, Roberto Dias. "We know each country has its own reality, customs and laws; everything is very specific, and we prepare people to understand this and integrate themselves to the environments in which we function."

A more or less generalized standard procedure among companies that invest in international operations is to begin their international career as exporters – allowing them to gauge market receptivity to their products, evaluate the competitiveness of what they have to offer, and identify at which locations around the world it would be most advantageous to sink roots. Sadia is a case in point. The foodstuffs company has just built its first overseas meatpacker at Kaliningrad, in Russia. A similar, although much older, experience belongs to Weg, a Santa Catarina company which is one of the world's top three electric motor manufacturers. Since 1996 the company has used the strategy of acquiring small factories and then consolidating its operations. Weg has subsidiaries in 20 countries and industrial units in Argentina, Mexico, Portugal and China. From the very start of the company's operations outside of Brazil, direct exports have also grown very quickly. Today, about 70% of Weg's external sales are destined to the company's overseas units.

Internationalization also has a number of positive side effects. One of these

**There are plenty of examples that globalization is irreversible**



THIS IS A VERY PROMISING PROSPECT AT THE TIME THAT SUFRAMA IS CELEBRATING ITS 41ST BIRTHDAY AND CONSOLIDATING THE MANABUS FREE TRADE ZONE MODEL.



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is the increase in Brazil's average industrial productivity, by 8% per year since the 1990s, that is most likely due to the greater competitiveness that companies were forced to achieve after the opening of the Brazilian market. Another example: in 2006, sales growth of the country's top 500 companies exceeded the national annual GDP growth rate – 5.8% compared to 3.7%, according to data from the yearly Biggest and Best business almanac, published by Editora Abril's Exame business magazine. “Foreign direct investment is blamed for harming the interests of workers and the country, but the fact is that if a company grows overseas, it gains strength and stability to face periods of crisis,” says Dante Mendes Aldrichi, a professor at São Paulo University's college of Economics and Business. “Foreign and domestic investments are not mutually exclusive: they can, and should, complement each other.”

For Henri Kistler, the Finance Ministry's secretary of international activities, the recent globalization demonstrates an inversion in the fundamentals of the Brazilian economy that has taken place over the last two decades. “In the nineties, Brazil needed foreign money to close its payment balance. There were no real conditions to invest internationally,” he said. “With the accumulation of consecutive positive trade balances, the situation has changed. The growth of reserves has provided an incentive for direct investments in other



TIAGO QUEIROZ / AE

countries. Therefore, we can arrive at an ideal situation, in which the country's external accounts can be taken out of the red thanks to royalties and profits generated by investments made by Brazilian companies overseas.” Kistler says repatriated resources account for 10% of capital invested outside of the country.

International experience shows that working in the larger scenario of the global economy is a challenge, but it generates dividends for businesses, shareholders, employees and the company's country of origin. This has been verifiably the case in South Korea and Italy.

### ARTICLE

## MISPLACED RESISTANCE

*Prejudice against the internationalization of Brazilian companies still permeates current economic debates* **BY LÍDIA GOLDENSTEIN**

**BRAZIL'S LONG YEARS** as a closed economy generated several negative consequences for the country's productive sectors, and these are now being gradually overcome. Investment rates climb year after year, several sectors, following significant restructuring, have been acquiring internationally competitive capacity, and inflation is currently under control.

The transformations that the economy has already passed through,

and those it is currently undergoing, should not be underestimated. On the contrary, in at least some sectors they have been very substantial.

However, some issues that were truly taboo, like privatization, have been overcome. Nowadays few people still stick to the outdated orthodox idea of state-owned companies. Even these old-fashioned sticklers have, to some extent, accepted that privatization in some segments may be a “necessary evil,” under certain

conditions and when carried out in a certain fashion.

Slowly but surely, and with great effort, the economic debate has broken free from ideological binds that previously impoverished it, and is now enriched with the myriad opportunities that are opening up.

It is therefore surprising that, despite these unquestionable advances, the current economic debate should still be permeated by prejudice against globalization.

There are still those who believe that company internationalization means exporting jobs – that any advantages internationalization may bring are restricted to the companies themselves and their respective





**Gerdau: 12 foreign acquisitions in 2007; 47% of total revenues now come from abroad**

“Italian medium-sized companies have gone global, gained productivity and new markets, and have neither reduced their local operations nor the number of employees at home,” says Victor Sonzogno, manager of the São Paulo branch of Italian consulting company Ambrosetti. One Korean example is Samsung, one of the most suc-

cessful emerging-market companies. First, Samsung accumulated experience in the development of products and operations. Then, it made use of its expertise in innovation to launch its business in the United States and Europe. Next, it invested heavily in research and development and in its global brand, further boosting its participation in the global market. Moreover, as the global operation requires executives who know how to work in diverse coun-

tries, cultures and contexts, Samsung not only recruited employees of several different nationalities from the world’s main universities: it created an internal training center for performance management.

By the end of 2008, Sobeet expects to develop a study to verify the effect of exposure to different experiences and cultures in the degree of technological innovation and the aggregate value of products manufactured by Brazilian companies. One project by Iedi, the Institute for Studies in Support of Industrial Development, that investigated exporting companies has already concluded that exports are good, not only for companies’ trade balances, but also for the managerial quality of its products and operations. Most analysts studying internationalization wager that the bigger and more diverse the activity, with operations in different parts of the globe, the better the results obtained. There’s no lasting gain, however, unless the manage-

rial and productive modernization and the productivity gains carry over into domestic supply chains and markets, resulting in lower prices and higher quality for domestic consumers.

The Brazilian Development Bank has promoted meetings, including events overseas, to stimulate businesspeople to think and act globally. Other organizations

## Soaring foreign reserves encourage offshore investments

stockholders, and that of course it would be absurd for the government to fund this process.

Without doubt, this type of resistance is one of the legacies that survive from the time when Brazil was closed, both from an economic point of view and also to the great debates and movements that were transforming the world.

Only ignorance regarding the role that globalized companies can play in terms of making the economy of its home country more dynamic can explain the negative vision that many still harbor.

From a company’s point of view, there are many reasons to go international. Getting round tariff and

non-tariff barriers is just one of them. In addition, there’s the possibility of generating income in dollars or euros, gaining protection against oscillations or other problems in the domestic market, creating more agile distribution channels and obtaining access to more sophisticated financial markets.

Besides helping companies grow bigger and stronger, however, globalization is also an important instrument to increase a country’s ability to compete.

Worldwide experience shows that companies’ base countries have many important and diversified gains that are not limited to the possible repatriation of profits and dividends, although this by itself

would already justify support for company internationalization.

Those firms that are best at internationalization are also leaders in global trade and in generation of innovation. It couldn’t be any other way, given that the success of internationalization depends on a company’s capacity for innovation. It depends even more on the innovative capacity of its suppliers, which often accompany their client in the internationalization process. In other words, these are companies that become a positive influence in the whole production chain, imposing standards and modernization of their partners.



are working towards the Brazilian economy being able to benefit from companies' internationalization processes. This year the Dom Cabral Foundation will promote a seminar that has been unofficially christened "Top Stars." Its goal is to study the globalization process of companies from emerging economies. The Boston Consulting Group first brought attention to this issue with a list of 100 rapidly developing companies from emerging countries, who have risen to the challenge of going global. Seventy of them have their headquarters in Asia, 18 in Latin America and the remainder are from countries such as Russia and Turkey. Among the Brazilians are Braskem, Vale, Embraer, Gerdau, Petrobras and Sadia.

What else? Well, conditions in which companies operate can always be improved. Right now, according to Ambassador Samuel Pinheiro Guimarães Neto, secretary general of the Ministry of External Relations, the process involving Brazilian direct investments overseas has the government's full support. "This support is given, for example, by negotiating free trade agreements so that we can have the same rights other countries like Colom-



HANDOUT/PETROBRAS

**Petrobras in Colombia: 13% of investments are overseas**

bia and Chile have in trade relations with the United States," he explains.

Michel Alaby, a consultant specialized in international markets and president of the Association for Brazilian Companies for Market Integration, suggests that more and more deals should be negotiated

to avoid double taxation of profits remitted to Brazil. "A significant part of Brazilian investments in other countries have to go through tax havens in order to avoid collection of taxes on profits abroad and dividends in Brazil," says Alaby. He suggests, also, that Brazil follow China's example. In 2000, the Chinese launched their "Go Global" strategy, with a goal of having 30 to 50 internationally competitive companies by 2010. The government offers tax, financial and labor breaks to investors and promotes the signing of deals involving trade, promotion and mutual investment protection. Results can already be noticed in 2007: the number of Chinese multinationals has leapt substantially, from 48 to 8,500, with presence in 167 countries, and China is now the world's fifth largest investor. "Brazil can improve its performance if its plans are better planned and thought-out," says Alaby. ■

Internationalized companies and/or those with global brands open paths and opportunities for other companies and products from their country of origin. As they face larger and more demanding markets they take with them an important intangible asset, which is the enhanced reputation of a country as a producer of quality merchandise.

Internationalizing a company does not mean halting investments in the company's home country. Quite the contrary, is many cases it means enhanced trade relations among branches spread all over the world, requiring complementary investments at headquarters. From the point

of view of the countries, therefore, it makes sense to support the internationalization of its own companies.

Although Brazil is a late bloomer compared to other countries in similar stages of development, the internationalization process of Brazilian companies has advanced significantly over the last few years. In 2007, over 25 companies invested abroad, for a total of US\$12.14 billion. Some, such as Vale, Embraer, Petrobras, Votorantim and Gerdau, invested as part of aggressive and victorious strategies. Others invested not always for the healthiest of reasons, but rather through defensive strategies seeking to overcome obstacles to growth such as an increased exchange rate, lack of

infrastructure and bilateral trade agreements in Brazil.

Be it for healthy motives or defensive strategies, internationalization represents a gain both for the companies themselves, and for their supply chains and their country.

Brazil began this process relatively late in the game. Many countries have had active internationalization strategies and policies for decades. Others, such as China, despite having begun globalizing their companies fairly recently, are much more aggressive in their strategies.

In conclusion: there is no justification for Brazil to not strengthen its international participation through its companies. ■



# VOTORANTIM. 90 YEARS OF HISTORY AND INCREASINGLY GLOBAL.

The Votorantim Group is one of the largest private business groups in Latin America. 90 years of history. 8 business units. US\$ 2.5 billion in exports. Operations in 13 countries. These facts have helped the company reach the mark of 60,000 employees and net revenues of US\$ 15.6 billion. And they have helped Votorantim challenge something that cannot be part of its story: the impossible.



centosseis

The impossible has  
no place in this story.



**Votorantim**  
90 Years





# Fancy footwork

*Following the success of a character based on soccer star Ronaldinho, Brazilian cartoonist Mauricio de Sousa seeks international fame for his “Mônica” strip* **BY JOÃO PAULO NUCCI**

**A**nyone arriving at Mauricio de Sousa Produções in the São Paulo neighborhood of Lapa needs to cross a Japanese-style portal in order to reach the elevators. “We’re all breathing in Oriental airs around here,” says cartoonist and businessman Mauricio de Sousa, very

much the boss. He was invited, last-minute, to create mascots celebrating 100 years of Japanese immigration to Brazil, and had only two days to draw his characters Keika and Tikara. As has been the case over the last 30 years, he had the assistance of his wife and art director Alice Takeda. “Tikara is a mix of my youngest sons. Keika, on



## MÔNICA (AND FRIENDS!) WORLDWIDE

**OVER 30 COUNTRIES** receive editorial or consumption products, through licensing

REGION	PRODUCTS
Africa	Food, diapers, bags, school and party supplies and "Monica's Amusement Park"
North America	Food, clothes, watches, comic strips
South America	Clothes, shoes, bags, furniture, toys, diapers, school and party supplies, rugs, handkerchiefs, suitcases, photo albums, toiletries, food, games and cartoons on Cartoon Channel
Asia	Comic books, comic strips, toys, books, soda, party articles and educational material, food.
Caribbean	Cartoons, lunchboxes, hot dogs and clothes
Europe	Ronaldinho comic books and products, Mônica comic books and products, food, toys, cartoons, toiletries, school supplies and lunchboxes
Middle East	Poultry products under the Perdigão brand; children's clothing under the Tip Top brand; hairbrushes under the Fidalga brand

SOURCE: MAURICIO DE SOUSA PRODUÇÕES



**THE STARS:**  
Ronaldinho is  
today Mauricio  
de Sousa's main  
international business

the other hand, looks like Alice when she was a child," he states, confessing to his habit of garnering inspiration from his own family when it comes time to create. His "Mônica" characters, probably Brazil's most popular kids' cartoon strip, have starred in the country's highest selling comic books from 1970 until now and were based on the personalities of his 10 children or their friends. Today his extensive offspring begin with 49 year old Mariângela and end with Marcelo, 10.

Souza's first strip featuring Bidu, a little dog copied from the family pet, was published in 1959 in the newspaper currently known as Folha de S. Paulo, where Sousa began as a police reporter. Now, 72 years old and about to complete five decades as a cartoonist, Sousa is preparing for the international expansion of his company. And he's not taking it easy: along with a trip scheduled to Japan for the launch of his new creations, Sousa is preparing for the opening of a Mônica

Amusement Park in Luanda, Angola. He is finishing up some educational material that will help to teach 180 million Chinese to read and write, finalizing details for the launch of his Ronaldinho comic book in Scandinavian countries and negotiating production of a videogame for one of the segment's global giants. The name of the game is being held under wraps for now.

Working in other countries is not new for Sousa. In the 1970s his Pelezinho character, based on soc-

VALÉRIA GONÇALVES/AE



**The two Mônicas:** Mauricio's daughter inspired the character, today she takes care of licensing

cer giant Pelé, was a worldwide hit. A contract with a North American distributor guaranteed the publication of comic strips in dailies from several countries. In the early 1980s Victor Civita, the now-deceased founder of Editora Abril, a major Brazilian publisher, partnered Sousa in a venture to publish Mônica comic books in 14 countries. The experiment ended, according to Sousa, because of pressure from a large global competitor whose name he chose not to reveal.

## Buck-toothed soccer player

Obstacles imposed by the Brazilian economy between the 1980s and 1990s, when inflation was rocketing, led Sousa to rein in his foreign ventures and centralize his efforts on the domestic market. "We stopped everything we were doing outside of Brazil, and waited for the right time to pick it up again." Finally, Sousa believes the time has come. The company's new globalization cycle promises much more consistency. Sousa's sister, Yara Maura, has had an office in New York since the beginning of the decade. Thanks to doors opened

by Maura, his comic books have been published successfully in Indonesia for over eight years, South Korea's main newspaper has daily strips drawn by Sousa, and a cartoon series is highly successful in Italy. The international flagship is just as toothy as Monica, but carries a soccer ball instead of a stuffed bunny.

Ronaldinho, who became a Sousa character in 2005, is a sales hit with licensed products in Spain and Portugal. "Ronaldinho is paving the way for us," says Sousa. "He is allowing us to offer Mônica to the world." Despite the success of these initiatives and with Mônica comic strips once again distributed worldwide by a U.S. company, the final attack on the global market is still being prepared.

Sousa believes the business can achieve larger scale in other countries only when his characters are on TV and in the movies, not just comic books and newspapers. It would then be possible, he said, to tap into the market's true



RICARDO BENCHIO

**Well planned path all laid out:** Mônica and friends have

gold mine: licensing. In Brazil about 70% of Mauricio de Sousa Produções earnings, which he chooses not to divulge, come from over 2,000 products licensed by about 70 companies. The remaining 30% come from magazines, comic strips, books, a Monica Park in São Paulo and cartoons.

