

ALBERT FISHLOW

"Brazil needs an **open economy** if it wants to join the **technological vanguard**"

ROCK IN RIO

Festival takes root in **Europe**; next step **China?**

FRANCHISING

The **challenge** is to apply **Brazilian experience** in foreign markets

LOOKING OUTWARD

Specialized services are winning customers in the **global arena**



José Carlos Grubisich, president of Braskem, with a toy car made of recyclable ethanol-based green plastic

ON THE INNOVATION TRAIL

Brazilian flair for producing and developing technology sparks admiration and points to new paths for business

THIS IS AÇAI!
A red fruit from the Amazon finds a market in the United States

Odebrecht. Growin

59,000

people on payroll

131,000

sub-contractors

ENGINEERING & CONSTRUCTION

82 projects in Brazil **83** projects worldwide

2.300

Brazilian companies exporting goods and services for our projects in other countries

CHEMICALS & PETROCHEMICALS

production of

8 MILLION

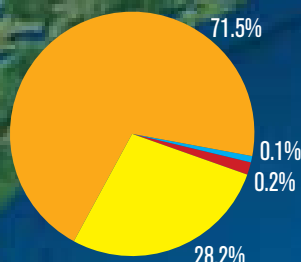
metric tons of chemicals and petrochemicals

18 plants in Alagoas, Bahia, Rio Grande do Sul and São Paulo

24 patents filed in 2007

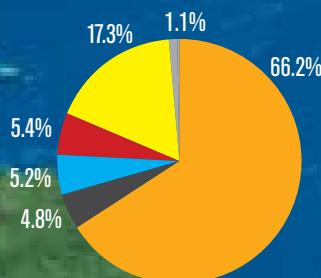
SOCIAL INVESTMENTS

US\$ 23.2 MILLION invested in: **47** cultural projects **176** social projects **30** environmental projects



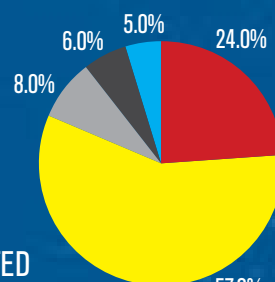
REVENUE PER BUSINESS AREA

- Chemicals & Petrochemicals: US\$ 12.7 billion
- Engineering & Construction: US\$ 5.0 billion
- Sugar, Ethanol & Bioenergy: US\$ 15.8 million
- Other: US\$ 27.0 million



REVENUE PER GEOGRAPHIC AREA

- Brazil: US\$ 11.7 billion
- South/Central America: US\$ 3.0 billion
- Africa: US\$ 959.8 million
- USA: US\$ 920.2 million
- Europe: US\$ 861.5 million
- Asia/Middle East and other: US\$ 200.4 million



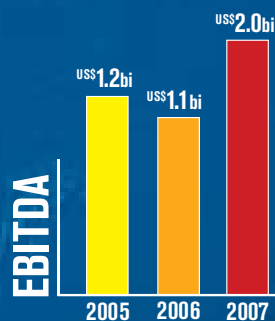
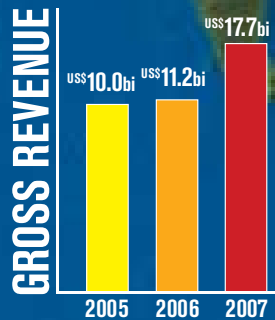
ECONOMIC WEALTH GENERATED

Value Added for Distribution: US\$ 5.6 billion

- Compensation for Work (Members): US\$ 1.4 billion
- Governments (taxes): US\$ 3.2 billion
- Financial Sector (interest on loans): US\$ 455.0 million
- Minority Shareholders (dividends): US\$ 330.2 million
- Controlling Shareholders (dividends): US\$ 254.6 million

g along with Brazil.

mpm



Odebrecht is Latin America's largest construction company and petrochemicals manufacturer, and Brazil's number one service exporter. Our Group is made up of thousands of people working to create wealth, work opportunities, and economic, technological, environmental and social development for the communities we serve and ensure a sustainable future. We are proud to present the results we achieved in 2007, particularly because we have not only grown, but are growing along with Brazil.

ORGANIZATION

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ODEBRECHT S.A.

ODEBRECHT
Engenharia e Construção

Braskem

ETH
Bioenergia S/A

PARADIGMA
CONSTRUTORA

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All Ways

A long-exposure photograph of a river at night. The river flows from the foreground towards the background, with city lights reflecting on its surface. To the right of the river, a road with a metal railing is visible, showing light trails from moving vehicles. The sky is dark with some clouds, and the overall scene is illuminated by warm city lights.

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Increasing the global value of the Brazilian brand, and international recognition of the creative quality of our products, depend more on things that we as a country can do, and less on anything else. Your precise and wide-ranging report on Mauricio de Sousa Produções made me proud to be able to be a part of this process of spreading the word. Congratulations to PIB magazine for encouraging Brazilian potential and for the space dedicated to my 'kids'.

MAURICIO DE SOUSA
President of Mauricio de Sousa Produções
São Paulo (SP)

PIB is an innovative publication, one the market has been waiting for. The excellent stories and stylish design are a tribute to the competence and merit of your editors and collaborators. Just a pity you didn't start years ago.

RUY COUTINHO, President of LatinLink Consultoria
Brasília (DF)

I would like to know if there's a digital version of PIB No. 1 available? I saw the magazine when I was doing some temporary work at the Brazil Institute, in the Woodrow Wilson Center in Washington. Now I'm at the Council on Competitiveness and would like to use some of the PIB stories in a small book I am publishing.

JONATHAN KARVER, The Council on Competitiveness
Washington, USA

— Digital versions of PIB in English and Portuguese are available for download on our site www.totumex.com.br

I am a graduate in International Relations at the UNESP/Franca (SP) University. All through my course, the internationalization of companies in emerging economies was the focus of my studies and research, including my final thesis in 2006. I collect information about the subject and was very pleased when I discovered PIB magazine. Now I'm a loyal reader!

DIEGO JOSÉ PESSOA
Franca (SP)

Recently I had the opportunity to read PIB, a magazine I hadn't seen before. Just one comment – impressive. I particularly noted the quality of the stories.

CARLOS FERREIRINHA, Director President of MCF Consultoria
São Paulo (SP)

A great magazine, offering a new perspective. Very informative and varied, with fluent and pleasing text. The layout is stylish and attractive. Congratulations – and may PIB flourish!

RONDES MACHADO
Rio de Janeiro (RJ)

I just received your magazine – it's a really good product. Congratulations!

MIRIAN GUARACIABA, Presidential assistant, Petrobras
Rio de Janeiro (RJ)

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Listening to Our Readers

What does a publication need to interest its readers and keep them anxiously awaiting the next edition? That's the basic challenge facing the editors of every new edition of every magazine, even the most traditional.

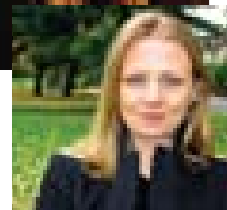
Luckily, our task at PIB has been made much easier thanks to the enthusiastic reaction of our readers in Brazil and around the world. This edition - our fourth, since PIB was launched last year - highlights the qualities that you, the reader, have told us makes PIB a unique publication, one that focuses on the internationalization of the Brazilian economy. This theme is examined from several different angles in the following pages, but always taking care to combine rigorous reporting standards with straightforward writing and an attractive layout.

Did you ever wonder why Brazil, home of aviation pioneer Alberto Santos-Dumont, should have made so little of the genius of its greatest inventor? It's only now, long after that epic flight of the 14-Bis, that Brazilian innovations such as the conversion of sugarcane into renewable energy are sparking admiration (and surprise) around the world. For the first time, Brazil's image is being associated with technology. That's great for business, and our cover story examines innovation as a factor of competitive advantage. The story is by reporter Armando Mendes, who also joined Bruno Reis for a fascinating interview with US economist Albert Fishlow, of Columbia University.