The company is currently finalizing a series of 13 Mônica cartoons for television. A new feature film is also on the way. Everything is covered in globally-friendly packaging. Along with strengthening the product line with new audiovisual offerings, Mauricio is advancing in professionalizing his business, in order to attract international partners. He believes that through strategic alliances he will gain access to new

markets and gain financial strength. "Come here again in three months and you will see a very different company, geared towards the external market," he says. Sousa keeps a routine of at least 12 hours of work per day, makes

**Some 70% of the company's revenues come from over 2,000 licensed products**





universal appeal and adapt to any culture

suggestions and touches up all of his productions, and even deals directly with the company's main contracts. The company is 100% controlled by Sousa and his family.

## Succession

Besides his wife, Alice, several children and relatives work at Mauricio de Sousa Produções. "They only have jobs here because they are really good at what they do," says the patriarch. His daughter Mônica, now 48, was not only the inspiration for the Mônica character but is also responsible for the commercial department and licensing. His other daughter Marina, 23, also the muse for the strip's Marina character, is considered her father's artistic heir-ess. Mauricio prefers not to comment – he says he doesn't want to "put pressure on anyone" – but it was likely that the two women will share his main functions: businessperson and cartoonist. "I need to make sure this matter of succession is resolved, because my future partners will be asking me about it."

The only partnership inked to date is with Italian publisher Panini.

At the end of 2006, Sousa broke off an almost 20-year partnership with Brazil's Editora Globo publishing house and delivered the distribution of his work in Brazil to Panini, which has offices in 18 countries and controls distribution channels in a number of others. Besides a willingness to invest in the local market to raise the volume of comic book sales from 2 million to 4 million – a level previously reached in the 1980s – Panini is ready to take Mônica out into the world. For now, aside from Brazil, the only country that receives the partnership's products is Portugal. Details of the internationalization strategy are still kept secret, but word in the market is that they are very promising. "Panini presents Sousa in Italy as the Brazilian Disney, so that the public can grasp the scope of his production," says comics critic Ruy Jobim Neto.

Sousa's future partners should be strongly involved in the business, like Panini. "I don't want investors, I want somebody who knows about this business," he says. He believes there is ample potential for Mônica to grow abroad, judging from previous experience. "Our little group's potential is equal to that of stronger competitors in the area," says Mônica Spada e Sousa, his daughter. "Our main, final target is the United States. Until we get there, though, we have to look good in other markets."

Mauricio and Monica are positive that their characters have universal appeal. Proof lies in the experience in other markets and the

resilience the Mônica cartoon has shown in Brazil, surviving strongly as kids' favorite despite competition from the internet and kids' channels on cable television – Mônica's older cartoons have a weekly hour on Cartoon Channel. Even Chico Bento, inspired in a stereotyped country yokel, has won over admirers all over the world. "Every country has a rural area for which people feel a certain nostalgia," says Sousa. Despite being an altar boy in an officially atheist country, he is the strip's most-loved character in China. He also has admirers in Indonesia, a mainly Muslim nation.

Going international has meant translating some of the characters special traits. Cebolinha, one of the band of kids in the Mônica strip, has difficulty in pronouncing the letter 'r' in the original Portuguese. Known

as Gimme Five in English, due to the five strands of hair on his head, the boy trades 'r' for 'w' instead of 'l'. Gimme Five also speaks "incowectly" in languages based on other alphabets, such as Greek and Chinese. As the translations are not simply transcribed but adapted to local realities, some equivalent verbal quirk is always to be found for

each character. General-

ly, exported stories are the same as those that run in Brazil. Adaptations are minimal, like a censorship bar placed over Chico Bento's private parts when he bathes in Indonesian rivers, or the substitution of a bikini for a full length bathing suit for U.S. readers. Nothing that Mauricio and his team can't fix with a quick dash of the pen. ■



**Tikara and Keika: mascots celebrating 100 years of Japanese immigration to Brazil**

RICARDO BENICHO

# The secrets of Sabó

*In the early 1990s, the Brazilian auto parts manufacturer found an outlet in Europe that would keep it from being smothered by foreign competitors. Today, it is one of the most international of all Brazilian companies*

BY BETTINA RIFFEL, DE TEILHEIM, E MARCELO CABRAL

**B**ack in the early 1990s, when Brazil removed protectionist barriers on the automobile sector, all Brazilian auto parts manufacturers seemed on the verge of disappearing. They didn't appear strong enough to resist the influx of international competitors that were moving into the country attracted by the need for modernization of big companies, and many big brands changed hands and names.

It seemed logical that Sabó would be doomed. The São Paulo-based company appeared destined to share the fate of other major locally-owned parts makers such as Metal-Leve, Cofap and Nakata, had its shareholders not decided to venture in a completely opposite direction during this period of sharp change. Sabó, a seals and connections maker, turned its attention outside of Brazil in search of companies to purchase. "We survived

only because we went overseas," says Luis Gonzalo Guardia Souto, director general of Sabó for South America. "Internationalization allowed us to grow and accumulate knowledge." Almost half of Sabó's 2007 revenue of US\$310 million came from its international operations (see chart).

In 1993, Sabó, owner of two factories in Brazil and one in Argentina, purchased Kaco, a competitor with three plants in Germany and one in





Austria. The name of the company, which was founded in 1914, was kept by the new stakeholder. Later on, the Brazilian company set up an office in the United States. Last year, Sabó USA inaugurated its first factory in North Carolina. In a kind of return to its origins, it built a plant in Hungary a few years ago. The Eastern European country, which attracted a large number of automobile manufacturers after the fall of the Berlin wall, is the original homeland of Brazilian immigrant José Sabó, the company founder. Back in 1942 Sabó lent the new venture his own name. Today Sabó is the second largest European manufacturer of hydraulic seals.

In 2008, exactly 15 years after the company's major global expansion, Sabó is due to start operations in China. The company's factory near Shanghai is almost ready. Plans for 2009 include advancing

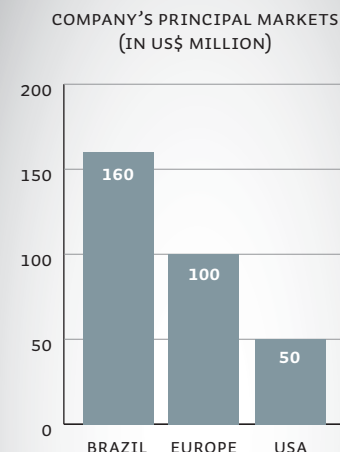
into India. According to an annual study by the Dom Cabral Foundation, Sabó, whose control remains in the hands of its founder, ranks as the third most internationalized company in Brazil. Not bad for a company seeking space worldwide, to avoid being crushed at home.

Sabó makes those little rubber hydraulic seals that cause oil stains to appear on your garage floor when they need to be replaced. They are hidden away from sight in the middle of the motor, but are vital in preventing oil, fuel and other necessary fluids from leaking out. For anyone underestimating the importance of these parts and imagining that any backyard company can make them with a plastic injector, Sabó has a collection of stories that show exactly the opposite. Here are two:

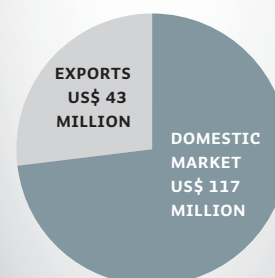
**1)** The excellent quality of seals produced in Brazil was key to opening European doors to Sabó and its products in the late 1970s. Engineers at Opel, GM's German subsidiary, noticed that the Chevette built in Brazil did not have some of the leakage problems characteristic of the European model. They found that Sabó had resolved a defect that had bothered them for a long time. "Conditions of Brazilian streets and highways demand stronger, more resistant parts," explains Gonzalo. "First of all, we showed the Opel people how to solve their problem, and later on we became their suppliers." This increased contact with Opel helped Sabó become a global authority in the matter of hydraulic seals, and, at the same time, it was required to meet standards that were uncommon in Brazil during those times. This was especially

## US\$ 310 million

Total Sabó billings in 2007



### SABÓ'S BRAZILIAN OPERATIONS



SOURCE: SABÓ



DADA PETROLE

**Sabó in Germany: next step is to open an innovation center**

true with regard to logistics, delivery deadlines, guarantees and maintenance. When the Brazilian automobile market opened up to international competition, Sabó was one of the few companies capable of supplying large international producers.

**2)** Sabó, via Kaco, has been working since 1999 on development of a seal to be used in automobile air conditioning starting three years from now, in 2011, when a European law that bans the use of freon in vehicles' air conditioning comes into effect. Freon is a generic term used to describe the fluorocarbons

used – amongst other things – in air conditioners. The law requires that air conditioners use less toxic substances and the company's engineers have been studying adequate seals for these new substances. "At first, it is likely that we will be able to meet the supply needs only of the European market, says Markus Schwerdtfeger, responsible for the factory in the German city of Teilheim. German-born, Schwerdtfeger worked at Kaco long before the company was purchased by the Brazilian group.

One of the secrets regarding the quality of products manufactured by Sabó is that most of them are produced using machines developed by the company itself. Up to now, European efforts in technological advance have been conducted in partnership with German universities. In 2009, Sabó is scheduled to inaugurate its own Center for Technological Innovation in the city of Kirchardt, Germany. "We have opted for the construction of our own Innovation Center here," said Schwerdtfeger. "This way, we are close to decision-making centers of several important automobile manufacturers."

The option to work as closely as possible to the people who make big, strategic decisions in European automakers is not a choice born of chance. It is the result of a deliberate strategy, quite common in companies that are tied into a production chain led by other companies. "It is the classic strategy of following your client," said Álvaro Cyrino, professor at the Dom Cabral Foundation. According to Cyrino, the logic behind this strategy is actually quite simple. As the companies that lead this particular production chain – the automobile manufacturers – have much great-

er power than their suppliers, the parts makers must be near to the vehicle assemblers at all times. This is the only way to increase participation in operations. "For the big car makers themselves, it is advantageous to have a number of suppliers spread out all over the world," explained Cyrino. "In this way, they do not become overly dependent on a small number of companies. It's called risk sharing."

Be that as it may, being close to its main clients was a process that demanded Sabó's redoubled attention to details that might have otherwise slipped by unnoticed to the managers of a company that had



**Production in Teilheim:**  
of the 250 workers at the factory,  
no less than 80% say they  
like their jobs

never ventured outside of its tropical home. In places that face at least six months of very cold weather each year, it's essential to have a factory heating system with a degree of efficiency unheard of in Brazil. About two years ago, the company's factories were equipped with a new system that recovers the heat generated by assembly line compressors and uses it to heat the inside of the building. This saves the company at least 20% in energy costs, compared to the previous system.

Another issue that requires the company's permanent attention is the quality of its work environment. Half of Sabó's 500 employees in Germany are based at the Teilheim factory, and one of the company's main concerns is worker morale. "This is a permanent concern," says





PHOTOS: DADA PETROLE

tion. When this process began, the United States had very little influence on automobile production in Brazil. Although both main American makers – GM and Ford – were present in the country, the models they built in Brazil were created by their European subsidiaries.

As Sabó became a global company, its connection with the Brazilian market have remained very important, but it is no longer the determining factor for choice of investment locations. The North Carolina plant, for example, is **completely** dedicated to production for the U.S. market. It has one additional advantage: as a lot of the materials used in auto parts manufacture are produced in the United States, presence in that market ends up generating benefits for the company all over the world.

It goes without saying that Sabó has had to face a number of difficulties throughout its history. “Perhaps the main difficulty for us was to learn how to create an international culture,” says Gonzalo. Internationalized companies have different ways of handling this question – some implement their own rules and ride rough-shod over local customs. Others seek to maintain local ways of doing things. Evidently, finding the ideal mix – if indeed such a thing exists – is not easy. Sabó adopted a simple rule: always keep, at the head of an overseas operation, someone who is a native of the country in question. “These are the people who help us understand local culture and carry our principles to every country,” Gonazlo says. That applies for major business strategies as well as small daily gestures – in Germany, for example, it’s not customary to address any employee by his or her first name, in the way that Schwerdtfeger does. ■



Schwerdtfeger, who has a habit of addressing people by their first names when he runs into them on the assembly lines or in the offices. A study showed that although 80% of employees demonstrate satisfaction with their jobs, many complain about the lack of information regarding expansion plans and progress towards meeting goals. “Many of them want to know details of our plan for growth and to receive updated information regarding attainment of targets,” Schwerdtfeger said. To solve the problem, the company installed digital monitors in several spots around the factory, including locations close to the assembly line. The monitors will function as a sort of internal news service. One excellent indication of the overall positive environment at the company is the average time employees remain in their jobs: 20.7 years.

There was a good reason for Sabó’s choice of Europe as its starting point for internationaliza-

# Necessary, but insufficient

*Sustainability is a vital tool in the strategy for internationalization. But it's not the whole answer* **BY LIA VASCONCELOS**

**S**ustainability has never been as big an issue as it has become nowadays. Fear sparked by global warming has catapulted the issue to the forefront of world debates. Carbon credits, greenhouse gas emissions and the melting of polar ice caps have become everyday topics in conversations all around the world. Not only has the subject invaded political agendas and citizens' daily lives, but innumerable companies have repeated, mantra-style, the sustainability concepts established by John Elkington, British founder of the highly respected SustainAbility consulting company. For Elkington, no company will survive in this day and age without taking into consideration the so-called triple bottom line: environmental, financial/economic and social aspects (including addressing issues such as employee relations, ending child labor, paying attention to communities with which the company maintains relationships and support for initiatives that promote inclusion).

There is no simple formula to ensure that a business strategy firmly

based on sustainability will be more successful than any other, but there appears to be no doubt that the tripod created by Elkington is increasingly present on negotiation tables throughout the corporate world. For companies in emerging countries such as Brazil, and especially those attempting to stake their claims in the global market, the essential question is: at the end of the day, will being sustainable help them garner overseas business? Putting it another way: how harmful can not cultivating sustainability really be?

According to *The Economist*, a UK-based magazine, emerging economies have gained more and more clout in global trade since 2002. Investments originating in developing countries totaled US\$16 billion in 2002, and grew to a whopping US\$120 billion in 2005. No wonder the eyes of the world are on companies in Brazil, Russia, India and China, countries comprising the BRICs acronym, coined by prominent United States investment bank Goldman Sachs.

As they gain muscle and become relevant players on the international stage, threatening the hegemony

**The 32 companies in Bovespa's Sustainability Index are worth US\$400 billion**



**The Tamar Project: turtle protection on the**





**Brazilian coast is supported by Petrobras, a company with some environmental accidents in its past**



MÁRCIO GARCEZ VIEIRA/PETROBRAS

of traditional corporations, these companies attract the attention, and critical eye, of governments, media and activists in the developed world, in turn forcing them to pay attention to their own impact on society and the environment. According to one of the most renowned specialists in business management, U.S. economist Michael Porter, this new scenario has turned social responsibility into a vital strategic concern for companies. “Competitive advantage lies in integrating societal demands with strategy and operations,” Porter wrote in the *Harvard Business Review*.

The good news is that, in Brazil, the issue of sustainability seems finally to have registered on companies’ radars. Bovespa’s Corporate Sustainability Index (ISE) was created in 2005 to track companies with shares publicly traded on São Paulo’s Bovespa stock market that demonstrate the best sustainability practices. The number of companies in the ISE has risen from 28 in 2006 to 32 this year, with an estimated market value of R\$700 billion – some US\$400 billion – the equivalent of 48.5% of total capital on the Brazilian bourse. “Some companies are more advanced than others, but this is a trend that has come to stay; it is not a fad,” says Roberta Simo-





### **Suzano's eucalyptus: the company believes sustainability is key to doing business in demanding markets**

netti, coordinator of the corporate sustainability program at the Center for Sustainability Studies at the Getúlio Vargas Foundation, a leading business school and research institute in São Paulo.