Additionally, this edition brings you the entrepreneurial acumen of young businesswoman Roberta Medina, who's taking the Rock in Rio brand to major cities around the world. The story is by talented reporter Adriana Setti, a resident of Barcelona for the last eight years. Back in 1985 Setti was just a little girl and mad about Blitz, a Brazilian band, when she watched the first edition of the Rio festival on TV. And a new feature this month is the "Express Tourism" section, offering tips of things to do in cities around the world for the traveler in a hurry, drawing on suggestions from Brazilians who live there. First off is London. Our guide is Nara Vidal, from Minas Gerais State, who has lived in London for seven years and is a partner in the Brazilian Gateway real estate consultancy.



**Adriana (above)
and Nara:
talent and local
knowledge**



Open Economy is Shortest Path to Prosperity

For this American economist, the internationalization of the Brazilian economy is fundamental for the country to grow and become part of the technological vanguard

BY BRUNO K. REIS AND ARMANDO MENDES

In almost 50 years dedicated to studying Brazil, Professor Albert Fishlow has seen and helped to interpret the most varied kinds of crises in the country, including traumatic political changes, runaway inflation, the introduction of new currencies and all other manner of tropical torment. Today, although he might harbor some reservations about Brazilian economic policy and doesn't place too much store by the recent oil strikes, Fishlow is looking at a very different scenario: "Brazil is achieving its longest period of export growth since the end of the Second World War." Integration into the world economy is something new in Brazilian experience, he says, and must be stimulated if it is to continue. That's the only way that Brazil will be able to stand up to the other BRICs, and especially India and China. "With globalization Brazil can have access to the progress of other countries and remain in the first echelon of technological progress, but when the country closes its doors, it loses this possibility," said the professor,

who is currently working on a book covering Brazilian history from the 1985 New Republic.

Today, crisis is more a concern for Americans like Fishlow, who until last year was director of the Center for Latin American Studies at the University of Columbia in New York and is now professor emeritus at the institution. To be honest, though, Fishlow isn't all that worried about the prospects for the American economy. "The roots of the crisis have been resolved," he said. In this exclusive interview, granted to PIB at the end of May in the São Paulo headquarters of Unibanco – now headed by Pedro Malan, as president of the Administrative Council, and Pedro Moreira Sallés, as executive president, both of them among Fishlow's innumerable Brazilian students – he praised the work of US Federal Reserve President Ben Bernanke in overcoming the worst moments of the crisis.

The roots of the US crisis have been resolved. Everyone now understands that the Fed will not allow the financial system to fail

What's your reading of the US crisis?

Nobody speaks about the US crisis any more, thanks to the rapid reaction of the



Fishlow: 50 years of studying Brazil, and a new book about the country's recent history

JULIO BITTENCOURT

Federal Reserve. The critical point was the Fed's decision in March to guarantee Bear Stearns' loans, so allowing JP Morgan to take over the bank. This was unexpected, we never had an intervention like this before. Fed President Ben Bernanke said at the time that he was ready to defend the financial system and after that, the market calmed down. Today there's no real fear of failure in the banking system, despite the situation in the credit market. Bernanke is a specialist in the Great Depression of the Thirties, and he certainly took this decision to prevent a repetition of that experience.

So the crisis is over?

There are rumors, and there will always be speculators seeking to take advantage of possibilities in the market. But the roots of the crisis have been resolved, for the simple reason that everyone now understands that the Fed will not allow the financial system to fail.

The Fed was criticized for saving the American banks, people said it only acted in the crisis and before that let the banks do as they pleased...

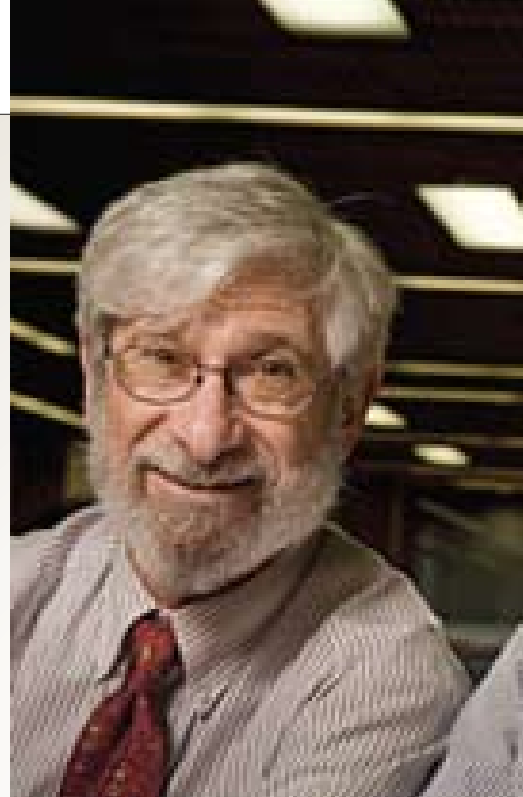
Saving them was necessary. The Bear Stearns shareholders did not lose as much as they would have done if the bank had failed, but the financial system as a whole benefitted from the decision. It was better than seeing people throw themselves out of the window, like in the Crisis of 1929.

What needs to be done now that there is no more risk of the financial system collapsing?

I'm optimistic, because in addition to the Fed acting, we have Congress dealing with the problem of people who can't pay their mortgages. The idea is that the value of a person's debt be reduced to ensure that he or she can

stay in their home. Things looked very grim to begin with, but that has been changing. There's a conservative argument that says the crisis will return, because nobody has lost what they should have lost. But the other side of the question is the consequence of the crisis for society as a whole. The indirect impacts, like leaving people without their own home, do not figure in the conservative calculation. The biggest problem for the United States today is the continued deficit in the current account. Even though the dollar has fallen by around 20% in value, the current account deficit is around 6% because of the increase in the price of oil and in spite of the fall in imports of consumer goods. According to conservative theory, this problem is resolved by currency devaluation which reduces the demand for consumption and increases exports. But we are talking about a country that is central to the world economy and is the world's principal debtor. We need to think about the consequences of a devaluation of around 40% for the US domestic market and for countries that hold US bonds. Japan and China each have around US\$1 trillion in bonds. The world is a very different place from 25 years ago, and we need to find other ways to deal with the problem. Obviously the United States has to do something to limit imports. One good thing would be currency appreciation in China and some other countries.

I would doubt that Brazil will become a major petroleum exporter. Nobody knows yet what will be the real cost of producing subsalt oil



Fishlow and Moreira Salles at Unibanco

Washington has put pressure on China to devalue...

Right, and China is adjusting its exchange rate more quickly than before. But what I'm saying is that we need to look at this as an international question, and not just one for the United States. It's going to take some time for the central banks of other countries to realize this.

At the start of the crisis, people worried it would spread to other countries, but this hasn't happened. Why not?

The Fed's quick action in reducing interest rates avoided contagion. Between September 2007 and April of this year the discount rate fell from 5.25% to 2.0%. It was a rapid fall that brought comfort to those who didn't know what Bernanke could do. He had just substituted Alan Greenspan. In fact, I think it was better having Bernanke at this moment, because of his knowledge of the Great Depression.

Has the emergence of countries that have become major producers and consumers, like China and India, helped to soften the effects of the crisis?



JULIO BITTENCOURT

headquarters: professor and student

Yes, but that was already happening before the crisis. Since 2005, 50% of annual world growth is generated by developing countries. Everyone remembers the 1980s and the time it took to get out of the difficulties that started in 1982. But we forget that the world economy recovered rapidly from the crisis of the 1990s, with the problems in Mexico, Asia, Russia, Brazil and Argentina. And we got out of that trouble quite quickly thanks to the capacity of the United States to keep on growing through that period. Today, even with both China and India still growing, we have a great increase in the price of petroleum and commodities to complicate matters. The problem starts with petroleum. Asian countries, including China, have a problem of inflation, which is also occurring in Latin America and the Middle East.

Do you see any solution to the problem of petroleum?

In some ways, the rise in the price of oil is a solution. First, because it reduces consumption. Second, because the high prices stimulate



CHRIS HONDROS/AP

Bear Stearns: the Fed prevented a bank failure, avoiding a worse outcome

greater demand for ethanol and encourage the search for new petroleum sources, and both these trends can already be felt in Brazil. There's also the question of biotechnology and cellulosic ethanol. This kind of fuel is already technically viable, the question is the price. With research and ongoing investment, I should imagine that in five years the United States will have stopped producing ethanol from maize.

Brazil has announced some major oil finds. What do you make of that?

I would doubt that Brazil will become a major petroleum exporter. Nobody knows yet what will be the real cost of producing subsalt oil like the new discoveries. Canada has the potential to produce a lot of oil from bitumen, or tar sands, at a cost of around US\$60 per barrel, and that might be lower than Brazil's cost. President Lula said that Brazil will be the world's third largest producer in the future, but being a major producer is not synonymous with development. To see that we just need to look at Venezuela and even Saudi Arabia, which have not diversified. It's good having natu-

ral resources, but the future doesn't depend on them.

You said that diversification of the economy is a necessary condition for lasting and continuous development. How do you rate the recent situation of Brazil?

Despite the rise in commodity prices, Brazil remains a very diversified exporter. The country is exporting a greater quantity of products to a greater number of trading partners. Embraer is one of Brazil's biggest exporters and is managing to compete internationally by virtue of also being a major importer. It has been using the laws of comparative advantage to get to where it is today. The same is happening in the automotive sector, which continues exporting even with the domestic market growing strongly. The diversification of customers and exports sources represents a foundation that will continue to be important for the country's development.

Brazil has just announced a new industrial policy. What are its strengths and weaknesses?

In my view, it's good to designate exports as an essential element, although it might offer excessive subsidies for some products. I also see the investment goal of around 21% of GDP in 2010 as insufficient to achieve continued growth of 5% a year.

Why is the investment goal too small?

Because the country needs major infrastructure investments. If you do the sums, Brazil needs an investment rate of around 25%. What's more, the country is today working at about 83% or 85% of its productive capacity. There's not much margin to increase production, without new investment. I also think the primary surplus could be raised, so that the government becomes a net saver. But this idea faces a certain resistance within the Brazilian government.

The Asian export boom was due mainly to internal saving in those countries, and some people argue that Brazil should follow this model. What do you think?

In 1959, Brazil's savings rate was 19% of GDP. Half a century later, it still is. India and Chile are both above 25%, and China is around 45%.

What lies behind Brazil's inability to save?

Celso Furtado used to say that it's the fault of the Brazilian rich who want to follow the US high-consumption model. This could be resolved if we started to think in terms of the state as the central element of a new strategy. But it must be central in the sense of saving resources, to permit the expansion of investments, and that's not happening. Government consumption has grown a lot.

What recent changes in Brazil do you see as most important?



FABIO PINHEIRO

Oil prices: the problem could be a solution, with the search for alternatives

There has been great progress, starting with the return to democracy (in 1985). When I arrived in Brazil for the first time in 1965 there was a military government. So that's a fundamental change. The main advances in the last 15 years have been the control of inflation, privatization and the growth of exports. Brazil exported very little. At the end of the 1980s, Brazilian exports as a percentage of GDP were the same as those of Burundi, Rwanda and Burma. Now the country is starting to export continuously and is achieving its longest period of export growth since the end of the Second World War. Before, there was always periods when exports grew one year, then fell again the following year. So this is a new experience for Brazil. The critical point is education, which is something else that we can learn from Asian countries, in addition to their high savings and investment rates.

How do you see Brazil with respect to the BRICs?

Brazil, India and China will become competitors. You can al-

ready see Chinese manufactured goods in Brazil and Brazil wanting to compete by exporting. The competition will soon be greater because Chinese cars are starting to penetrate the US market. Soon, the Chinese will be competing with Embraer. Even India, which has made great investments in services, will start to produce cheap cars. Brazil will have to compete with the world and must focus on the sectors where it has dynamic competitive advantages.

Which sectors will these be?

That will depend on technological progress. If there is investment today in Brazil in science and technology, it is nevertheless small in comparison to that of China and India. To have advanced technology it's essential to have a well-educated labor force and invest in science and technology. You also need globalization, because with globalization Brazil can have access to the progress of other countries and remain in the first echelon of technological progress. When the country closes its doors, it loses this possibility. ■

BRAZIL GROWS AND REDUCES INEQUALITIES. THE LIFE OF BRAZILIANS IMPROVES.

All over Brazil you can observe initiatives that are reducing social inequalities and improving the quality of education. You can also see infrastructure works that are strengthening the economy and generating jobs as a result of the Federal Government's work in partnership with the states, municipalities, and private enterprises.

Here are some examples:

- In 3,432 municipalities, sanitation and urbanization projects funded with resources from the government's growth acceleration program are under way to improve the population's quality of life.
- The oil and gas industry is growing through the construction and modernization of refineries, gas pipelines, and the new Rio de Janeiro Petrochemical Complex.
- 40 million students benefit from financial resources invested on improving the quality of basic and secondary education.
- 214 new federal technical schools have been established to provide quality vocational training to over 500,000 students.
- 46 million Brazilians now live with more dignity thanks to the "Bolsa Família" program.
- 2.5 million families now have electric power to produce and to live better thanks to the "Luz para Todos" program.
- Over 1.5 million family farmers now enjoy credit, technical assistance, and security under the family-farming assistance program "PRONAF".

**MORE BRAZIL
FOR MORE
BRAZILIANS**





Paris Entranced

IN LESS THAN 10 YEARS, Brazilian cinema has been completely reinvented and is now a promising industry not just for domestic consumption, but also on the international circuit. Brazilian actress Sandra Corveloni took top honors at the Cannes Festival for her role as Cleuza in *Linha de Passe* (2008) by Brazilian co-directors Walter Salles and Daniela Thomas, while in Paris the 10th Brazilian Cinema Festival saw no less than 45 movies draw some 8,000 fans to three theaters during the three-week event, held May 7 through 27. The audience was 90% French, 10% Brazilian and the 150,000 Euros cost was covered by box office, partnerships and official French support. The event is staged by the Jangada association, created 1998 in Paris specifically for this purpose. "In the beginning, the Brazilian movie industry was still getting back on its feet, so production was low and there was not much variety," said Brazilian moviemaker and event organizer Kátia Adler, who has lived in Paris for 24 years. "It was only after 2003, with the new boom in the Brazilian cinema, that we started to have more options." Jangada currently has three full-time staff and hires four reinforcements two months before the festival. This year's winners among the eight contenders were *Deserto Feliz* (Happy Desert, 2007) by Paulo Caldas and *Mutum* (2006) by Sandra Kogut. There was also a special screening of landmark movies and documentaries, for example Glauber Rocha's 1967

Prestige: Sandra Corveloni
was voted best actress
at the Cannes Festival,
for *Linha de Passe*

epic *Terra em Transe*
(aka *Earth Entranced*,
Land Entranced or *Land*
in Anguish).
(Andréa Flores, in Paris)

TIAGO QUEIROZ/AE

I note with a certain indignation that many of the fingers now pointed accusingly at the clean energy of biofuels are themselves dirty with oil and coal.

PRESIDENT LUIZ INÁCIO LULA DA SILVA DURING THE JUNE MEETING OF THE UN'S FOOD AND AGRICULTURE ORGANIZATION, IN ROME

Milhazes is Worth a Million!

BRAZILIAN ART is flying high on the US gallery circuit. Rio de Janeiro painter Beatriz Milhazes' canvas *O Mágico* was knocked down at Sotheby's in New York to Argentine magnate Eduardo Constantini for a cool US\$1 million, a new record for a work by a living Brazilian artist. Milhazes, hailed as part of the so-called 1980s Generation, in fact broke her own record of US\$465,000, set last October for *Laranjeiras*. Behind the success of Milhazes lies a general resurgence of Latin American art in the United States in the second half of the 20th century. Mexican painter Rufino Tamayo's *Trovador* was sold for US\$7.2 million at the end of May making Tamayo, who died 1991, the most expensive artist born south of the Rio Grande. The previous record was held by Frida Kahlo (1907-54), also Mexican, whose painting *Raíces* went for US\$5.6 million two years ago. The New York Museum of Modern Art also got in on the trend with a retrospective dedicated to the work of artists from the region, something it last did 40 years ago. For next year, MoMA is planning a retrospective for Mira Schendel (1919-1988), a Swiss artist who lived in Brazil. Another Brazilian artist currently receiving massive publicity in the US is Hélio Oiticica (1937-1980), thanks to sponsorship by Petrobras.