This opinion is backed by the 2007 edition of the Sustainability Guide, published by Brazilian business periodical Exame, which also demonstrates how much space the subject has gained in the corporate world. Of the 140 companies that answered the questionnaire sent out by the magazine, 63% have a sustainability committee, and 72% of them publish an annual sustainability report. More good news is that 31% of participants adopt a system whereby remuneration of executives is directly tied to the social and environmental results they have achieved.

The questionnaire goes on to point out that 46% of the responding companies see sustainability as an opportunity to launch new prod-

ucts and services. Case in point is Braskem, Latin America's leading petrochemical company, part of the Odebrecht Group, which is preparing to start the world's industrial scale production of plastic manufactured from renewable raw materials. This is slated to begin in 2010, as a result of nearly three decades of research and development, and forecasts are that production costs of the ethanol-based product should be lower than those of equivalents made from petroleum derivatives. Output is estimated around 200,000 tonnes per year, with expectations for future pro-

duction reaching 500,000 per year. "The United States, Japan, and several European countries have already shown interest," says Roberto Simões, Braskem's vice-president. The company recently signed a five-year cooperation agreement with Fapesp, the São Paulo State Foundation for Research Support, with investments pegged at around R\$50 million.

The idea, according to Simões, is not only to provide incentive for scientists to develop projects for production of polymers (common plastics used in supermarket bags, packaging and automobile components) from renewable raw materials, but also to improve competitive conditions by adding value through technology and innovation. "Renewable sources are our main concern," says Simões. "Client demand is increasingly tied to sustainability principles." He is betting that "green plastics" will provide an opening for expanding the com-

**International  
clients want details  
of sustainability  
programs operated by  
Brazilian companies**





#### **Suzano pulp mill in Mucuri: plant capacity expanded by 60%, without jeopardizing the environment**

pany's business abroad. "Clients overseas always ask about our sustainability indexes," he adds.

#### **Quality guarantee**

One decisive factor in the internationalization process of any company is access to cheaper resources overseas, in order to make investments viable. "Although Brazilian companies feature among the most 'internationalized' of developing countries, they still lack a strong global image, either positive or negative," says Jodie Thorpe, director of SustainAbility's program for emerging economies. "In their case, operating in a country whose interest rates are incredibly high, a robust sustainable performance helps in allowing companies to access (cheaper) capital that is owned by ever increasing numbers of investors who see sustainability as a guarantee of quality." Jodie believes it is exactly those companies in sectors that deal directly with natural

### **All of Suzano's 462,000 hectares of forest are duly certified by the Forest Stewardship Council**

resources, sectors such as petrochemicals, oil and paper and pulp production, that suffer the most pressure from investors, clients and consumers for the adoption of sustainable practices because of the impact they can potentially cause.

Suzano can vouch for that, having recently inaugurated the second phase of its mill located in Mucuri, in the northeastern state of Bahia, expanding production capacity by nearly 60% to 3.1 million tonnes of cellulose per year. Clients not only ask about Suzano's sustainability practices, they want to see them,

up close and personal. "The most complicated country to negotiate with is Germany," says André Dorf, director of Suzano's paper business. "They want to see, in loco, the sustainable maintenance of our forests, the treatment of our residues, the state of our carbon emissions, and what sort of relationships we have established with our community."

The São Paulo-based Feffer family which controls the Suzano company is well-placed with respect to the first of these issues: 100% of Suzano's 462,000 hectares of planted forests, spread throughout the states of São Paulo, Espírito Santo, Bahia, Minas Gerais and Maranhão, are certified by the Forest Stewardship Council (FSC), an independent international forest certification institute. In other areas, however, there's still room for improvement.

According to Dorf, for Suzano the concept of sustainability is intimately integrated into business.



HANDOUT/NATURA

## NATURA'S UPS AND DOWNS

### IN BRAZIL, SUSTAINABILITY

is synonymous above all with one company: Natura. Good practices in corporate citizenship are deeply rooted in the country's largest cosmetics manufacturer, and have been cultivated almost since the company's birth in the 1970s. Even before such issues came under the business spotlight, Natura was already including clauses against child labor in contracts with its suppliers. Its work with the Sustainable Development Reserve on the Iratapuru River, where 30 families in the state of Amapá make a living from harvesting Brazil Nuts, has gained public admiration and earned Natura ample media coverage.

**Pioneering: the company's project in Amapá benefits river-dwellers**

At least until now, however, the image of a sustainable company has not been enough for Natura to ensure success in the international market. Its first international operations date from 1994 in Chile, but Natura has yet to replicate, internationally, the success it has obtained in the domestic market. International revenues remain stubbornly at around an average of 2% of total revenues. The company has still not achieved the right model for international development, and losses on overseas expansion were among the causes of Natura's poor performance in 2007, when then company's market value dropped by a staggering 45% in just one year, while competitors like Avon become stronger and faster in Natura's own backyard. (CN)

"The German market purchases only certified pulp," he said. "If Suzano did not have sustainable practices, we would certainly have lost several deals." For paper and pulp executives like Dorf, a recent decision by Staples, one of the largest of office supply companies in the United States, to cancel existing contracts with Singapore's Asia Pulp and Paper (APP) was a very significant case. Motive for the cancellation? Suspensions that APP deforests native vegetation in the production of pulp and paper.

Listed on Bovespa's ISE for more than two years, Suzano is living proof that being sustainable is, above all, good business, just like SustainAbility consulting's Jodie Thorpe argues it can be. Between July 2006 and December 2007, the company's share price rose roughly 120%.

### Sea turtles

Included in the highest risk group by SustainAbility, Petrobras plans to be one of the five largest integrated energy companies in the world by 2020. The company is present in such diverse countries as Angola, Argentina, the United States, Singapore, Pakistan, the United Kingdom, Iran, Japan and Turkey. "Each of these countries has its own particular set of demands, according to its characteristics," says

Paulo Cezar Aquino, corporate executive manager for Petrobras' international sector. "We have to be aware of these demands and characteristics, and comply with them."

One of the company's goals is to eliminate 21.3 million tonnes of carbon dioxide emissions between 2007 and 2012. Another goal specifies investing in renewable energy sources that may, according to the company's calculations, reduce the use of fossil fuels in their transportation sector by 7% to 15%. To this end, Petrobras is investing in a hydrogenation process that blends diesel produced from vegetable oils or animal fat into mineral diesel. HBio, as the project was christened, has the great advantage of allowing the introduction of renewable energy during the refinery process, using existing industrial installations.

**Petrobras aims to reduce fossil fuel consumption between 7% and 15% by 2012 with the use of biological alternatives**





**Braskem: R\$50 million to be invested in biopolymers**

The state-controlled oil giant has been responsible for a few environmental accidents that have had significant repercussions, for example an oil spill in Rio's Guanabara Bay in early 2000. Today, in addition to redoubled care with its operations, the company is sponsoring some successful environmental programs. Among them is the Tamar Project, internationally known for its preservation of sea turtles. Petrobras also maintains sustainable programs outside of Brazil. In Colombia, for example, a program called Socio-Environmental Monitors trains community leaders to exercise guardianship of the environment to local. The moni-

tors are trained by the company to implement activities such as water decontamination, sewer system installation and preservation of water sources. Some 2,300 Colombians have been trained so far.

Back in the 1970s the concept of sustainability was initially focused just on environmental issues, but now has evolved to incorporate social aspects such as the promotion of fair work relations – a trend that started in the 1990s. Nike, the world's largest sporting goods manufacturer, was involved in a major row during the Nineties when it was accused of turning a blind eye to the use of child labor by its sports shoe and ball suppliers in Asia.

## Governance

More recently, the focus has included matters of corporate governance and financial transparency. After all, following scandals such as that of Enron, brought low by dubious accountability practices, no investors want to run similar risks.

Along with environmental disasters such as the one caused by the Exxon Valdez, which dumped 41 million liters of oil onto the Alaskan coast in 1989, episodes like those involving Nike and Enron have a guaranteed place in the hall of fame for corporate image catastrophes. Such incidents often mean heavy losses for market participants and for the finances of companies involved, even threatening their survival.

It is difficult to measure how much a company or individual sector has to gain by adopting a substantial sustainability practice, nor if it is a sure passport to success. If it were, Natura, one of Brazil's most admired pioneering companies in the sustainability field, would not be slipping and sliding in the implementation of its internationalization strategy (see box).

It is easy to imagine, however, what they stand to lose without sustainability or if they allow suspicions that they may be violating its principles. Proof of this is the havoc wreaked by the documentary *Deadly Brew: the Human Toll of Ethanol*, aired by the U.S.'s most influential business network, Bloomberg, and packed with criticism of worker relations in Brazilian sugarcane fields.

By denouncing the existence of precarious work conditions, the high number of deaths and accidents among sugarcane workers, the documentary caused serious losses for Brazilian ethanol at a moment when the green fuel is gaining ground as one of Brazil's greatest competitive advantages in the global marketplace. ■

# Domino effect

*Internationalization of large Brazilian companies is generating a healthy and virtuous circle, which forces national suppliers to improve their standards of quality and administration* **BY MARCELO CABRAL**

**M**etalfrio Solutions, Latin America's largest manufacturer of freezers and refrigeration equipment, didn't want to end up on the wrong side of this global process. The São Paulo-based company needed to solve a problem facing a major client, the beer and soft drinks giant Ambev, which operates in Russia under the brand name of Brahma. During the Russian winter, the outside temperature is lower than that inside the beer fridges, which means there is a real risk of the beer freezing solid. After extensive engineering efforts, the solution was found: when the mercury drops, freezers begin to work as heaters.

It wasn't a simple process, but it gave Metalfrio the necessary expertise to plunge into the international market with customized products to meet the needs of clients including Inbev, Ambev's controller, Heineken, Coca-Cola, Nestlé, Hägen-Dazs and Unilever. In less than a year, results have been significant. Besides Metalfrio's two existing industrial units

in Brazil, the company acquired factories in Denmark and Russia, and installed production lines in Turkey and Mexico. It also added a distribution center in the United States. Employees have doubled to 2,000 since 2006 thanks to the entry into the international market, and revenues have leapt accordingly – from R\$296 million

that year to R\$576 million in 2007.

"Contact with our clients that are already involved in the international market was essential to producing this increase," said Metalfrio president Luiz Eduardo Moreira Caio. "We were forced to im-

prove our knowledge in technical and managerial areas to operate on the global market." In just one year, Metalfrio's sales coming from the foreign market climbed dramatically, from 1.7% to 26% of company total.

Metalfrio's experience is an example of how one company's internationalization process can generate a domino effect of positive results all the way down the supply chain. Many suppliers – even those that don't export directly or own factories overseas –

**Metalfrio billings have doubled since the company went international in 2006**



have begun to adopt international standards in management, product quality and executive training, among others, stimulated by their international clientele.

## Chain of benefits

"It's the so-called domino effect," says sociologist Glauco Arbix, ex-chairman of the Applied Economics Research Institute, IPEA and a professor at São Paulo University's (USP) College of Philosophy, Language and Human Sciences. "Overseas, it's a really common process. In Brazil, as the whole question of





**Pacific-Atlantic Highway in Peru: Camargo Corrêa uses Brazilian suppliers on foreign contracts**

company internationalization is fairly recent, transformation is taking place only now.” Beneficial effects of globalizing the production chain are also emphasized by Afonso Celso Fleury, head of the Department of Production Engineering at USP’s Polytechnic School. “On one hand, big companies consolidate a network of suppliers that they are accustomed to dealing with and that they trust to follow through on deadlines, prices and contracts,” says Fleury. “On the other, it’s a chance for suppliers to adopt improved standards and so capture a much larger client base, both inside and outside Brazil.

### **Angolan qualification**

Even more than a differential, the presence of qualified Brazilian suppliers has turned into a very real demand for companies operating abroad. Brazilian construction company Camargo Corrêa describes how it is preparing for a project that will focus on support and qualification for service suppliers in the real estate area, specifically geared toward its Angolan operations. “We have needs in that country that often cannot be met by local logistics and labor,” said Arnaldo Cumplido de Souza e Silva, director of Camargo Corrêa’s International Operations and Infrastructure Management Department. “We will pass on to Brazilian suppliers our know-how in areas such as logistics, transportation and legislation.” The ultimate goal of the program is that suppliers become qualified to form their own networks further down the road and become international service providers. Camargo Corrêa purchases over US\$90 million in materials, services and equipment for its overseas construction

HANDOUT



**Working together: Alltec participates in the HTA consortium to supply Embraer**

sites, from a network of roughly 80 national partners.

### Small companies fly high

Partnership with big local companies that have a global presence was decisive for the success of the HTA consortium, composed of seven companies that produce aeronautical equipment in the region of São José dos Campos, in São Paulo State. The consortium supplies parts to Embraer, Brazil's major producer of narrow-body passenger jets, which is based in São José dos Campos, and their histories are closely linked. Most of companies in HTA were founded by engineers and technicians laid off from Embraer when it was privatized in the 1990s.

Embraer's rapid expansion process, based on the commercial success of the company's ERJ-145 aircraft family, helped its suppliers to grow and integrate production processes, quality standards and legislative norms adopted by Embraer. However, despite orders and positive results flowing from partnerships with Embraer, the HTA consortium decided, in 2002, to diversify its foreign clientele.

"The fact that Embraer uses extremely rigorous quality and production standards lowered the impact caused by this transition and made it easier to negotiate with other clients," says Lúcio Simão dos Santos, financial and administrative manager of the consortium. HTA currently has heavyweights such as U.S.-based Pratt & Whitney and Spanish EADS/CASA in its client portfolio. And the results are good: consortium revenues reached US\$37 million dollars in 2007. "Over the last six years, each of the member companies has grown at least five-fold," Simão said. ■

PHOTOS: ANDRÉ VALENTIM



## HITCHING A RIDE WITH CLIENTS

**A NETWORK OF** 2,100 suppliers stands behind Odebrecht's international construction sites. Total exports add up to over US\$400 million per year  
**BY MARIO GRANGEIA**

The Odebrecht construction group, today Brazil's largest service exporter, has construction sites spread through 17 countries. Today the group's portfolio reveals an incredibly varied mix of engineering projects – from the expansion of the subway in Caracas to the construction of two hydroelectric dams in the Dominican Republic, two terminals in Libya's largest airport and highways, condominiums and diamond mining. There's even a supermarket chain in Angola.

Odebrecht, rooted in the state of Bahia, generated US\$2.3 billion in foreign exchange earnings for Brazil in 2006. Ever since its venture into international waters in 1979, the group has spun an intricate but solid web of 1,750 goods suppliers, and 350 service suppliers. The export of goods linked to international operations now totals US\$411 million and includes tubing, cables, uniforms, helmets, boots and others. This guarantees the construction company a place among the top 60 Brazilian





**Global hub:**  
Odebrecht supplies  
projects worldwide  
from this Rio  
warehouse. Inset:  
José Alvarez

exporters, ahead of companies such as Suzano, Coteminas and Fundação Tupy. Besides increased revenues, internationalization has brought a number of changes to suppliers: more visibility, increased standards of quality, rigor in meeting deadlines and routines, increased importance of training and new business opportunities.

Safety boot manufacturer Bompel, based in Brazil's southern state of Paraná, is one of the

companies that has made full use of Odebrecht's international operations, mainly in Angola. However, before it got richer, the company had to get better. Bompel has been an Odebrecht supplier since 1990, and exported over 86,000 pairs of boots, amounting to R\$1.8 million, in three and a half years. It has made major investments to reach this level of growth: it created its own laboratory for testing samples from each production batch; intensified employee training; and set up its own tanning installations to guarantee the quality of the leather. "Supplying Odebrecht helped us sell our brand outside of Brazil and brought us new clients," says Vilson Pastre, Bompel's commercial direc-

tor. The company currently exports 30% of its production of 7,000 pairs of boots a day, making full use of exemption of local taxes such as ICMS, IPI and Cofins. "The international market is more demanding, which means that Brazilian consumers benefit from the better quality standards," says Pastre.