(Eduardo Graça, in Nova York)



Beatriz Milhazes:
riding the Latin
wave in the US

ANTÔNIO GAUDÉRIO/FOLHA IMAGEM

Pure Beauty

FIFTEEN BRAZILIAN COSMETICS companies took their creams and scents to Beautyworld Middle East, held in May in Dubai, in the United Arab Emirates. The annual fair is generally seen as one of the industry's most important, because it targets the red-hot Middle East market. Centerpiece of the Brazilian stand was the Brazilian Lifestyle Lounge, an area with typical clothes, handicrafts and foods. The Brazilians notched up a respectable average of US\$680,000 of business per company, with participants including L'Acqua di Fiori and Skala. (Rebeca de Moraes)



Beautyworld in Dubai: 15 Brazilian firms took part in the cosmetics fair

HANDOUT



Natura's Green Guide to Santiago

BRAZILIAN COSMETICS

company Natura sponsored the first Green Map of Santiago, a 200-page guide packed with information about natural resources in the Chilean capital and surrounding region, plus addresses for recycling, organic fairs and everything else that a citizen concerned with sustainability needs to know. The initiative was inspired by New York's Green Apple Map, launched in the 1980s. "This map represents the collective dream of a better city," said Guilherme Peirão Leal, co-president of Natura's Administrative Council, during a launching ceremony in June. It goes without saying that the guide is printed on recycled paper. (Nely Caixeta)



The São Paulo-Macau Connection

THE SÃO PAULO COMMERCIAL ASSOCIATION (ACSP) announced plans to open a representative office in Macau in June. The idea is to create a point of support in the former Portuguese colony for small and medium

companies interested in breaking into the Chinese market. Macau returned to Chinese control in 1999 and is enjoying explosive growth thanks mainly to gambling, which is legalized in the region. Macau casinos take in US\$10 billion a



Dornelles, of Tecno Logys: focus on development of ideas

New and Innovative

IT'S NOT ENOUGH to be innovative. A company must have growth potential and be an example for its sector and for society. These were the criteria used by Endeavor, an international not-for-profit institute focused on promoting entrepreneurship, to select two Brazilian companies among the 15 new members

CAIO GUATELLI/FOLHA/IMAGEM

Macau: traces of Portuguese culture survive in the “Las Vegas of the Orient”

year, compared with US\$7 billion in Las Vegas. The ACSP’s interest in China started with two missions in 2006 and 2007, after which the Chinese government offered help with setting up an office, and the Brazilian organization opted for Macau based partly on the cultural proximity

with Brazil. Although just 1% of the local population still speaks Portuguese, various Portuguese customs have survived and this helps make the place seem more familiar for Brazilians. Also, the legal system is very similar to that of Brazil. (RM and AC)

of its Entrepreneur Institute. They are Ângelus and Tecno Logys, respectively a maker of dentistry products and a company dedicated to solutions for civil construction. Ângelus has exported dental pins for 13 years to clients in 53 countries. With Endeavor’s help, it hopes to expand its exports. Tecno Logys’ main product is a range of wall construction blocks that come ready prepared with spaces for piping and wiring, and

with ancillary components to avoid the need for constant reworking. Company President Valério Dornelles said that within Endeavor, Tecno Logys would focus more on developing ideas, and not on carrying out projects. The two young companies will receive full-time support from Endeavor, including advice about business, communications and legal matters, always with the aim of growing internationally. (RM)



HANDOUT

Charlton: Brazilians wanted

London With Open Arms

MICHAEL CHARLTON, chief executive of Think London, a business attraction agency for the British capital, made his fourth visit to Brazil in June hoping to boost the rhythm of Brazilian investments in the United Kingdom. To help with the contacts, the agency divides an office with UK Trade & Investment in the same building as the British Consulate in São Paulo. Brazil was also included in the Touchdown London project which encourages migration of small companies to the city. “People think London is strong only in the financial sector,” said Charlton, “but we want Brazilian companies to discover the other sides of the capital.” Sectors such as IT, pharmaceuticals, biotechnology, the creative industry, petroleum, gas and mining are among the main targets for Think London, which is also preparing to give support to business opportunities that will arise as a result of the 2012 Olympic Games in London. (Lucianne Carneiro, in London)

MARC WORRELL



MURILLO CONSTANTINO/AGÊNCIA ISTOÉ



Paulo Cury (left): his hats grace Indiana Jones since 1981

Indiana Jones: that Hat is Brazilian!

MUCH HAS CHANGED in the 27 years since the first of the classic Indiana Jones movies. The archeologist-adventurer played by Harrison Ford is still brave, living dangerously and using the same Brazilian hat. From the very first movie, in 1981, to the recently-launched fourth adventure in the series, Indiana Jones has worn hats created by Cury, a tradition factory in Campinas, near São Paulo. It all started when American producers visited Brazil to learn about the production process and to spell out the necessary characteristics for the star's hat, today so famous. Cury started production in the dark, without knowing his hats would be used in an international blockbuster movie. The movie company normally orders up several copies of the same

model, some for filming, others for distribution to film exhibitions around the world. The simple-looking hat, brown with a darker band and a little crushed at the front, has ended up being good business for Cury, which is run by businessman Paulo Cury. He favors the same hard-man style as the film character and doesn't like to boast of his successes, so much so that he doesn't use this famous customer to promote the company in the media. Today Cury makes hats from felt, rabbit skin and sheep's wool, plus caps, berets, top hats and others. In 2004 the company bought a clothing producer and today sells Cury Jeans, a brand which includes jeans, jackets and shirts. Who knows, Indiana Jones might one day appear wearing Cury from head to toe. (RM)

Business is the Name of the Game

IT'S NOT IN THE MEETING room that a company's financial questions are resolved. For Vehuel, a specialist in developing strategic simulation games, the playing board is the right place to resolve this kind of question. The company develops training games for major clients in Brazil, including Itaú, Riachuelo, Johnson & Johnson and Kaiser. And it has taken many of its creations to other countries, including Mexico, El Salvador, Colombia, Venezuela, Chile, Argentina and the United States. Now, says Carmem Manzano, a partner, the goal is to conquer the European market.

Carmen: strategic simulations, now in Europe



PHOTOS: HANDOUT

Building in BRICs

■ WEG, one of the world's largest electric motor manufacturers, is getting ready to set foot in India via the construction of a new factory due to cost an initial

US\$50 million. Located in Jaraguá do Sul, Santa Catarina State, WEG aims to start operations in China at the end of 2009. The company already has production



WEG's factory in China: just Russia is missing

facilities in Argentina, Mexico, Portugal and China, in addition to Brazil. It just needs a plant in Russia to have 100% coverage of the BRICs.

overseas investment. The subsidiary of the Randon group will build its first foreign factory in the city of Pinghu, 120 kilometers from Shanghai, one of the leading industrial centers in China.

Embraer in Florida

■ The Brazilian plane-maker has chosen the

city of Melbourne, in Florida, for its first airplane assembly plant in the developed world, to produce Phenom 100 and Phenom 300 executive jets. The decision came some months after Embraer closed a deal to supply 100 of the Phenom 300 jets to Ohio-based Flight Options, on a contract worth US\$1.2 billion.

Itaú Goes Shopping

■ The Itaú group has agreed to pay US\$16 million for the entire capital of Unión Capital, a private pension company in Uruguay, a country where the Brazilian banking group already has 16 branches. The deal was announced in April. The next step is likely to be in the Arab world. Itaú plans opening a commercial bank office in Abu Dhabi and a subsidiary of its broker in Dubai, both in the United Arab Emirates.