The challenge of taking the most diverse supplies to the most remote corners of the world has made it necessary for Odebrecht to improve its management. Previously there were four support structures for overseas operations, which implied a great deal of work getting repeated, the company unified its structures halfway through the last decade and then created Odebrecht Logistics and Exports (Olex). Now with 180 employees, Olex meets all the company's needs for materials and labor outside of Brazil. The arrival and departure of teams is intense, averaging 1,100 airport receptions a month, and Odebrecht's total of expatriate executives should soon reach 3,500. "We have consolidated an incredible volume of different purchases for projects in infrastructure, projects for real-estate that have important details of finishing, and now even for retail projects, with the Nosso Supre chain," said José Valentin Alvarez, responsible for Olex. "Supplier qualification is essential to our services."

Headquartered in the Santo Cristo neighborhood of Rio de Janeiro's port zone, the Olex cargo terminal takes up an area of 10,000 square meters. Each month, 850 containers, filled with 20,000 different types of products, are shipped from the terminal.

# Brands that last

*IMD's branding specialist considers the likelihood of building global Brazilian names, and says originality is key: "Any attempt to copy competitors is destined for failure."* **JULIANA GARÇON**

**A**nyone comparing the size of the country's economy to the number of Brazilian product brands that enjoy international recognition will quickly become aware of an abyssal difference. The eighth largest economy on the planet, but the quantity of local brands that enjoy an established international presence can be counted on the fingers of one hand. Why? Part of the explanation lies, of course, in historical problems that kept Brazil isolated from other markets for decades. Another part, according to Dominique Turpin, may be found in the way that companies present themselves to global competition. Many companies – and not just Brazilian ones, either – believe that “building a brand” is the same as “marketing.” The concept is incorrect.

Turpin, a French strategy and marketing professor at the International Institute for Management Development (IMD) in Lausanne, Switzerland, has closely followed efforts by Brazilian companies to make their brands well-known in other countries. He considers, for example, the Havaianas brand of sandals to be an excellent example, for its capacity to “exploit dozens of variations from one, apparently simple, item.” He also follows the recent attempts by companies such as clothing manufacturer Hering, foodstuffs company Sadia and cosmetics manufacturer Natura to disseminate their brands

HANDOUT



**Turpin (blue shirt): “Companies could seek images that positively identify Brazil in the international market – nature, lifestyle and leisure.”**

worldwide. Following are some of his opinions:

**The way people see a country undoubtedly affects the business of companies that operate within its borders.** Think, for example, of brands like Coca Cola, Marlboro and Apple, three of the world's most valuable brands. All of them have an image related to American values. “Marlboro country”, “the freedom of Coca Cola”, or Apple’s “Silicon Valley creativity”. In the same way BMW, Mercedes Benz

and Audi are linked to German technology, while Sony and Toyota are symbols of Japanese excellence in innovation and manufacture, and Armani is built on Italian sensibility for design, elegance and sophistication. These are all examples of the influence a country has over its companies.

**So what about Brazil?** “Not many local companies base themselves on the country’s image. Few have linked themselves to attributes such as the importance of nature, beaches and



soccer. In my opinion, the chance to make the best possible use of national attributes is especially promising for the fashion industry. Other companies, from different segments, can also seek similar associations. I believe, for example, that Companhia Vale do Rio Doce's name change to Vale was a positive step in that direction. It is very difficult for someone who doesn't speak Portuguese to go around saying Companhia Vale do Rio Doce. The new brand is interesting, simpler and more Brazilian. It alludes to the country while at the same time announcing 'we are more than just a Brazilian company; we are truly international.'"

**What about difficulties encountered by Brazilian brands worldwide.** For Turpin, there are not many well-known Brazilian name brands outside of the country. This is especially true in the areas of durable and non-durable goods manufacture, as well as fast consumption goods. Strangely enough, some of Brazil's most well-known brands in the world are industrial or raw materials: Petrobras, Embraer, Tigre and Vale itself. The service sector is represented as well, in particular financials, with Itaú, Bradesco and Banco do Brasil.

**Why should this be?** There have been few attempts by companies such as Hering or Sadia to attempt to build an identity outside of Brazil, maybe because primary concerns were geared towards their enormous success in the Brazilian domestic market. Three examples are worth a closer look: Natura, Havaianas and Bunge, all of which are now working to build successful brands abroad:

■ Bunge has successfully sold products such as margarine in Central Europe without mentioning its Bra-

zilian roots – created in Holland in 1818, the company reached Brazil in 1905 as a minority partner in the Santista Mill.

■ Natura, by comparison, is doing an excellent job of building up an image around values linked to Brazil, like nature, the Amazon, plants and exoticism. It is relatively easier for Natura to build on it Brazilian heritage – Brazilian women are known worldwide for their beauty and Brazil is famous for its nature and the variety of species that are found only in the Amazon forest.

■ Havaianas has also done a notable job linked to Brazilian beaches and fashion sandals. Certainly, Turpin says, other companies could base themselves on the images that positively identify Brazil overseas – nature, lifestyle, leisure, etc.

**What are the chances of Brazil becoming recognized as a place where innovative brands are born?**

The success of advanced technology companies such as Embraer shows that Brazilian companies can become not only leaders in high tech segments but also can win recognition as such. However, brand construction requires a long-term commitment to communicating the brand's value as well as having a significant volume of funds available for investment, in order to show what the brand really represents.

A likely first step is to survey what values consumers all over the world associate with Brazil. Korean technology company Samsung was able to outdo Sony by focusing on three product categories: mobile telephones, semi-conductors and flat-screen televisions. It has always introduced new developments in its products, but also – a fundamental point – it has spent twice as much as Sony on communication.

**What concerns should Brazilian companies have with respect to their brands in the process of globalization?**

International success, says Turpin, is much like beauty, because it is at least partly in the eye of the beholder. Several factors stand out, however, when brands or successful products are defined. First of all, a strong brand has durability and survives throughout several generations. It is what could be called "sustainability" today. Second, a strong brand captures the imagination and becomes much larger than the product that originated it. The Pan Am brand, for example, was sold for millions of dollars many years after its planes disappeared from airport radars. Finally, a solid brand tends to "expand," effectively coming to represent much more than just a line of products.

What should be kept in mind when creating a global brand? The starting point for brand building, Turpin says, is an original, focused proposal that has global appeal across markets and cultures. Any attempt at copying what a competitor has already done is destined to fail. Therefore, the brand must be clearly focused on one service, product or solution that is different and will provide real value to the consumer. One example is 3M's Post-it. Another is the Nano, sold by automobile manufacturer Tata for under US\$3,000. There is also Ralph Lauren's style. Clear understanding of the need to invest in frequent and significant innovation and a commitment towards investing in communication during good times and bad are both essential. Lacoste, for example, does this. In general, it takes time to build a good brand. Therefore, a long-term commitment by the company to invest in both good and bad moments is critical to its survival. Without these basic elements, any attempts at creating a global brand will fail. ■

# Export-grade talent

*The challenge that faces Brazilian companies with an eye on the world market is preparing their executives for the job on hand* **BY MÁRCIA ROCHA**

**F**or most Brazilian companies, the process of internationalization is only just in its infancy. The country is still one of the world's 10 least globalized economies, according to a 72-country study by A.T. Kearney, a consultancy. However, this situation looks set to change quite rapidly, with overseas investments by Brazilian companies now growing fast. The trend suggests that today presents one of the most favorable moments ever for professionals who seek careers overseas without cutting their ties to Brazil. Working in the foreign operations

of a Brazilian company provides an opportunity to gain experience, enhance a CV and learn about new cultures, while all the time keeping the door open for returning to head office after a spell abroad.

Destinations have been incredibly varied and include the United States, Argentina, Chile, Italy, England, Russia, China, India and South Africa. Besides the chance of running an overseas unit, there

are jobs for executives in the supply, financial and commercial areas. "Today, it is increasingly common that companies keep executives stationed in the countries where they do

**Excellent moment to launch a career overseas**

## **VOTORANTIM CAREER POLISHING**

*Academy of Excellence prepares executives for different cultures*

**BY MARCO JUSTO LOSO**

**WHAT ARE AN** executive president from the city São Paulo who works in Colombia, a Peruvian commercial manager working in his home country and other executives from varied segments in São Paulo, Paraná, Rio de Janeiro and the Brazilian Northeast doing all together in a hotel classroom tucked away in the São Paulo countryside? This heterogeneous group,

completely diverse in terms of the professional capabilities, ages and geographic origins of its members, has one goal in common. They are striving to become the razor-sharp professionals who will carry the business of their employer, the Votorantim group, to the four corners of the world. Votorantim is one of Brazil's foremost business heavyweights.

Four times a year, these executives take a break from work and plunge into a study program organized by the company's own "Academy of Excellence" that will polish their careers and place them on a playing field where

business," says headhunter Gino Oyamada, partner in Fesa Global Recruiters and responsible for consulting offices in Curitiba and Rio de Janeiro. Not to mention the fact that, in many cases, the dream of working in other countries can become a reality even for those who are just starting out in their careers. Politec, for example, an



the winners are those who are most clued in to the demands and rigors of the globalized world. No one complains about it, either. Far from it. "The Academy will give you a participative education, make concept exchanges possible and allow for international professional experience," says Gilson Danhoni, 45-year-old Brazilian director of Votorantim's Colombian subsidiary, Acerías Del Paz Rio. Danhoni



IT solutions company headquartered in Brasília with 6,200 employees, keeps analysts in Japan for a period of up to two years. These executives are responsible for training local professionals who will service the company's clients in that country. Demand is high. "If there were 200 analysts ready for this mission today, we would have projects for them all over Japan," says Patrícia Costa e Silva Lim, Politec's corporate Human Resources manager.

### A delicate balance

The great challenge for globalized companies is to guarantee that its expatriates are worthy emissaries of the company's culture in its subsidiaries. This is fundamental for business success. "Brazilian companies still have a certain difficulty in acting as global headquarters," says headhunter Luiz Carlos Cabrera, director of Panelli Motta Cabrera consulting in São Paulo. This learning process is still underway, but Brazilian organiza-

tions have not held back in aligning their values, processes and guidelines in all countries in which they do business. The Votorantim group (see chart) has a school to train the executives who will be relocated to other countries. Other companies make the Brazilians they send overseas the spokespeople of the culture they hope to implement.

This is the case of Sadia, a food-stuffs giant which exports roughly 250 products to over 100 countries. The company has 52,000 employees, mainly in Brazil, and currently has 300 Brazilians stationed in other countries. Sadia's policy is to maintain 70% to 80% local labor in its international units, with the balance made up of Brazilian expatriates. Sadia's factory in Kaliningrad, Russia, inaugurated at the end of 2007, has 15 Brazilian employees. "We have attempted to transpose our values to our overseas units, respecting local customs but keeping our basic essentials. To this end, we have prepared informative and training material that we call Cross Cultural. The process ends up being continuous later on, under the



**Common goal:  
Votorantim  
executives  
prepare to  
conquer the  
world**

explained that the Academy's course also allows an executive to reduce the cultural differences (general and corporate) between his homeland and the country to which he has been sent – in his case, Colombia.

The Votorantim Group's Academy of Excellence was founded in July, 2006 as project created as a result of a study carried out by a consulting company comparing various corporate

cultures in Brazil and abroad. The idea was to gather the best information in terms of executive preparation for international success, seeking to establish a training school that offers a mix of models of success in strategic management in the country and throughout the world, but always rooted in the group's corporate values. After defining the model and examining 100 people with leadership profiles

at Votorantim, the Academy's directors decided to honor the best practices and establish its pilot program. Late 2007, as proof of its importance to the group, the Academy added another school. In addition to the Future Leaders' Preparation School, the Leader of Leaders and the Team Leader School, the Academy now includes the Leadership Preparation School.

"They don't learn just how tax laws and markets work in other countries," explains Gilberto Lara, Votorantim's director of Human and Organizational

responsibility of direct leadership of each collaborator. Using systematic feedback, leaders reinforce aspects of behaviors that are related to our corporate culture and values, and make course corrections whenever necessary," says Eduardo Noronha, Human Resources and Management Director at Sadia.

Replicating company culture abroad is also a concern for Marcopolo, a leading bus body manufacturer that is the fourth most international company in Brazil, according to Dom Cabral's ranking. It has factories in Argentina, Colombia, Mexico, Portugal, Russia, South Africa and India, along with offices in five other countries. Marcopolo employs 12,388 workers all around the globe, 9,923 of them in Brazil. "It is essential to maintain a balance between our values and the values of other countries so that our employees can work well as profes-

sionals in the countries where we have branches," says Osmar Piola, Marcopolo's HR manager. Today the company has 86 Brazilians stationed abroad. One of them is Rio Grande do Sul native Lusuir Grochot, who has lived in Lucknow, northern India,

cues but loves the idea of living in India. It is his second expatriation - he spent nearly four years in Mexico with Marcopolo. In Lucknow, Grochot oversees a factory where 42 Brazilians and 321 Indians work. "We are already producing 100 buses

per month, which is a record considering we began operations only last October," he says. There is another factory currently under construction in Dharwad, southern India, which will also be under Grochot's supervision. It will be the world's largest production unit, with output capacity at 25,000 busses

yearly. "India is very interesting to us from a business point of view and I am having the opportunity to be a part of all this," he says.

## Two hands

WEG, an electric motor manufacturer located in Jaraguá do Sul,

HANDOUT/MARCO POLO



**Culture shock : Lusuir Grochot runs Marcopolo in India**

since last year. Grochet, previously the director of industrial operations at Marcopolo now manages the company's operations in India, a joint venture with Tata motors, India's largest automotive manufacturer.

Grochot, 47, says he misses traditional Rio Grande do Sul barbe-

Development. "We educate people to work in different cultures, people who can implement the company's practices in several areas. The course requires participation in four yearly modules, 10 days each, prepared according to individual functions. Graduation takes place after three years - the first class will graduate in 2009 - and over 2,000 Votorantim employees have already signed up, including Brazilians and foreigners.

One of them is Luiz Muñoz, Votorantim Metais' 32 year-old Peruvian foreign trade manager. Muñoz highlights the value of the Academy in pre-

paring executives, be they Brazilians or foreign nationals, and stresses its efficiency in comparison to similar training available on the market. "Compared to the MBA, which I am taking now at the Getúlio Vargas Foundation, the Academy lacks in nothing," says Muñoz with his Portuguese "nearly" devoid of an accent. "Besides, the Academy's course is helpful in integrating other units and for the clarity with which it expresses the company's concepts."

## Corporate culture

In line with what is happening in most large Brazilian firms, Votorantim

recently announced the opening of an office in Shanghai, to reinforce the company's presence in China, where it has a zinc production unit as a result of the recent acquisition of U.S. Zinc. The group also does business in Peru, Chile, Colombia, Bolivia, Canada, the United States and another 10 countries, either with its own operations or via a commercial representative. "The preparation that takes place at the Academy helps a lot," Lara said.

He believes the emphasis placed on the dissemination of the corporate culture makes it possible for executives in others countries



Santa Catarina that has commercial branches in 20 countries and 58 Brazilian employees working overseas, ranks seventh in FDC and Columbia University ratings. The company allows employees to take a reconnaissance trip to the country to which they will be relocated before they move there. Whenever possible, the company assigns a veteran expatriate as a mentor for the newcomer in order to help with adaptation. The efforts made to speed up adaptation often extend to the executive's family and involve the spouse's professional life. At Marcopolo, there was even one case in which an expatriate's wife left the country with a guaranteed job waiting. "We are really careful with the expatriates' families, because we know that family support and well-being is fundamental for expatriation success," explains Piola, Marcopolo's HR manager. A study carried out in 2005 and 2006 by Mercer, an HR consultancy, suggests that Piola is right. Looking at 200 companies around the world, the study showed that the family's inability to adapt is responsible for

## EXPATRIATION PACKAGE

**WHAT COMPANIES USUALLY** offer to employees who will be working overseas:

- :: **Reconnaissance** trips to the country where the executive will live. In some cases, these trips also include the employee's family;
- :: **Transference** premium/bonus;
- :: **Salary** increase when the move is to an unsafe location or one where living conditions are more complicated (Iraq, for example);
- :: **Earnings** compatible with what the executive earned in Brazil and with living conditions in the destination country;
- :: **Language** lessons for the executive and his family;
- :: **Some companies** offer relocation assistance and classes so that the employee's spouse can find work overseas;
- :: **Training** on the culture of the destination country;
- :: **Accommodation** and a vehicle;
- :: **School** for the employee's children;
- :: **Yearly airline tickets** for the executive and his family to visit Brazil.

47% of cases in which expatriation does not work out.

An employee's openness to experiencing different cultures is also fundamental for expatriation success. "Many times, a lack of attention to the cultural aspects can cause the whole project to fail.

Knowing local history and culture is essential," says Carmen Miguels, of the Dom Cabral Foundation. Expatriates need to know how to deal with asymmetric information. "They must be able to decide with incomplete information and to learn from their mistakes," she says. ■

where Votorantim operates to take part in the Academy and use what they have learned in their regional offices. "We want to establish the standards of a world-class company, prepared to face challenges in any country and any culture," Lara explains. "The idea is to adapt executives to our corporate culture and have them take it and adapt it in their respective jobs, anywhere."

The training program, which has yet to have its first class graduate, has its own internal qualification system. Executives have passports that receive an increasing number

of stamps as they advance in a specific course for their given areas. One of the Academy's main goals is that professionals with strong technical capabilities also learn to apply their knowledge towards the management of human resources.

### Family matters

Another important point in the preparation of Votorantim's global executives is the Academy's concern with family matters, providing the employee's dependents with information that will help them adapt to the country and

local culture in which they will live. "There is an abundance of cases in which the professional's family did not adapt and they were forced to return to Brazil," says Lara.

With its target focusing on North America, a region into which Votorantim has poured massive investments over the last decade – the company spent US\$250 million on the purchase of U.S. Zinc alone – the Academy, which until recently had been receiving mostly Latin American executives, should expand its range, incorporating Canadians and U.S. natives.



**On the rise: global press stimulates acquisitions in Brazil**



# Sold!

*Lure of high profits puts Brazil on the radar for global investors* **BY VICENTE VILARDAGA**

**F**ascinating, but far too distant and way too risky. For a long time, Brazil seemed, to the eyes of European investors, a land filled with opportunity but one in which only those with a taste for risk would dare place their bets. Now, even the more conservative middle class, who generally choose fixed income securities and stay away from potential headaches upon retirement, have begun to change their minds. Since 2004 developers, banks and consumers in the Old World have been investing in the most promising neighborhoods in Brazil's major cities and on the beaches along the country's Northeastern, Southeastern and Southern coasts, converted into safe and lucrative real estate

investments. The potential for increasing value of Brazilian land has thus gained strength and sparked a desire to invest, even in those who had never considered purchasing houses or apartments in this part of the tropics.

In the wake of this movement, the roughly 20 property developers whose shares are publicly traded on São Paulo's Bovespa stock exchange have raked in US\$20 billion over the last two years for investments in vacationing homes, luxury apartments, resorts on deserted beaches, shopping malls, commercial buildings and condominiums. According to Cushman & Wakefield consulting, US\$14 billion was raised in 2007 alone. The bulk of the money came from foreign investment funds

which began investing in different Brazilian regions, attracted by the stability of Brazil's economy and the promise of profitability that far exceeds anything they could dream of obtaining back home.

First came the Portuguese, Italians and Spaniards. Next, Scandinavians and the Dutch. Now it is the British - of all Europeans, it is this last group that invests the most in second homes abroad. Spurred on by prohibitive prices in traditional leisure getaways and investment options like the Portuguese Algarve, the Spanish coast and Caribbean islands, and reflecting the widespread crisis in the U.S. real estate sector (see article on page 70), the British have discovered Brazil. "Buy Brazil - profit from an effervescent economy," the "Investor Chronicle", a supplement of the Financial Times, blazoned across its cover in a recent edition.

The recommendation was followed to the 't' by some investors. Last February, the real estate sector was caught by surprise with the news that one of the last available plots on Avenida Brigadeiro Faria Lima, São Paulo's most coveted and prosperous commercial strip, was purchased for about US\$280 million - one of the highest amounts ever paid per square meter in the country. According to the report, the 20,000 square meter area, upon which two towers will be built, was purchased by English investors from McCafferty Funding. One of



the towers is slated to house an elegant Four Seasons Hotel.

What do all these people have in common? They have caught on to an investment opportunity and are beginning to see that risks are lowering. “Europeans focus more on financial gains than on a house to spend their holidays and tourism advantages in the country,” says Mordejai Goldberg, vice president of Cushman & Wakefield’s Latin American branch. “Second homes costing between €200,000 and €300,000 are very attractive to these investors, who choose to use their homes for one month and rent them out for the remainder of the year.”

### Flocking to opportunities

Further, the consultant explains that these investors are betting on a strong value increase in properties over the next few years, because they are undervalued by European

standards and prices are expected to climb substantially. “Real estate deals in Spain and Portugal have begun to decline, and small and mid-sized businesses that are no longer able to compete on the domestic market due to lowered profit margins have discovered Brazil,” explains José Ernesto Marino Neto, president of BSH International consulting.

According to Marino, an additional factor bringing Europeans to Brazil is the elimination of a bottleneck caused by air access to Brazil. “Lisbon has become a hub to Northeastern Brazil and this has facilitated the Atlantic crossing, first with Bahia as the main destination, and now spreading to other states.” It’s no wonder that the state most

## In 2007 alone, developers raised US\$14 billion for investment

prominent for attracting this type of investment is Rio Grande do Norte. In 2000, the local government sponsored the promotion of a charter flight connecting Brazil to Scandinavia. Results

are tangible, for example in the large number of Norwegians who own properties in the state.

Foreigners’ investments in houses and apartments in Rio Grande do Norte will be R\$2 billion within a total R\$5.7 billion to be applied in real estate projects over the next four years. By 2012, tens of thousands of European families will have property in the country and will begin to visit the coast regularly, traveling roughly seven hours by airplane. If their assets do increase as much in value as they hope, they



Nice play: footballer Beckham was in Natal to launch a multi-million dollar resort owned by Norwegian millionaire Torben Frantzen

### WHO'S ARRIVING

*Profiles of Europeans who are investing in Brazilian real estate*

#### THE WELL-OFF

Purchases estates of over R\$1 million – currently some US\$550,000 – and finances the purchase directly through developers with payment spread out over five years at most. The well-off is more interested in a paradisiacal place to vacation than obtaining income.

#### THE PRAGMATIST

Is looking at the increasing prosperity of the Brazilian market and seeks maximum profitability of real estate investments. Aside from increased value of the property, the pragmatist also plans to rent out his vacationing home during most of the year.

#### THE TOURIST

Got to know Brazil on a recent trip and can obtain resources to purchase a second home through a mortgage in his country of origin. Investments are usually between €100,000 and €200,000. The main motive is to have a place to stay during family vacations.

#### THE “FLIPPER”

A small-time speculator hoping to reap quick gains in real estate investment in emerging countries; brings liquidity to the market. The “flipper’s” deal is to buy a middle-class home under construction and sell after the grand opening, obtaining short term profits of 20%.

will be worth two or three times as much by then.

#### Luxury

“In a few years, Brazil will be a relevant international destination,” says Franklin Mira, sales and marketing director for Odebrecht Empreendimentos Imobiliários in the states of Bahia, Sergipe and Alagoas. “Those coming here now are middle class citizens who can afford payments on a residence in Brazil by renting out their homes in Europe.” Mira considers a 100% to 200% increase in value over the next five years absolutely realistic for these second-home residences being launched in Brazil.

Odebrecht is one of the pioneers in implementing second residence projects geared towards Europeans. Its two main projects in the above-mentioned category are Destino Sauípe, launched in 2002 in the Northeastern state of Bahia, and Reserva do Paiva in Santo Agostinho, Pernambuco. Both are luxury projects. The company partnered with real estate brokers in several European countries for the promotion of simultaneous inaugurations in Brazil, England and Portugal. “Foreign investors seek investment alternatives, mainly looking for capital appreciation, but they also envision the advantage of vacationing in Brazil.”

Phase one of Reserva do Paiva, with 67 houses priced between R\$1.5 million and R\$4 million, was launched at the end of last year and already 90% of the units are spoken for. Of the total sales, 85% went to Brazilians and 15% to foreigners - Portuguese, Spanish, French and English. Deals with European customers were closed during two international fairs: Barcelona Meeting Point and Lisbon’s Real Estate fair. “The buyer of this kind of house

usually has a fair amount of liquidity and sets up financing with Odebrecht spanning five years,” Rego explained. “The house is reserved during the fair and afterwards, it usually takes two to three months to close the purchase.”

The second phase of the Destino Sauípe project, named Casas do Sauípe, resulted in the sale of 113 residences with 340 to 500 square meters each, sitting on 2,000 square meter plots of land. Prices varied between R\$1.3 million and R\$1.8 million. According to Mira, 63% of the units were sold to foreigners, mainly Portuguese. The third phase of the project, Quintas do Sauípe, with a total of 170 houses, has seen 70% of homes sold to date going to foreigners.

#### Optimism

Forecasts for asset appreciation and Odebrecht’s generation of business for second-home projects are optimistic for the next 10 years. “Global sales volume in Bahia and Pernam-



**Sales drive: the Paiva Reserve in Brazil is**



buco will leap from R\$500 million to R\$5 billion in this period,” says Mira.

With an eye on this financial potential, celebrities like Antonio Banderas, tied to Spanish investors, and British soccer giant David Beckham, partner to multimillionaire Norwegian investor Torben Frantzen are participating in major real estate projects like the Cabo São Roque Resort in Rio Grande do Norte and are advertising stars for the middle classes in their respective countries. Not yet off the drawing board, the Cabo São Roque project, a 1,350 house condominium, will have a branch of David Beckham’s World of Sport, soccer school and training center open to Brazilian and European clubs.

In order to meet the needs of the real estate boom, real estate agencies specialized in the Brazilian market are cropping up around the world. Such is the case of London-based Brazilian Gateway, created to attract British investors to the Bra-

zilian market. Brazilian Gateway’s target is not the second-home buyer, but the so-called “flippers,” already heavily present in emerging Asian markets and who have now turned their focus to short term returns on real estate built for Brazilians themselves. These investors seek low-cost houses and apartments that appreciate between 15% and 20% yearly. “The English and Irish often use this modality of investment to boost their finances,” says Minas Gerais native Nara Vidal, Brazilian Gateway director.

One of the strongest investment groups geared toward second home projects is the Brazilian Tourism Real Estate Development Company (Investur), a publicly traded company that is supported by investors worldwide for the development of hotels and second home projects. Investur, whose main investor is Portuguese bank Espírito Santo, raised R\$900 million on Bovespa, the Brazilian stock exchange. Investur shies away from obvious destinations such as Rio Grande do Norte and Bahia, and is a step ahead of new trends. Among its most recent acquisitions are eight kilometers of beaches in Alagoas, delta lands at the mouth of the Parnaíba River in Piauí, and investments in Goiás and Pará. Its Onda Azul (Blue Wave) project seeks amongst other things to transform Alagoas into an international luxury destination within the next 10 years.

Smaller companies, like Scandinavian Avenue Brazil, are also planning new projects. The company was already distributing Brazilian shoes in Europe from its base in Rio Grande do Sul, and starting in 2005 it decided to enter the local real es-

tate market. “We are supported by the capital of European companies from several different segments,” explains Robson Lima, director of Avenue Brasil. There are 350 units, between 60 and 120 square meters, costing between €120,000 and €240,000. According to European income standards, our projects are relatively low-cost.”

Another group working on the Brazilian market is Beltico, an association of English and Portuguese investors that has several

large real estate projects underway in Europe using the Praia Del Rey brand name, and is now moving steadily into Rio Grande do Norte. Beltico recently launched its first project geared towards foreigners, made up of about 40 houses. Beltico owns an area of over 1 million square meters in Timbau, on the Rio Grande do Norte coast, and has just acquired an additional 2.6 million square meters in Barra Bonita, where it is licensing a project under the Praia Del Rey name. The project will be complete with bungalows, marinas and entertainment centers.

There is one large ‘but’ amid all of this euphoria: the question of the environmental, which may thwart some investments. “Many of the projects make the mistake of copying the model implemented in the Mediterranean, where land is scarce,” says Gil Lopes, director of São Paulo-based GL Architecture and Environment. “Because of this, some projects end up being too dense and create environmental issues.” Such is the case of Warapuru, a luxury resort project in the region of Itacaré, southern Bahia. The project is under embargo since August, 2007, for building in protected areas. ■

## Environmental angle is a critical to new projects



advertised in a luxury condo in Portugal

# A time to reap

*Sales from its five factories throughout Latin America account for a third of revenues for Brazil's Artecocola. Now, the goal is to increase profitability* **BY ARLETE LORINI**

**E**arly this March, Latin America was shaken by a brief crisis between Brazil's northern neighbors Colombia, Ecuador and Venezuela. Not only were diplomats extremely concerned, but there was also consternation thousands of miles to the south, in the state of Rio Grande do Sul. That's where Brazilian industrial adhesives manufacturer Artecocola is headquartered. The company owns a plant in Colombia that supplies both Ecuador and Venezuela, and there were threats that all trade would be halted. If the crisis between the countries were not immediately resolved, the company had already decided to use its other unit in Peru to supply the conflicting countries. "We would not leave the market unsupplied," says Eduardo Kunst, president of Artecocola. "The fact that we have various factories

in Latin America gives us a certain operational flexibility, in terms of cost, exchange rate, logistics and even political crises."

Kunst, the 40-year-old grandson of Artecocola's founder, has begun to reap the benefits of internationalization. The process began a decade ago, driven essentially by the new third-generation leader as a way to grow the family business. "We realized that if the company were to survive in an environment of globalization, we couldn't look only to the domestic market for our sales," says Kunst. "In our segment, we couldn't really be a global company because our resources were limited." In contrast to the giants in the industry, such as German Henkel, an adhesives market leader, Artecocola opted for a strategy of differentiation. The company makes customized glues and adhesives that require proximity to clients and rare-

ly exports. Prudently, the company decided to focus on Latin America.

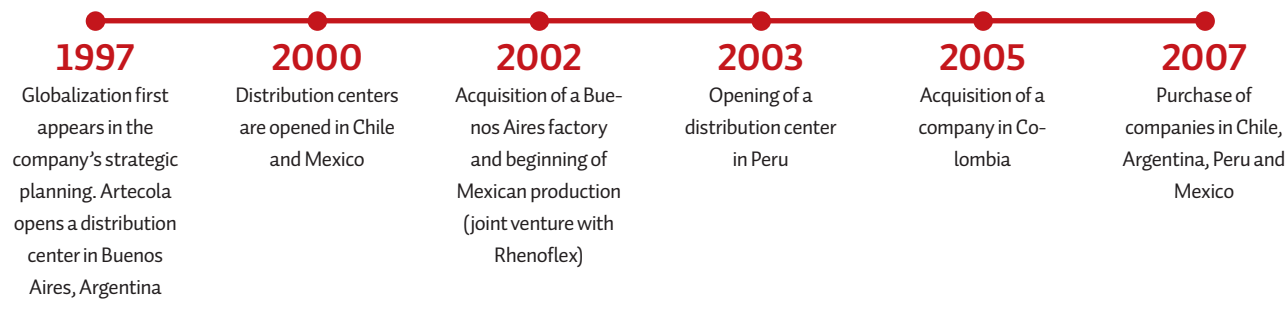
In 1997, Artecocola decided to conquer the regional market, which then represented a mere 3% of its sales. In one decade, the company set up industrial operations in Argentina, Chile, Colombia, Mexico and Peru. Last year, about one third of Artecocola's US\$125 million total billing came from sales made by its six factories outside of Brazil, which employ 300 of its total 1,200 workers. Forecasts for 2008 are for foreign sales to reach at least half of total revenue. Artecocola estimates its participation in the Latin American adhesives segment, worth US\$1 billion a year, at roughly 10%.