Vale in Arabia

■ Brazil's mining giant is forging ahead in its strategy of expanding geographically and diversifying activities. Vale has agreed a contract to build an iron ore pelletization plant in Sohar, in the northern region of Oman. The deal was confirmed by the Oman minister of commerce and implies total investments of US\$1 billion, with production due to start in 2010.

of this year. The project has been carried forward under the strictest secrecy, but it's certain that the country to receive the investment is not one of the company's current markets. Based in Caxias do Sul, Rio Grande do Sul State, the company has factories of its own, or joint ventures, in Brazil, Colombia, South Africa, Portugal, Argentina, Russia and India. In 2007, Marcopolo billed US\$1.2 billion.

Randon Goes East

■ Unlike its Caxias do Sul neighbor Marcopolo, the Fras-le brakes and brake lining maker has already announced the location for an

Under Lock and Key

■ Marcopolo said it will announce the location of its new overseas bus factory at the start of the second half

In Brief...

Flush with US\$34 million from the Brazilian Development Bank, BRQ of Rio de Janeiro, an IT services company, has taken control of New York-based ThinkInternational • Vulcabrás has formed a joint venture with Adidas to make and distribute Reebok products in Argentina. Local production will be handled by Indular, a Vulcabrás subsidiary located in Buenos Aires • Probiótica, Latin America's market leader in diet supplements, has just opened a subsidiary in Amsterdam, Holland. Goal of the company based in Embu das Artes (SP) is to strengthen its brand and increase sales in the European market • Aquamec, located in Itu, in São Paulo State, has taken over installation work at a sewage treatment plant being built by Odebrecht in Luanda, capital of Angola.

**Rock in Rio Lisbon:
90,000 people on
the first night of
the third edition
of the festival**

Yo voy a Madrid

The Rock in Rio music festival made history in Brazil and migrated successfully to Portugal. Now events producer Roberta Medina is taking it to Spain

BY ADRIANA SETTI

Brazil was never quite the same again, after the first triumphant Rock in Rio festival of 1985. In Brasília, on the 15th of January that year, Tancredo Neves was chosen by Congress to be the first civilian president after 21 years of military dictatorship, while in Rio de Janeiro 1.3 million people from all over the country waded through mud to hear 30 different artists and bands. The 10-day festival in the Jacarepaguá suburb put Brazil firmly on the world

showbiz stage. It also helped define a new generation, as artists and public alike celebrated the country's return to democracy. Many dressed in the national colors of green and yellow, or waved Brazilian flags and chanted the name of the new civilian president. The festival's investment of US\$6 million might sound modest by today's standards, but then it was enough to bring the cream of international rock and roll to Rio for the first time ever. Rod Stewart, James Taylor, AC/DC and Queen shared bill-

SHOWBIZ IN THE BLOOD

Roberta Medina runs the festival created by her father

ROBERTA MEDINA STARTED work when she was just 17 – and all because of Mickey Mouse. Daughter of the president of the Artplan advertising agency, she met the agency's marketing director by chance in a shopping center and started analyzing in detail one of the agency's recent campaigns, which featured Mickey. So spot-on were her comments that a few days later, she received an invitation to work in the marketing department, and later gained experience in various other areas of the agency.

When she was just 21 and had recently graduated in Communication at Rio's Catholic University, Medina was surprised when all of a sudden, in the middle of a meeting, without any previous warning, her father Roberto named her as production director for the 2001 Rock in Rio festival. "I was speechless, and I started arguing with him in front of everybody," she recalled. "But later I caught the events bug, and I'm hooked for life."

Medina has her father's communications skills. Always eloquent, she doesn't lose the thread even when constantly interrupted by her cell phone, which seems to happen every couple of minutes. She met with PIB in her office in the Palácio de los

Deportes in central Madrid, on what happened to be the holiday for Saint Isidro, patron saint of the Spanish capital.

Now 30, but looking at least five years younger, Medina has no immediate plans to return to Brazil. "I've adapted totally," she said, proving the point by letting slip various Lusitanian expressions like *os miúdos* when referring to children. Her integration into Portuguese culture was speeded up with the help of a local boyfriend during her first two years in Lisbon.

Roberta: living on the Lisbon-Madrid air shuttle



ings with the top Brazilian acts of the time: Blitz, Kid Abelha, Elba Ramalho and Erasmo Carlos. It was a potpourri of styles that blended to generate a collective ecstasy. And the most sought-after t-shirts and sticker of that summer carried the slogan of the festival: "I'm going!"

The brains – and nerves – behind the first such mega-event in the Southern Hemisphere, with three times the public of the legendary Woodstock festival of 1969, was advertising mogul Roberto Medina, father of Roberta and president of the Artplan agency. Originally, the event was conceived as a way to promote Malt 90 beer to the younger generation. No longer on the market, Malt 90 was brewed by Brahma, which

is now part of the InBev group. The event was conceived, in marketing terminology, as a "mega taste-in". At that time there was no sound, lighting or stage equipment of the necessary proportions in Brazil, so everything had to be imported or invented.

While her father was making history, and while Freddy Mercury, stripped to the waist and wearing skin-tight black and white trousers, watched in awe as the largest crowd of his career bellowed out "Love of My Life", a six-year-old girl with greased-down New Wave hair wandered through the VIP boxes, occasionally catching a cat-nap. Now, 23 years later, Roberta Medina still keeps her hair in the latest fashion, with streaks in contrasting colors,

but no longer does the festival music offer a background lullaby for a snooze. Now, as executive vice-president of Rock in Rio, the daughter of the man who invented the mega-show is lucky to get five hours' sleep a night. Roberta is responsible for internationalizing the event. After three editions in Rio, in 1985, 1991 and 2001, it was held for the third time in Lisbon at the end of May this year and will take place for the first time in Madrid at the end of June. Expectations were to bring together 100,000 people at each event.

Bad Girl

Roberto Medina, president of the Artplan Group, moved to Madrid when he was 59. He's still involved



Ivete Sangalo: the Brazilian star was acclaimed by the Portuguese public

MANUEL DE ALMEIDA/VEE

in the event as the founder and creator, and acts as an ambassador, but he's no longer part of the day-to-day organization. "He's our guru," said the daughter, who for the last year and a half has split her time between Lisbon and Madrid. "Lisbon was our gateway into Europe and Madrid will be our gateway to the rest of the world." Investment for the Portuguese event this year ran to 25 million Euros, while the Spanish event was budgeted at 30 million Euros. The extra cost was due to construction of a "City of Rock".

Planning for Madrid mimics Rio, where the 1985 and 2001 events were staged in a specially constructed "City of Rock". In Spain, it will be erected permanently at Arganda del Rey, close to the capital. An area of 200,000 m2 (almost 50 acres) will house three stages, a

snowboard slope, dancing fountains, an 8,000 m2 shopping plaza, a 6,000 m2 food plaza, a children's recreation area and a venue for fashion shows. The t-shirt that symbolized the Rio events has been updated with its slogan translated from the Portuguese to the Spanish equivalent of "I'm going!". Dozens of top-line artists were signed up for the two events, including Brazil's Ivete Sangalo, British singer Amy Winehouse and veterans Bob Dylan and Neil Young.

Half of the investment comes from sponsors such as phone companies Telefónica and Millenium BCP in Spain and Portugal, respectively. "Europe is more profitable than Brazil," said Roberta, noting that the difference in admission prices was one reason why the festival will return home

to Rio only in 2014, to coincide with the World Cup football competition. In keeping with the Medinas' taste for thinking big, the idea is that the next Brazilian festival will happen simultaneously in five continents. Cities are not yet defined, but talks are under way with Rome, Milan, Sidney and even China.

Coca-Cola

Although Rock in Rio is becoming more and more a global event, like the British Creamfields and Spanish Sónar festivals, there are no plans to recast it as "Rock in Lisbon" or anything similar. The event has exported its brand and an image that is associated with Rio de Janeiro, however strange that might sound to some ears. "We are like Coca-Cola, our brand is strong and it does not need to change," said Roberta. Her confidence is perhaps based on a survey conducted by her father in 2006, which showed that the festi-

Madrid will have its own version of the legendary City of Rock

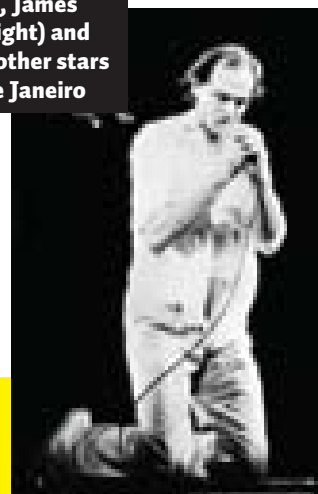


Amy Winehouse:
top-line
attraction
in Lisbon

PHOTOS: AGÊNCIA ZERO



Roots: in 1985,
Medina (left)
brought Rod Stewart
(above), James
Taylor (right) and
dozens of other stars
to Rio de Janeiro



RENATA FALZONI/FOLHA IMAGEM

RENATA FALZONI/FOLHA IMAGEM

val was still the most remembered of such events by Rio residents.

In fact, Rock in Rio almost didn't survive past its second edition, which brought together 700,000 in the Maracanã football stadium in 1991 for an investment of US\$20 million. Arguments with the then State Governor Leonel Brizola delayed work and jeopardized the budget. After staging two monster events which together produced only a very modest financial return, Roberto Medina came to the conclusion that the festival meant too much effort and risk.

However, in the ten years separating the second and third events he was constantly hounded by friends, clients, relations, neighbors and even complete strangers. "The pressure was so great that he came to see that he had in his hands a very strong communication tool, and as an advertising professional he simply couldn't throw it away,"

said Roberta. For the 2001 event, Rock in Rio adopted the slogan "For a Better World" and created a social project in association with the Viva Rio NGO. Under this banner of political correctness, the event attracted the staggering sponsorship of US\$20 million from internet company America On Line. With that, the event became a reality.

From then on, between 2% and 5% of gate money has been set aside for social projects in the host country. Since the last Rock in Rio Lisbon 2004, the selected philanthropic theme has been "climate change".

"Rock in Lisbon"

The first seeds of internationalization were planted shortly before the event that packed out the City of Rock with 1.2 million people in Rio de Janeiro in 2001. One fine day, Portuguese advertising executive Felipe Rasnikoff, who then lived in Brazil and visited Artplan from time to

time, brought the agency a brochure with a flier for a possible "Rock in Lisbon". From then on, he gave the Medinas no peace. After much insistence, Roberto Medina agreed to meet with the mayor of Lisbon in January 2003, and one month later the project was approved. In May Roberta moved there to produce the event scheduled for the following summer in the Bela Vista Park, with an audience of 350,000. "At first we thought of going international in terms of New York and Sidney, but at the end of the day Portugal was a natural step because of the language and for historical reasons," she said.

To get started in Portugal they set up Better World, a company initially staffed mainly by "imported" Brazilians but now run by a mostly local team. In Spain, however, the strategy was to find a heavyweight local partner in the form of Gay Mercader, the country's largest events producer. "It was essential to have a



AGÊNCIA ZERO

Cocada: the brand uses lace from the Northeast

SOCIAL FASHION

Committed Brazilian fashion on parade in Lisbon

BRAZIL'S SOCIALLY COMMITTED fashion designers invaded the third edition of Rock in Rio Lisbon. The Fashion Space was sponsored by Embratur in partnership with Brasiliatur and Capital Fashion Week, an event held in the federal capital, and featured designs produced by social projects. On May 30th the Cia. do Lacre opened the catwalk showing designs from a team of mothers led by Chica Rosa of Ceará. She's the force behind the Associação Artesanal Moda e Tradição, an organization in Riacho Fundo, a poor dormitory town near Brasília. The novelty was a technique of combining crochet with the ring-pulls from drinks cans to create a variety of items. The Cia. do Lacre shared the spotlight with Cocada, an initiative of Éden, the Instituto de Apoio ao Desenvolvimento Humano. Under the coordination of Haidée de Souza Neves, the project uses lace produced in remote rural areas of Paraíba and Pernambuco, in places without basic infrastructure.

The next day saw a presentation by 100% Cerrado, an association of artisans, seamstresses and embroiderers from various poor towns near Brasília. Coordinated by designers Sandra Maria and Sônia Reis, they produce items using natural materials of the cerrado, or savannah. Also on show was the Talentos do Brasil brand which shows the work of communities in 11 Brazilian states, and the Federal District, organized by the Ministry of Agrarian Development. Rounding off the Brazilian participation was well-know designer Marzio Fiorini of Barcelona, who showed his creations in rubber that have earned him the name of Rubber Man, with shows in the United States and Europe.

strong local partner who could add strength and bring in contacts and market knowledge," Roberta said. "It was love at first sight between Roberto and Gay, and the two needed just one meeting to close the deal." The Medinas have a 60% stake in the Spanish Rock in Rio Madrid company. The other 40% belongs to Mercader's Gamercos group, which at the end of 2006 was purchased by US giant Live Nation. According to Gay, however, the American company does not interfere in production of the event. "Part of the deal is that I have total independence."

Roberta administers duplicate structures in Portugal and Spain, with nine coordinators who operate in the two countries and, like

her, split their time between Madrid and Lisbon. There are 10 full-time staff in each office, but this number increases as the event draws closer, reaching around 300. That's without counting the almost 10,000 people who work in the City of Rock during the festival. At the same time, Better World produces the Christmas Trees in Lisbon and Portugal. It was also responsible for the Christmas decorations of Warsaw, Poland, in 2005. It has a subsidiary in Romania and also operates in Spain producing other events.

Administering an international structure was just one of the challenges of adapting to the Old Continent. The Medinas also had to adapt to the different regulations

of each country. "For example, I almost went crazy because of a Spanish rule about installation of electric cables," Roberta said. Most important, perhaps, was the risk of terrorist attacks. "Never before had I heard of inhibitors," she said, referring to devices that prevent bombs being set off remotely by cell phones. These are essential in Spain, which is still reeling from the March 11th 2004 attack in Madrid's Atocha station and lives under constant threat from ETA, the Basque separatist organization. "I was in a panic that this might stop the production team using radios," Roberta said. For someone who plans to conquer China, these cultural differences are just the beginning. ■

**Raw material and technology.
Two things that Petrobras has in
large amounts in order to distribute
its biofuel around the world.**



No other company in Latin America invests as much as Petrobras in searching for renewable energy. And there is no other company in the world with such experience in the use of ethanol automotive fuel. Since the 1970's, Petrobras has been improving its logistics and distribution system for this cleaner fuel. This is Petrobras: working to find new sources of energy that benefit society.

Innovation Makes the Difference

Some companies and countries are inventors. They give the world new technologies and products. Others start by imitating and end up improving the original. And then there are those that merely copy, or repeat traditional formulas, maybe adding quality but without a sliver of creativity. In Brazil, in the past, it would have been virtually impossible to find companies in the first category. A few might just fit into the second, but the truth is that the great majority would have been jammed together in the third grouping.

Almost 20 years after the Brazilian economy was opened up to foreign competition, the pic-

ture is changing. For a growing group of local companies innovation has ceased to be a strange and sometimes frightening word, generally synonymous with heavy investments made by a competitor with a greater appetite for risk. Proof of this comes with a recent survey by IDC, an American consultancy, which shows that Brazil is likely to invest US\$28 billion this year in technology. That's an amount similar to Spain, and enough to guarantee Brazil a privileged position with the BRICs (Brazil, Russia, India, China): it has the group's second highest investment in technology, after China.