## Planning

Artecocola's globalization process was planned to the tiniest detail, right from the very start. "We knew where we wanted to get to and what model we would follow," explained Kunst. Starting from an initial market participation described as "sporadic", the company installed a distribution center in Buenos Aires by way of commercial representatives. Two employees were sent to Argentina to investigate the market. "We decided to learn how to run a business abroad, says Kunst. "Artecocola's characteristic

## A DECADE ON THE ROAD

Key moments in Artecocola's process of internationalization





## Latin attraction

One third of Artecola's revenues now come from abroad

	Total net revenue (US\$ million)	Net foreign revenue (US\$ million)
1997	49	1,5
1998	50	
1999	38	
2000	48	2,7
2001	41	
2002	43	5,0
2003	53	7,7
2004	64	
2005	79	16,5
2006	97	
2007	125	41,0

\*WITHOUT EXPORTS. SOURCE: ARTECOLA

HANDOUT/ARTECOLA

Kunst: "we knew where we wanted to get to."



feature is its conservativeness. We don't run unnecessary risks, we prefer to start a small project, learn from it and then take bigger steps."

Two years later, Artecola repeated the experience, setting up commercial operations in two other Latin countries – Mexico and Chile – to test the local market. Another two years were needed to make the decision of building its own production unit outside of Brazil. In 2002, at the peak of the Argentine exchange rate crisis, Artecola saw an opportunity and purchased a factory in Buenos Aires. The decision caused Artecola's participation in the Argentine industrial adhesives market to leap from 10% to 30%. "We hit the nail on the head with that decision. We took an opposite approach from our competitors and, in less than one year, we had already recovered our initial investment," Kunst says. In 2004, it was Colombia's turn to receive a production unit.

## Brazil's strengthening currency

Artecola's big leap on the international stage came in 2007, when it destined over half of its investments

to acquisitions. Simultaneously, the company acquired three industrial plants in Argentina, Chile and Peru, then set foot in Mexico. Together, these four new acquisitions generated an additional \$23 million in revenues and added about 200 employees abroad. "The strengthening *real* currency accelerated our acquisition process," said Kunst. "Companies abroad became a lot cheaper, while exporting from Brazil grew more expensive." Another factor that contributed to the acceleration of foreign purchases was the creation in 2006 of a team dedicated exclusively to seeking new opportunities for growth. "We define our target countries by looking at logistics, market potential and existing cooperation treaties," Kunst says.

The increasing internationalization of Artecola's business becomes evident even in the composition of its first administrative council, created in 2007. Three of the five members are external, from globalized companies such as Brazilian bus manufacturer Marcopolo, steelmaker Gerdau and U.S. giant Dupont.

Now on the verge of completing 60 years of activities, Artecola credits its survival to the decision to invest in foreign markets. "Had we stayed just in Brazil, we would likely be solving financial problems, or being bought out," declares Kunst. "Along with new markets, internationalization has provided us with improvements in efficiency for our Brazilian operations, as well."

Artecola now considers itself to be in the third stage of the internationalization process, having gone through the phases of opening distribution centers and making industrial acquisitions. With 16 factories in Brazil and five in other Latin countries, its operational structure is in place. The next step is market consolidation. The company intends to continue its acquisitions, but aimed at seeking logistical and industrial gains. It is now the moment for Artecola to improve profitability. "Over the last few years, we left profitability somewhat aside, to focus on growth. Now the time has come to begin reaping results," says Kunst. ■

# The roar of the new tiger

*Vietnam is back in the news, this time on the financial pages. The reason? The mouth-watering opportunities of a dynamic economy that blends the best of nearby China and India* **BY MARIA HELENA TACHINARDI**

**B**razilian businesspeople should pay attention to what's going on in South-east Asia; more specifically, in Vietnam. Gone are the days of bristled nerves in which Jane Fonda, known for her criticism of Washington's wartime decisions, was called "Hanoi Jane" and singled out as a traitor by American soldiers who returned home defeated. Fortunately, hard feelings about the bloody war between Vietnam and the United States, which left painful scars on both sides, are increasingly scarce. They have been buried by time, by the resumption of diplomatic relations between the nations, and even more by the signing of bilateral trade treaty in 2000. As of the following year, when Vietnam was officially named as one of the countries with which the United States maintains "regular trade relations," business has not stopped booming.

According to the Vietnamese Ministry of Trade, the southeast Asian country expects to export the equivalent of US\$10 billion to the American market through 2008. Last year, exports totaled US\$8.4 billion. The country sells textiles, clothing, footwear, wooden articles and seafood to the United States.

Sales of manufactured goods to the European Union should reach US\$8.3 billion this year, up from US\$6.8 billion in 2006. What does this expansion have to do with Brazil and other developing countries? A lot. A whole lot.

There is one worrisome detail nagging at an important segment in the Brazilian economy: some Chinese companies which already enjoy a competitive advantage in the international market are setting up factories in Vietnam to further reduce their production costs. This trend is catching the attention of Brazilian textile manufacturers, for example – and flashing a yellow warning light.

The relatively young Vietnamese textile industry exports over US\$9 billion dollars worth of goods, equivalent to nearly 1.9% of the US\$480 billion global trade in this sector. This is modest compared to Chinese exports, responsible for between 20% and 25% of the global total, but it represents a significant volume compared to Brazil's elderly textile industry, which lays claim to a mere 0.5% of the world market. "Brazilian textiles have lost their competitive edge because of the exchange rate," says Fernando Pimen-

tel, director of the Brazilian Textile and Clothing Industry Association (Abit). "But another problem is the lack of preferential import tariff agreements with the United States and European Union, Brazil's main clients."

Many people still recall events of the early 1990s, when the first containers loaded with Chinese fabric and clothing docked in Brazilian ports. The local textile industry was faced with harsh difficulties, and those who survived were forced to find new ways of working. There



**Company in Vietnam: onetime enemy of the United States is the second fastest-growing country in Asia**





tiano Gomes da Silva, president of Coteminas, a major Brazilian textiles company, announced that he was considering transferring to Vietnam a factory originally scheduled to be built in China. Other companies may follow his lead.

It may be one way to at least even out the playing field. Vietnam is considered the last Asian tiger that is likely to grow claws. "It is a new China with long-term potential," says Abit's Pimentel. "It has a population of 84 million, which continues to grow markedly." The Vietnamese

economy expanded 8.4% in 2005, outperforming India's GDP growth for that year. As the second Asian country in terms of growth after China, Vietnam is considered an alternative to the region's great emerging markets. Following the Chinese example, Vietnam's pillars of growth comprise cheap labor, foreign direct investments and industries geared towards exports. It has become competitive enough with its current policies to attract investments away from Indonesia, Malaysia, Singapore and Thailand, Asia's "small dragons."

It doesn't stop there, though. Vietnam's communist government has set about building yet another pillar and lavishing it with equally special treatment. Along with textiles and clothing, the Vietnamese government has elected the foodstuffs and electronics sectors as fundamental to its development efforts. It has attracted foreign direct investments in these sectors, and the quality of those investments has improved year after year. Companies such as IBM, Intel and Pana-

sonic have recently announced the construction of important installations in Vietnam. Panasonic now has two factories in the country, one for final products such as wireless telephones, and another destined to the manufacture of components. Intel already had microchip factories in China, but like other companies, it is careful not to keep all its eggs in one

emerging market basket. Thus, Vietnam, a rising Asian star, was chosen to host a US\$300 million Intel investment. "Vietnam is a hybrid of China and India," says Hicham Abdessa-

mad, vice-president of global solution systems for Hitachi Data Systems. "China is stronger in terms of manufactured goods, while India's strength lays in the sum of its information technology talents. Vietnam is a bit of both."

This has brought to light an interesting facet of Vietnam. Over the last two decades, poverty indexes in the country have fallen to half of what they used to be, and income per capita, after having doubled in five years, reached US\$690 in 2006.

Despite all of its economic advances, Vietnam is still poverty-stricken, with one third of its child population suffering from malnutrition. However, like every developing country, it has its pockets of wealth. The luxury articles market is flourishing in Hanoi, capital of Vietnam, and in Ho Chi Minh City, former Saigon. Thousand-dollar Louis Vuitton handbags, four-thousand-dollar Roberto Cavalla leather jackets and US\$365 Gucci sandals are coveted by a slice of society that has directly benefited from the recent boom in foreign direct investments. ■

## Coteminas wants to build a factory in Vietnam that was originally planned for China

were significant investments, and many companies went through a modernization process and became increasingly competitive.

The current fear – especially in light of today's economy, marked by a strengthening Brazilian real against the U.S. dollar – is that this new competitor may offer prices even lower than the Chinese. After all, Vietnam pays textile workers less than US\$0.30 per hour. What's the solution? Well...some companies have begun to seek a solution - in the Far East. Last October, Josué Chris-

# The way of boldness

*Is this crisis as serious as it is claimed – a recession in the US, a quarantine for the rest of the world?* **MÁRIO GARNERO**

**F**rom a word not so current in financial circles less than six months ago to a now all-too-frequent expression in the news, “subprime” became the veritable *prima donna* of the latest global financial tragedy. A crisis foretold in the United States, with ramifications in European countries, subprime became something of a daily bread for those who already feel its effects in housing prices, in stagnated employment, in cautious expenditure reductions for fear of violent winds foreboding financial hurricanes. But, one might as well ask, is this crisis as serious as it is claimed – a recession in the US, a quarantine for the rest of the world?

First, to qualify some worries of the financial markets and, because of all the din, of lots of people in the street, here, there and everywhere:

Insolvency cases with American banks are no novelty. The latest “rescue operation” before this one, created by the subprime crisis, occurred in the Reagan administration. Banks were saved, Citi, Manufacturers, Chase, America, all with an intelligent combination of low interest rates and extension of loan terms which allowed them to clean up their credit portfolios. And, more particularly, thanks to Saudi prince Al Whaleed’s decision to become, for modest prices, Citi Group’s biggest private stockholder. Now Citi pulls it off again, with money from

Abu Dhabi. Big banks won’t have to close down either in the US or Europe, but they will have to burn up those massive profits they made from succulent subprime deals in recent years.

They will have to do it indeed, but with the help of central banks and aided by the new world treasury holders, Indian, Chinese, Russian, Brazilian and – once more the most liquid banks in the planet after a hard digestion of non-performing credits – the Japanese. Not all subprimes are non-performing. Once the system’s liquidity is recovered, real estate prices will begin its progressive rally and the ghost will be transformed, with the important help of governments, in liquid assets.

In spite of that, it is undeniable that the shock started by the American real estate market threatens to take by storm the world’s entire financial system. And yet, once again, central banks come to the rescue. In fact, on March 11, the Fed has announced loans of about US\$ 200 billion to mitigate the credit problem in the financial market. The measure had no significant results on the face of the investors’ growing lack of confidence in the solidity of the main players, a skepticism made worse by the recent news that an investment bank such as Bear Stearns, on the verge of collapse, has been absorbed by J.P. Morgan Chase for US\$ 236 million.

The Fed charged again, announcing a new credit line of about

US\$ 30 billion to help overcome the Bear Stearns crisis, promising also an apparently unlimited loan program to the biggest investment companies of Wall Street. These energetic measures by the Fed are unprecedented in the world financial history. In fact, by ignoring the moral risks possibly entailed by salvaging Bear Stearns, the Fed is making a concentrated effort to prevent a possibly devastating domino effect out of this particular bankruptcy.

In this way, the Fed is correctly betting on the power and recovery potential of American economy,



YURI CORTEZ/AP



increasingly willing to collaborate with the great actors of the financial market and help them weather the storm without risking shipwreck. And there is reason for optimism.

In fact, the United States is rapidly reducing its trade deficit, from about 6% of GDP. Within two years the country will be close to the historic average of 3.0-3.5%, that is, US\$400 billion to US\$600 billion – always an opportunity for countries like Brazil that can increase their exports.

The undervalued dollar relative to the euro, real and yen, and the Chinese trade surplus generated by the undervalued yuan are creating a massive rush towards American assets and companies, and the invest-

ment flow compensates any lessening of interest for American treasury bonds. The negative interest rates, below the inflation, will cause – at first, when companies come to notice a reversal in negative economic expectations – an important surge of investments in production capacity.

Thus, I do not believe in the end of the world, economically speaking – in fact, I still believe oil prices will reach US\$ 150 per barrel, and not before long at that. And, once again, these rising prices will be absorbed

## **Banks won't fold, but they will have to burn up the huge profits they made from succulent subprime deals**

by the steady gains in productivity in world economies.

The world's anti-depression reserves lie in the combined force of countries that grow at rates of about 11% a year, such as China, added

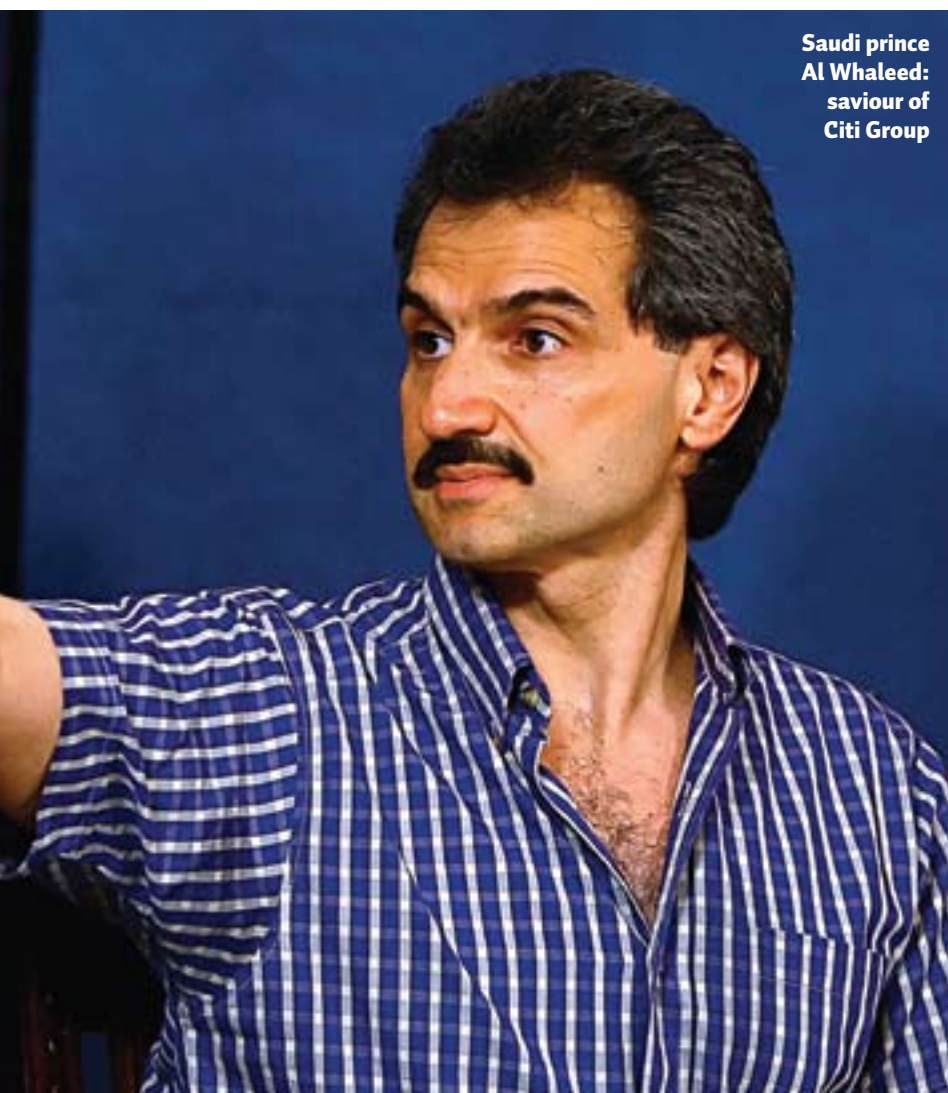
to others, such as India and Brazil, with a minimum growth of 5% this year – let alone South Africa, Angola and other African countries, such as Libya and Morocco.

To top it off, there are the Gulf countries, and oil producers like Russia, which add up to more than US\$ 10 trillion of sovereign reserves, that is, the yearly amount of wealth generated by the United States. These countries are today's true IMF.

All this, I believe, serves as a useful reminder to Brazil that its privileged reserves, its fiscal surplus and, more particularly, its trade and payment balance will last indeed. But not indefinitely. The government, the entrepreneurs, society as a whole, all of us have to set ourselves goals. In order to maintain our present comfort, we must go further than just discuss dollar prices or interest rates in a free-fluctuating exchange system.

It is our task to invest in our impoverished infrastructure, in technological innovation, in the improvement of systems and procedures, in importing equipment and material inputs vital for gaining and keeping a competitive edge in terms of prices and quality in industrial and agricultural products, in exportation of services – it is our task to make the cherished goal of reaching US\$ 330 billion in exports per year come true before 2012.

The way is not one of lamentation, but of boldness, as becomes a leading nation. ■



**Saudi prince  
Al Whaleed:  
saviour of  
Citi Group**

# Access to international players can be strategic

*One interesting strategy for generating good business is paying close attention to the latest thinking, policies and programs of international institutions and think-tanks* **BY MARCUS PEÇANHA E JONATHAS CAMPOS**

**B**razilian companies have recently been discovering new and powerful allies in their ever-increasing process of globalization: international institutions that formulate cooperation and development policies, and organizations dedicated to the debate of ideas – the so-called think-tanks. Getting to know these players, understanding the role they play in the international system and hitching a ride on their enormous capacity to point out opportunities can make all the difference when it comes to closing good business deals abroad. Companies that form a relationship with these organizations, participate in the events they promote and stay up to date with their publications often end up discovering sources of opportunities that they would become aware of only months later, through the regular media. And by that time, it would often be too late to take advantage of the opportunities.

This tactic, of seeking a closer relationship with such organizations, is used by companies all over the world. In the case of Brazilian companies, however, it is yet to become widespread. This is easily



ILLUSTRATION: MARCELO CALENDA

explained by the relative newness of internationalization for Brazilian companies and their relative inexperience in the area. It's a recent process, but one that's accelerating fast. Over the last few years, Brazilian groups turned to

the international market with an unprecedented appetite. Since 2006, Brazil's outward foreign direct investments have been greater inward FDI. Million-dollar acquisitions such as Vale's 2006 purchase of Canadian mining company Inco for a whopping US\$26 billion dollars are the most visible signs of this phenomenon. But there are many others, however. Last year, the United States Ambassador to Brazil, Clifford Sobel, revealed an interesting figure. Brazilian investments in the United States, he said, leapt 300% in 2006, compared to the previous year. And they kept right on growing through 2007.

Amidst this scenario of total expansion, where opportunities are sought ever more aggressively, the advantages offered by international institutions become clear. Closely following negotiations about free trade in different parts of the world, for example, can open doors to some enormous possibilities. Knowledge of credit lines offered by the Inter-American Development Bank (IDB) or the World Bank (IBRD) can also help. These, plus the correct use of lobbying – which in Brazil actually carries a negative connotation – can produce very clear results: access to markets in other countries, not least of them the world's largest economic powers.

Opportunities can be found everywhere. Brazil's entry into the Organization for Economic Cooperation and Development (OECD), if and when confirmed, may generate a significant volume of good deals. The OECD is an intergovernmental institution made up of developed countries, in which member countries meet to exchange information and coordinate their policies. This coordination includes tributary systems, for example, which allows



for a certain facilitation of bilateral deals in terms of taxing, by helping avoid double taxing of goods and services. This can eliminate a whole slew of difficulties that Brazilian companies face in accessing markets. Companies that pay close attention to these negotiations and begin a process of early approximation to such institutions are able to know where, when and to whom they can offer their goods and services. It should be stressed that there is nothing wrong or underhand about this practice. It is information, rather than privilege, that is sought.

Establishing a plan of action to interface with the most varied segments and organizations has proved to be an important tool for companies to defend their short, medium and long term interests. A strategic presence in Washington, for example, may allow some companies in the ethanol segment to invest in Central America with technical support from the IDB and funding by private North-American banks, with low interest rates spread out over a longer period. This would guarantee free access to the U.S. market, as CAFTA (the Central America Free Trade Agreement) specifies zero tariffs when exporting to the U.S., where production of flex fuel automobiles at large car manufacturers is expected to reach 50% by 2012.

The IDB is an international organization for the funding of viable economic development projects, and constitutes an important source of financing and technical knowledge for companies and governments. According to Arnaldo Vieira de Carvalho, from IDB's Energy Division, a technical assistance operation was carried out between the bank and Mexico's National En-

ergy Secretariat, SENER, to evaluate feasible scenarios for the use of ethanol and other biofuels. It is interesting to note that one of the conclusions reached in this particular case was that sugarcane was the most competitive solution for the local market.

Much like IDB, the World Bank promotes development through investment funding and the dissemination of technical knowledge to companies in several segments from developing countries. It does this via the International Finance Corporation (IFC). In 2006, the IFC approved a US\$25 million loan for ECOM Coffee – the world's number three coffee trading company – to facilitate Central American coffee farmers' access to credit for the expansion of their operations. IFC also signed an agreement with ECOM and Nestlé to implement a consulting project, which may help up to 8,000 farmers in increasing their production. This project will bring local production into line with Nespresso AAA practices, as well as with environmental and social standards established for the international coffee community and the Fair Trade Labeling Organization.

Companies seeking to internationalize should also pay close attention to the results of the World Trade Organization (WTO)'s Doha round of negotiations. A World Bank study showed that if the Doha round produces successful results for the agricultural and industrial goods sectors, world trade could grow by roughly US\$100 billion per year.

Companies like aircraft manufacturer Embraer, steelmaker Gerdau, mining giant Vale and construction heavyweight Odebrecht have shown that internationalization can be a great opportunity for market expansion, not only at

moments when the domestic market is in crisis, but also during times of normal growth. Although globalization strategies adopted by each of them vary, one thing is for sure: the high exposure of these companies' brands on the

global market means more orders, and consequentially an increased volume of opportunities on the world market.

There is another important common denominator among them: they all have strategic presence in Washington and in Geneva, Switzerland, where a number of relevant international institutions are based. Furthermore they all support Brazilian think-tanks such as the Brazilian Center for International Relations (Cebri), they all closely follow the government foreign policy, and they all monitor negotiations for bilateral free trade agreements in several different countries. In other words, they all actively pursue sources of information that can stimulate their business.

Putting it in a nutshell –understanding the global, political and economic structures, and putting into place programs to interface with the various players in today's international system, will serve not only to expand knowledge. It is also useful for opening doors and generating business opportunities. ■

## Learning about IDB and World Bank credit lines can show companies a pathway to opportunity

# Looking to migrants

*Major Brazilian bank to open retail branches in the United States*

BY JULIANA GARÇON AND ANDRESSA ZANIN ROVANI

**O**pening branches seems like one of the most obvious ways for Banco do Brasil to expand its retail banking operations. On its home turf, the state-owned bank has 3,155 branches and 9,277 customer service points – numbers should grow over the next few years. With over 40 branches overseas, BB – as it is often called – now plans planting its feet firmly in U.S. retail soil, the planet’s most highly disputed market. “We believe in the future of Brazilian immigrants,” says Sandro Kohler Marcondes, director of Banco do Brasil’s international sector, referring to workers who move country seeking employment. Currently, about two million Brazilians live in the United States. As soon as they are settled, emigrants begin sending money back to Brazil and it is this money BB is targeting. Only the U.S. authorities’ final authorization is needed before the first branches can be up and running.

The secret here is in the domino effect that this service should create. If a Brazilian emigrant opens an account at a US branch of BB, there is a significant potential for family members in Brazil to become clients of the institution. “That will be our greatest potential,” highlights Marcondes. There will be Brazilian employees at the agencies, which should make life easier for future clients. Many of the

people who emigrate to do modest jobs are not fluent in English.

BB’s US expansion, announced in February, has been planned through the last two years and was drawn up on the understanding that, in order to become competitive on foreign soil,

its number of points on presence on the global map must be increased. This will require an initial investment of US\$44 million and is taking place in a very delicate moment for financial institutions in the U.S. The scenario, however, is more reassuring than frightening. “It has not altered our original plans, but we have become more conservative regarding the whole process and its expected results,” Marcondes admits. “From the perspective of someone entering

**BB in Japan:  
Experience with  
Japanese dekasegui  
emigration helps  
penetrate new  
markets**



HANDOUT/BANCO DO BRASIL



the market, the existing competition has already been hurt by the crisis.” In other words, the bank plans opening its doors at a peak crisis moment for the U.S. credit market, which has left part of its rivals out of combat.

### Discreet revolution

International market presence is not exactly a new feature of BB’s life. The bank maintains subsidiaries in other countries to provide support for large corporate clients. “Our role is to help Brazilians do business in places where we are present,” states Nilo José Panazzolo, director of the institution’s foreign trade department. What is driving the international expansion model is the increased focus on individuals rather than corporations. This process began to take shape in the mid 1990s, when overseas retail activity became increasingly strong, especially in Japan.

The institution has, from the very beginning, followed the wave of dekassegui, Brazilian descendants of Japanese immigrants who go back to Asia, seeking opportunity in the land of their forefathers. Eighteen years ago, a change in Japanese law opened the country’s doors to second-generation descendants, generating a migratory wave. In next to no time, 300,000 Brazilians had moved to the Far East. Of the three million money orders that BB receives yearly from overseas, 800,000 originate in Japan. They tend to be relatively small payments, between roughly US\$50 and US\$300. Despite their individual size, however, together they add up to a significant volume. In 2006, the volume of money sent by Latin Americans in the United States to their respective countries totaled US\$68 billion. It is nearly the same as the total of foreign direct investments in the region, US\$72 billion in that year.

## SNAKES SHIPPED WORLDWIDE

**POTENTIALLY LETHAL POISON** is the medicine that stimulates a small business headed by entrepreneur Helena Perez. Her company, Bratox, is growing at a 50% yearly rate, based on the sale of poisons from the glands of rattlesnakes and native Brazilian pit vipers, or jararacas. Headquartered in Campinas, in the interior of São Paulo state, the company began obtaining positive results only once it had begun to use Banco do Brasil’s Business Center Project. Last year, the company grossed R\$200,000 in revenues, which should climb to R\$300,00 this year. It was thanks to BB’s project that Bratox was able to overcome two issues that usually keep small businesses away from exports. The first is receiving invoice payments from clients spread throughout countries such as India, France and China. The other is dealing with the red tape that usually drowns small businesses intending to sell across national borders.

Bratox’s main clients are companies that use venom from Brazilian snakes as raw materials for drugs that act on the human nervous system (rattlesnake poison) and for blood clotting (as in the case of jararacas). The Business Center takes care of the whole process: contacting potential international clients, correctly filling out all necessary documentation. It is also responsible for shipping merchandise. “We inform Banco do Brasil about the shipment forecast and the system automatically establishes the delivery deadline,” says Helena. The system has 5,500 registered exporters, including small businesses and craftsmen. The overseas contact network lists 1,700 potential importers. Payments never exceed US\$20,000, allowing clients to use a Simplified Declaration of Export (DSE).

The Bratox snakes live in Morungaba, a small town not far from Campinas. The company’s installations are licensed by the Brazilian Environmental Protection Agency, Ibama, and the whole process is legalized. Once a month, adult snakes (over two years of age) have their venom extracted and crystallized for export. With Bratox’s expansion, the snake farm is due to expand and new installations are planned for the state of Maranhão, in northern Brazil. This year, the company hopes to double in size and sales volume. (J.G. and A.R.)

The fight for a foothold in the North American market promises to be a bigger challenge. First, Brazilians are spread throughout the US, and the vast majority are not legal residents. For Banco do Brasil, this means conducting a discreet revolu-

tion. Once they own a bank account, Brazilians can be identified and “accounted for,” even if they are in the country illegally. However, BB and other financial institutions are far more interested in identifying clients than in these clients’ legal status. ■



Helena, from Bratox: at BB's Business Center

# In the heart of Amazon

**BRADESCO DECIDED** to enter Amazon once and for all. The Brazilian bank embraced, at the end of 2007, a project that brings a new view to the issue of sustainability. Bradesco has co-founded, together with the state of Amazonas, the Sustainable Amazon Foundation. The initial investment amounted to R\$ 20 million. Another US\$ 50 million should go into the project within the next five years.

Developed by the government of Amazonas and led by former State minister Fernando Furlan, the foundation has the goal of preserving 17 million hectares (about 42,5 million acres) in the region and developing local communities which use the rainforest as a means of subsistence. The principle is very simple: a family that does not deforest the area around its house will receive livelihood resources while searching for other options. This is the so-called Forest Wage, which already counts two thousand families enrolled for a monthly stipend of R\$ 600.

Bradesco's president, Márcio Cypriano, has recently been in Amazon checking out the project, together with the Governor of Amazonas state, Eduardo Braga. Resources will be obtained by Bradesco through sales of products exclusively related to the initiative, as credit cards, saving accounts, investment funds, insurance and private retirement funds which may use the Foundation's name. The institution intends to act as a kind of link between the consumer's desire for doing good and effective action.

"We are aligned in our capacities for raising resources and attracting clients for privately-conducted social investments. Actions like these are

in our company's DNA," explains Milton Vargas, Bradesco's vice-president, responsible for the bank's sustainability actions. "This does not mean putting aside profits. We are extending our business in order to keep it sustainable too," he adds.

Amazon's great visibility in the whole planet is one of the reasons for Bradesco's investment in the world's largest green area. An action such as this may enhance the Brazilian bank's international visibility. Being part of the Dow Jones Sustainability Index, together with only six other Brazilian companies, Bradesco hopes that private socio-environmental investment may serve as a distinguishing mark for corporations looking for international deals with Brazil. (Andressa Rovani)

**Governor Braga, from Amazonas (left) and Cypriano, from Bradesco: two thousand families enrolled for the Forest Wage**



HANDOUT





**Côte d'Azur:  
lessons in  
sustainable  
tourism for  
Brazilian  
technicians**

HUGHES HERVE/AFP

## Environmental mosaic

**WITH ONE YEAR** left for the beginning of celebrations connected with the France Year in Brazil, another important partnership has been concluded between Brazilian and French governments. This time, the goal is the sustainable development of nine protected areas in the states of Bahia, Ceará, Minas Gerais, Paraná, Piauí, Rio de Janeiro and São Paulo, chosen by the Brazilian Ministry of Environment. The high point of the partnership is a project baptized as Mosaic of Protected Areas.