Despite the recent growth in investments, there are still only a few companies that see innovation as a daily process. According to a study by the federal government's Institute for Applied

Investing in creative products and solutions has become part of the competitive strategy of an increasing number of Brazilian companies **ARMANDO MENDES**

Braskem's green plastic toy car: ethanol substitutes petroleum in the production of polyethylene



Economics (IPEA), some 1,200 Brazilian companies are capable of competing domestically and internationally in terms of innovation and product differentiation, rather than competing just on cost and lower prices. This represents just 1.7% of the 72,000 industrial companies analyzed in the study. Even so, these 1,200 companies are responsible for more than 25% of aggregate billings of companies involved in the study. They employ better educated staff, pay higher wages and make it daily more possible to talk about genuine examples of home-grown new Brazilian technologies.

Some might even say that Brazilian inventions are now attracting more international interest than at any time since Brazilian aviation pioneer Alberto Santos Dumont wowed the citi-

zens of Paris with his 14-Bis and the Demoiselle. A century later Embraer passenger jets are everywhere, Brazil has become a benchmark for deep-sea petroleum exploration and Brazil's creation of a sugar-cane ethanol vehicle fuel market has become the most visible face of a vast agribusiness and technology complex developed over recent decades to produce energy and new materials from renewable raw materials.

Brazil is an important generator of innovation even in the latest cutting edge areas like biotechnology applied to health. A recent study by the Toronto-based McLaughlin-Rotman Centre for Global Health (MRC) concluded that Brazil has sufficient scientific capacity and market base to become a global player in the field (see box page 34).

Today it's ethanol that's fronting the Brazilian technology showcase around the world. "Energy is the country's new brand," wrote Roger Cohen, a columnist for the Paris-based *International Herald Tribune*. Politicians, environmentalists and energy specialists have studied and discussed the Brazilian experience of large-scale substitution of fossil fuel with a renewable resource, a goal that's still quite distant for the rest of the world which is only just taking its first steps in this direction. This year should see the first ethanol/gasoline powered cars on sale in France and Sweden, under the Peugeot and Citroën marques. The motors will use a version of the flexfuel technology developed in Brazil since the 1990s, adapted to European conditions (see box page 33).

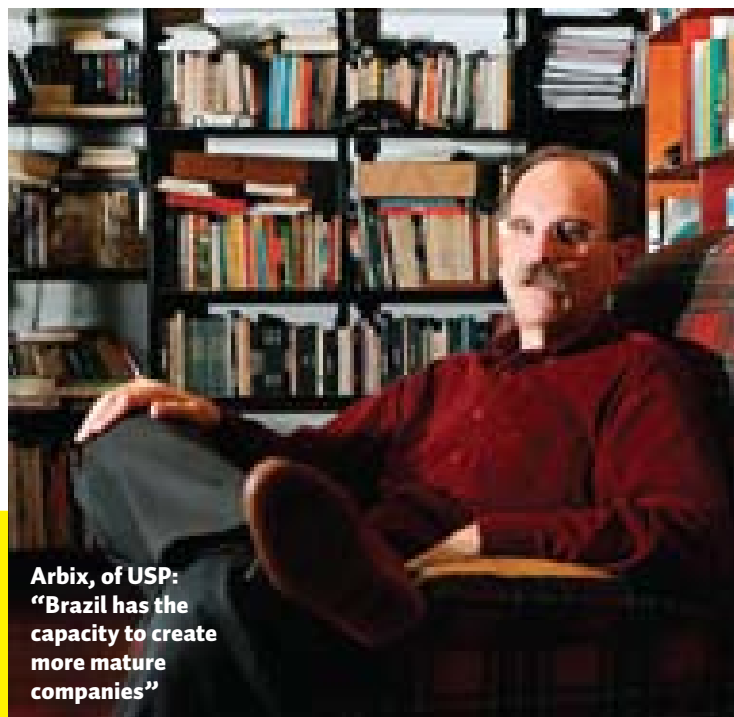
The lure of the biomass economy is attracting companies from traditional sectors, for example Braskem, the petrochemicals arm of the Odebrecht group. The company is now preparing for large-scale production of a recyclable plastic it has developed from sugar cane ethanol. On a recent visit to Rome for a meeting of the UN's Food and Agriculture Organization (FAO), an agency whose remit includes food supply and agriculture, Brazilian President Luiz Inácio Lula da Silva took along a plastic car made from the plastic ethanol produced by Braskem.

The company's president, José Carlos Grubisich, accepts that it was necessary to aim higher in order to be more competitive in international markets. "Our research was geared to applications, we were trying to meet clients' short- and medium-term needs," he said. "But we realized that we had to have breakthrough and impact projects, ones that would generate patents." The bet has paid off. Braskem invested US\$5 million to research the green plastic, and while it remains essentially a petrochemicals company, it hopes that by 2010 up to 10% of its total polyethylene production might come from ethanol, with the potential to go much higher.

The petroleum shocks of the 1970s led to the large-scale introduction of sugar-cane ethanol as an alternative fuel, and also provided the stimulus for Petrobras to start developing its own knowledge base in the area. Until then, the state-controlled company had apparently been happy to buy in technology, both for petroleum refining and production in the company's own oil fields. But with crude prices rocketing, Petrobras decided to bring into production the Albacora and Marlim fields it discovered in the mid-eighties off the Rio coast. The problem was the location: the fields lay under deep water, as much as 2,000 meters, and up to then no company had extracted petroleum commercially at that depth.



Petrobras platform in Rio Grande do Norte: Brazil hopes to produce oil under 3,000 meters of water



Arbix, of USP: "Brazil has the capacity to create more mature companies"

Petrobras met the challenge with a "capacity building program" designed to boost its ability to drill for oil in deep waters. Known as Procap, it combines in-house research, support for universities and research centers and the development of suppliers for equipment and services. For example, it uses an ocean testing tank at the post-graduate engineering department of the Rio de Janeiro Federal University (Coppe/UFRJ) to evaluate designs for platforms and underwater equipment. The program is now in its third edition, each baptized with the target depths for underwater production – initially 1,000 meters, then 2,000 meters, and now 3,000 meters.



HANDOUT/AGÊNCIA PETROBRAS



MONALISA LINS/AE

TECHNOLOGICAL SHOWCASE

The flexfuel engine is Brazil's best-known innovation

Petrobras had to develop technology for every step of offshore oil production. It set records and won international prizes for installing Christmas trees – the equipment for well-head pressure and flow control – at ever greater depths. It also innovated by inventing cheaper ways to lower heavy equipment to the seabed with a system of cables connected to boats on the surface, so avoiding the need for ultra-heavy cranes that had to be diverted at substantial cost from other fields.

Technology developed under Procap 2000 is being used in the Roncador field, where water depths approach 2,000 meters. Meanwhile, Procap 3000 is working on techniques that should be tested in Petrobras fields in the Gulf of Mexico, where water depths reach 2,800 meters. However, the greatest challenge will be the commercial development of the newly discovered Tupi offshore sub-salt fields that lie up to 7,000 meters down in the Santos Basin, off the coast of São Paulo, where water depths can reach 3,000 meters and the geology beneath the seabed includes a tricky band of salt up to 2,000 meters thick. Today, the price of oil is higher than ever while known reserves are slumping. But now Petrobras is more prepared, investing some US\$1.1 billion in R&D in 2008, a slight hike on 2007. The company calculates

that every dollar spent on technological research generates a return of four dollars.

The complex system of partnerships with major suppliers that civil and military aircraft builder Embraer uses for the development and production of new planes is another example of innovation originating in Brazil that might not have the same public appeal as ethanol or petroleum, but that has provoked an impact in a high tech industry. “The aeronautics industry involves huge intellectual resources, particularly in engineering,” said Satoshi Yokota, the company’s vice-president of Technological Development and Advanced Projects. To avoid coordination problems and ensure total control,

WHEN ANYBODY MENTIONS technological innovation with Brazilian fingerprints, one thing that certainly comes to mind for better-informed people the world over is the ethanol-powered automobile, and in particular the most recent version equipped with the flexfuel engine. Developed in Brazil by Brazilian engineers working for European multinational companies that make electronic fuel injection systems, the flexfuel motor can operate with gasoline, ethanol or any mixture of the two products. It has come to be seen as an immediate alternative, cleaner and cheaper, for engines that burn petroleum derivatives.