France's contribution consists in exporting expertise, not only in maintenance and valorization of environmental reserves, but also in the socio-economic development of such areas. In practice, representatives of the nine areas involved and people responsible for the project in Brazil will be trained and guided by French specialists.

A well-defined program with concrete measures has already been established by the French last February, in a meeting at the Federation of French Regional Parks, in Paris. Three training programs are scheduled for this year in France. The first one, at the Rhône-Alps region (near the Swiss and Italian borders), will address the valorization of agricultural resources and focus on the Paraná area. "Our products have received a seal of quality. And, in order to keep it, we continually instruct our workers and constantly supervise production," says Michèle Eybalin, counsellor for the Rhône-Alps region. The second program, at Côte d'Azur (Southern France), will have sustainable tourism as the subject. The third one, to be conducted at the region of Pas de Calais (Picardy), will be about management of sustainable development projects. The initial investment by the Brazilian National Fund for the Environment is estimated as R\$ 2,5 million. The French investment will amount to € 600,000, provided by the French Ministry of Foreign Affairs and by the French regions involved in the project.

*Andrea Flores, from Paris*

## CIRCUIT

Conferences, exhibitions, debates and seminars on carbon, the environment and sustainable development are part of the schedule for the next months. Check out some of the most important taking place between April and July 2008.

### **CARBON MARKETS AMERICAS**

**April 15 and 16**, São Paulo, Brazil

Third edition of a conference and exhibition bringing together Latin America's carbon market.

Phone: 44 20 7801-6333

[www.greenpowerconferences.com](http://www.greenpowerconferences.com)

### **BRAZIL TECHNOLOGICAL**

**May, 26 to 29**, Sandton Convention

Centre – Johannesburg – South Africa

The event, organized by Apex-Brazil, promotes Brazilian expertise in intensive technology segments.

[www.apexbrasil.com.br](http://www.apexbrasil.com.br)

### **TOWARDS A LOW CARBON ECONOMY 2008 CONFERENCE**

**June 25**, London, England

A Conference focused on development of businesses in the segment of carbon trading, environmental and carbon-reducing technologies. The event will receive 70 guests from 14 emergent economies searching for alternatives to cope with climate change.

[valeria.martinez@fco.gov.uk](mailto:valeria.martinez@fco.gov.uk)

### **XVIII WORLD CONGRESS ON SAFETY AND HEALTH AT WORK – SAFETY AND HEALTH: A SOCIETAL RESPONSIBILITY**

**June 29 to July 2** – Seoul, South Korea

The event will receive about 3,000 specialists in the fields of labor safety and health.

[www.safety2008korea.org](http://www.safety2008korea.org)

### **SUSTAINABLE DEVELOPMENT FORUM 2008**

**May 2**, Cipriani Wall Street –

New York, United States

**Organized by the United Nations Association, the second edition of this forum will have the distinguished presences of Al Gore, 2007 Nobel Peace Prize winner, and of former President of the United States Bill Clinton, among other global personalities such as Prince Charles. This year's forum will address the need for coordinated action between corporations and governments in order to prevent huge economic damages likely to come from environmental degradation.**

[www.unab.org.br](http://www.unab.org.br)



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**Okamoto:**  
consortiums are  
a way to take small  
enterprises into  
the foreign  
market

VINICIUS FONSECA DE ALMEIDA/HANDOUT

# The internationalization of the small

**A SURVEY** on “Micro and small enterprises in Brazilian exports 1998-2006”, conducted by the Foundation for Foreign Trade Studies (Funcex), by request of the Brazilian Support Service to Micro and Small Enterprises (Sebrae) and based on data provided by the Brazilian Foreign Trade Secretariat (Secex) arrived at some startling – and very positive – figures. In 2006, the average amount of exports by small enterprises rose by 11,3% (US\$ 148,5 million), while that by micro enterprises rose by 5,3% (US\$ 1,76 billion) in comparison to 2005. The worrying fact revealed by the numbers is that the universe of direct exporters diminished by more than 4%, from 14,000 micro and small enterprises to little less than 13,000 in the period 2004-2006.

In order to expand the basis of entrepreneurs abroad, Sebrae is opening a new front called Program for In-

ternationalization of Micro and Small Enterprises. The initiative includes such partners as Funcex and the Brazilian Trade and Investment Promotion Agency (Apex-Brasil), which investigates potentially interesting markets for Brazilian companies. Sebrae’s president, Paulo Okamoto, talked to PIB about the organization’s plans in the international field.

## **PIB | Which are the main difficulties faced by companies in order to export?**

**OKAMOTO** | One of the major difficulties for small enterprises, besides satisfying the legal procedures involved, is to keep specialized personnel to take care of the exports. These are expensive professionals, who travel a lot. We are working together with enterprises that ceased to export to help them come back to the foreign market.

## **PIB | What kind of support may be offered in this case?**

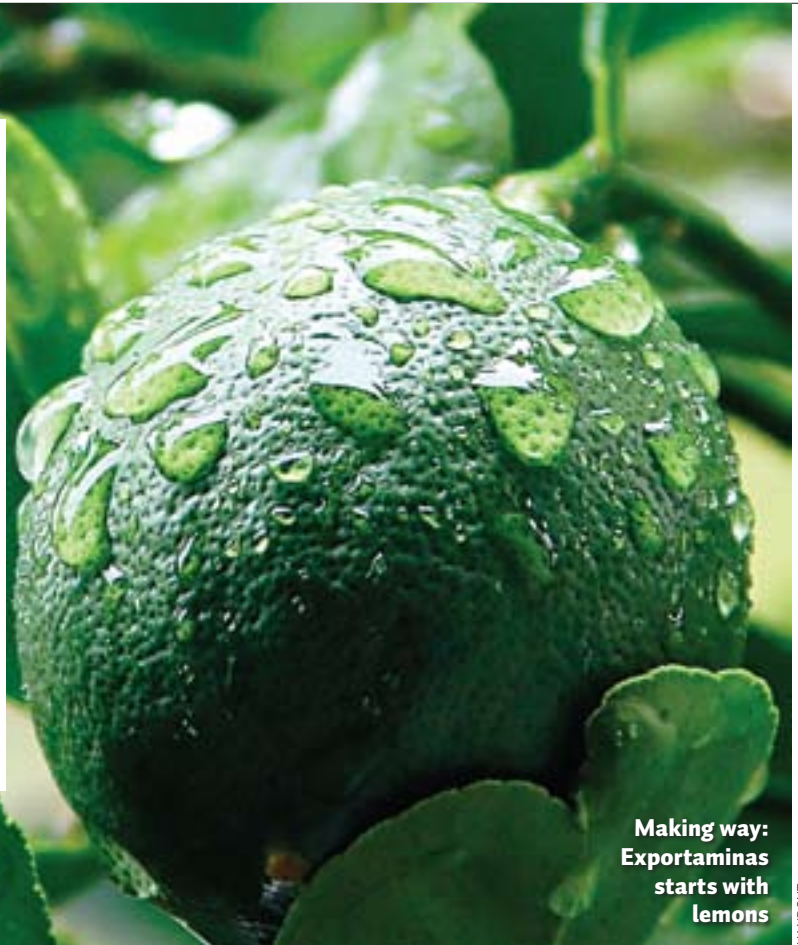
**OKAMOTO** | One of the most interesting possibilities we see are consortiums. They allow someone to sell jewels, for example, to six or ten companies simultaneously. We are working with the Ministry of Finance to regulate these consortiums and open up to them the possibility of raising funds on the market.

## **PIB | In which other areas is Sebrae taking action?**

**OKAMOTO** | We also want to find, through partnerships with other countries, a way of integrating Latin America from its pool of small enterprises. There are initiatives in this sense in Brazilian states bordering on other countries, in truly “bi-regional” projects: Mato Grosso and Bolivia, Mato Grosso do Sul and Paraguay, Acre and Bolivia, Rondônia and Venezuela, Paraná and Paraguay and so on. In Latin America as a whole, our goal is to create a virtual marketplace with permanent business rounds. (Nely Caixeta)

## Lemons for the Orient

**ALWAYS ON THE LOOKOUT** for new markets, Exportaminas, the state of Minas Gerais' export program, has chosen the Middle East as a special outlet for small exporting companies in the state. For the next two years, the United Arab Emirates are to be the main entrance gate for Minas Gerais products in the region. In addition to the absence of trade barriers as hard as the European ones, the Arab world is seen as a first class buyer. Minas exporters have sold US\$ 591,8 million to Arab League nations in 2007, an 18,4% rise in comparison to the previous year. Food products, industrial and in natura, will be especially favored by Exportaminas due to the demands for this kind of export in the Middle East - lemons will be first. (AR)



Making way:  
Exportaminas  
starts with  
lemons

HANDOUT

## FedEx turns to the small

**FEDEX, OPERATING IN** 220 countries, is now aiming at small and medium-sized Brazilian companies. More than 1,600 such companies are al-

ready associated to PyMEx Membership, a support program for export initiatives. FedEx is promoting a series of workshops throughout Brazil offering foreign trade solutions to entrepreneurs and executives interested in selling their products overseas.

The program is conducted in partnership with industry federations of the Brazilian states of São Paulo and Santa Catarina – FedEx just opened a base in Blumenau to have a closer look at the expansion of foreign sales by Santa Catarina companies.”In Brazil, only 4% of exports originate in small and medium companies,” says Carlos Ienni, FedEx director for Mercosur.”The potential for growth in this segment is huge. In Mexico, for example, small companies represent 40% of international sales.” (João Paulo Nucci)



Carlos Ienni: supporting exporters



Via Uno:  
sophistication  
to counter  
unfavorable  
exchange rates





They got game:  
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new logo on  
Fortaleza's shirts

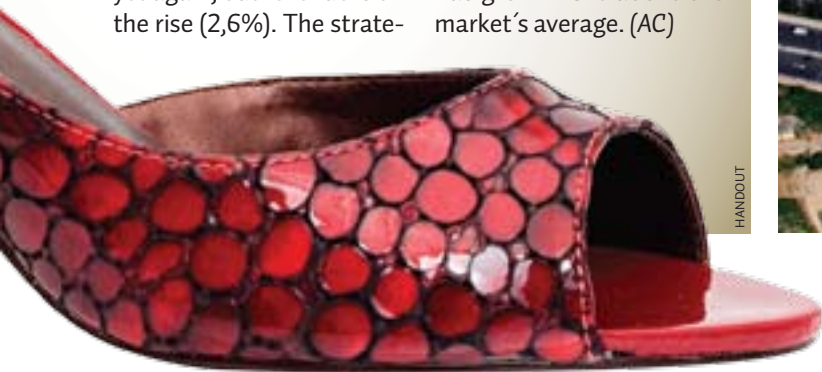
## Call me Textiles

**SANTANA TÊXTIL**, a traditional denim producer in the Brazilian state of Ceará, has changed its name: now, the company, managed by Raimundo Delfino, will be named Santana Textiles. The change is due to the beginning of the group's international career, with the opening of an indigo factory in Puerto Tirol, a town in the Argentine province of Chaco, last December. At first, the new factory will be able to produce 18 million meters of textiles per year, reaching 30 million meters by 2010. The new unit is Santana Textiles' fifth factory – the others are located in the Brazilian states of Ceará, Rio Grande do Norte (two) and Mato Grosso. The company, also planning to inaugurate facilities in Mexico with a view to the American and Canadian markets, sports a new logo, which may already be seen on the shirts of Fortaleza, Ceará's latest soccer champion. (CN)

## New breath

**AFTER THE SHOCK** suffered by the shoe industry with the falling dollar prices, entrepreneurs braced themselves and are beginning to turn the tables. According to Abicalçados, the segment's professional association, the volume of exports in 2007 has fallen yet again, but revenue is on the rise (2,6%). The strate-

gy? More added value. Via Uno, a Southern-Brazilian brand, is a good example: they betted on design and sophisticated material and managed to maintain the same results they had before the dollar's undervaluation, exporting half of their production. The company has grown 13% above the market's average. (AC)



HANDOUT

## Sugar for Syria

**ONE OF TODAY'S** largest private undertakings in Syria is partly financed by Brazilian capital. In operation since the beginning of 2008, the country's first sugar refinery was built with 51% of the capital coming from Assaf Invest, one of the biggest companies in Syria, and 49% of foreign investments. Crystalsev, a company from Ribeirão Preto, holds 10% of the business and will provide the raw sugar for the processing. A good deal of the machinery is also Brazilian. Brazil is Middle East's biggest sugar supplier – shipments to Syria only amounted to US\$ 111,7 million last year, equal to 57% of all Brazilian exports to that country. In terms of volume, sugar shipments amounted to 349,400 tonnes, half of the total consumed in Syria. (AC)

SALAH MALKAWI/GETTY IMAGES/AFP



Damascus:  
Crysalev's  
new focus

# Live birds

*Just one of the dishes that the vice president of General Motors do Brasil was required to taste while traveling the world*

## MY PROFESSIONAL RESPONSIBILITIES

have made traveling a part of my routine over the last few years. My job means I have to be constantly present in several Brazilian cities, and often in several different countries. All of my accumulated experience has taught me that traveling, besides being a professional obligation, is a never-ending source of knowledge and learning. The experience I have accumulated after visiting dozens of cities leaves me no doubt as to the privilege of having gotten to know such incredibly different places as Oiapoque, in the northern Brazilian state of Amapá, and the Zang-Zen province in the Chinese countryside.

At the end of the 1990s, I was responsible for the company's export sector, which at the time was reaching out to promising new

markets. Much like a traveling salesman, I visited Africa, Asia, Oceania, Eastern Europe and the Middle East. This showed me that, on a business trip, everything one needs to know is in the details, in the perception and interpretation of a glance, in the way business is conducted and above all, in each place's particular style of hospitality.

In every country, a different culture - and in every city a new ritual. There was always the surprise of typical regional cuisine - which really teaches you more about the country you are visiting than any travel guide ever could. If etiquette says that it is the host's responsibility to introduce the guest to typical regional dishes, it also holds that the guest should never turn down the chance to taste what is served. This could often mean surprises that are less than pleasant. Among unforgettable dishes I have had at my table is a live bird, with feathers and beak included, served to me in China. But the magic I performed to taste this dish shall remain my secret forever.

There are always enormous challenges on business trips. Among them is understanding and being understood at meetings in which any type of miscommunication could damage multimillion dollar negotiations. If you do not feel confident, use an interpreter. The notable writer Eça de Queiroz once wisely wrote "a spy must speak a second language fluently, otherwise he is dead."

Obviously anyone who speaks English along with their native language can make do in many countries. It is curious, however, to spend hours in negotiation with a Japanese entrepreneur and notice that every once in a while he nods his head up and down, a gesture any westerner would interpret as a 'yes.' Sadly, this is not the case. He didn't agree with anything you said, and you will have to repeat all of your arguments once again.

Knowing the importance of details such as these is fundamental. It is essential for the success of your business trips that you consolidate the experience accumulated from hours and hours of travel and all of the cultural baggage that life has offered you. Even experience gained from tourism is handy. There is no doubt that these trips enrich our cultural repertoire. Being up close and personal with Michelangelo's David in Florence, or examining the works of impressionist painters in the Orsay Museum in Paris, bring joy to the soul and give us lasting memories. ■



PAULO GIANDALIA/FOLHA IMAGEM/VALOR

\*José Carlos Pinheiro Neto is vice-president of General Motors do Brasil



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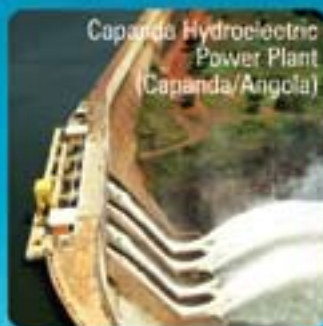
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