However, it wasn’t always this way. Development work for flexfuel technology dates from the beginning of the 1990s and involves – putting it simply – a set of sensors connected to software that is programmed to adjust the electronic ignition system according to the mixture of fuel in the tank. “We had a flexfuel car that worked well by 1994,” said Fábio Ferreira, product development manager at Robert Bosch, the Brazilian arm of Germany’s Bosch group. However, the novelty sat on the shelf for eight years while the car makers gained the conviction that it would be economically and technically viable.

The first flexfuel vehicle was a Chevrolet Omega in Bosch’s own fleet, which had a total of five flexfuel prototypes with different makes and motors running as test and demonstration vehicles. However, the price of ethanol had to fall to make the flexfuel vehicle attractive to the ordinary motorist. This happened around 2001 and the car makers operating in Brazil decided to offer the flexfuel engine. In the meantime the technology had been improved to increase efficiency and reduce costs. Two more years were to pass in tests and adjustment before large-scale production. Finally, in 2003, the first flexfuel vehicle rolled off the production lines, a Volkswagen Gol. The system of onboard fuel injection was made by another European company, Magneti Marelli of Italy, whose Brazilian subsidiary had developed its own flexfuel technology in parallel.

The rest is history. The flexfuel motor swept the market, and the fear of global warming provoked by air pollution made the ethanol program an international showcase for Brazilian technology. In the wake of this success, Brazilian engineers in the automotive industry have passed on the flexfuel technology to their head offices abroad. (AM)

airplane builders always handled project and development work themselves, using in-house teams.

Embraer decentralized the process, dividing development with partner companies. This was only possible thanks to advances in digital project technology. “The digital project defines the product unequivocally, there’s no way it won’t all fit together,” said Yokota. Located at São José dos Campos near São Paulo city, Embraer was a pioneer in the use of this technology. In the 1990s, the company managed to develop and bring to production a new airplane in less time and for less cost than its competitors.

Stories such as these point to the emergence of a new competitiveness within Brazilian industry. This was the conclusion of São Paulo University sociologist Glauco Arbix, who directed IPEA during the period when the institute conducted the study mentioned at the start of this report. “Brazil is showing it can create companies that are much more mature,” said Arbix, referring to companies that are more willing to compete on the global market. It’s a break from the traditional model of Brazilian industry that was restricted to the domestic market and geared to import substitution with short

horizons. However, another study coordinated by Arbix suggested that Brazil has a long way to go if it is to catch up with the world’s most innovative economies. This study, sponsored by the Brazilian Industrial Development Agency (ABDI) and conducted by the Brazilian Center for Analysis and Planning (Cebap), compared the competitive strategies of seven rich nations that have made innovation a *de facto* cornerstone of their industrial policy – the United States, Canada, France, the United Kingdom, Ireland, Finland and Japan.

The study called Brazilian Mobilization for Technological Innovation (Mobit) concluded that to break into the same league, Brazil needs to make innovation a central pillar of its growth strategy. This is a task to be shared between companies, universities and the government, but with the prime focus being on private-sector companies which are more capable of developing products and services that are likely to be successful in the market. Despite some excellent examples which make the headlines, Brazil still falls short in business innovation and coordination between companies, universities and the public sector. “The number of post-graduate researchers working for private companies is still pretty

FROM IMITATION TO INNOVATION

Canadian study: Brazil could become a global player in the field of biotechnology

BRAZIL IS BECOMING an important source of innovation in health-related biotechnology.. The McLaughlin-Rotman Centre for Global Health (MRC), a research center in Toronto, Canada, analyzed 19 private companies and four public health institutes before concluding that Brazil has scientific capacity and an adequate market base to become a global leader in the sector. The study, published in *Nature Biotechnology*, mentioned various examples of innovative products created by Brazilian researchers.

One such is Acheflan, made by the Laboratório Aché pharmaceutical company. This is an anti-inflammatory produced from an extract of the *Cordia verbenacea*, a popular herbal remedy. Another is the Biocure bandage, produced by Pele Nova Biotecnologia from latex from rubber trees. It helps promote regeneration of damaged skin.

For João Batista Calixto, professor of pharmacology at the Federal University of Santa Catarina, who was involved in the development of Acheflan, Brazilian biotechnology needs to be backed by a strong government policy for 10 or 20 years to really take root. “Something like what was done with Petrobras and Embraer,” he said. It’s

also necessary to rewrite the laws and regulations. The Canadian study un-

derscores this diagnosis. Brazil does world class science, said one author, but there’s a lack of investment capital and of better coordination between companies and institutions in the sector. (AM)



Aché researcher: Acheflan medicine (left) was inspired by a popular herbal remedy



small in Brazil, just 20% of all the country's scientists," said Carlos Henrique de Brito Cruz, scientific director of the São Paulo State Foundation for Support of Research (Fapesp). In the more developed economies, this proportion exceeds 50%.

For a long time Brazil suffered from a prevailing view that research should be done only in universities, Brito Cruz recalled. However, there are important differences between research done in universities and companies. "A university conducts research to advance human knowledge and to better educate its students," said Brito Cruz. Only part of this will be of interest to companies, which have more immediate objectives.

Arbix coordinates an initiative called the Observatory of Innovation and Competitiveness, within the University of São Paulo's Institute for Advanced Studies. Now he's seeking backing for a study of how China and India stimulate innovation. Those two countries sit alongside Brazil and Russia in the BRICs quartet of major emerging economies. Arbix points to a common thread be-

Not since the 14-Bis has Brazilian innovation sparked such interest around the world

tween "traditional" rich countries and the Asian giants: contrary to what some might imagine in Brazil, in this context innovation does not mean just cutting-edge technological research (although that's certainly part of it). Changes in productive processes, services, management, logistics and ways of doing business are also part of innovation, provided adopters gain a competitive advantage.

Around 60% of innovative investments in China and India relate to the application of mature knowledge rather than cutting-edge technology, he said.

What's needed to speed up and disseminate a culture of innovation among Brazilian companies? Amongst other things, more wide-ranging consultancy programs and "technological updating" for small and medium companies, says Professor Mário Sergio Salerno, head of the Department of Engineering Production at São Paulo University's Polytechnic School. "Small companies are not always cutting edge, but without them there is no industrial base," said Salerno, who is a consultant to Mobit. Even the best of existing programs don't go far enough or reach the critical mass of companies that could make a difference. It's a diagnosis that matches the recommendation of specialists from Finland who visited Brazil in May, during a visit by Prime Minister Matti Vanhanen.

Finland, home of the Nokia cell phone company, enjoys international recognition as a "creative economy" driven by knowledge and constant innovation. Speaking to Brazilian businessmen, representatives of the Finnish commercial promotion agency Finpro said that one of the qualities prized in their country is the care and emphasis given to actually bringing programs and projects to fruition. One item in the presentation by Finpro President Jorma Turunen to the São Paulo Industry Federation was entitled "Implement it!"

The consensus of the Finnish visitors was that Brazil does some good public research, but that there are problems when it comes to transforming the results into economic benefits. They also pointed to inadequate fundamental education, another area where Finland leads international rankings. Finpro has an office in Brazil, not by chance avoiding Rio de Janeiro and São Paulo and opting for São José dos Campos, a center of technological excellence and home to Embraer and the Aerospace Technology Institute (ITA), the nursery for much of Brazil's high-tech industry. The Finns obviously recognize a source of innovation when they see it. ■





Embraer assembly:
copied by Boeing

LALO DE ALMEIDA/FOLHA IMAGEM

Necessity, the Mother of Invention

Embraer created its revolutionary system of partnerships with suppliers to build airplanes for a very simple reason – it lacked the cash to go it alone

Brazil's Embraer builds passenger jets that are flying with regional airlines all around the world. While these planes might be smaller than the Boeings and Airbuses built in America and Europe, the jets rolling off the line at São José dos Campos are nevertheless modern and sophisticated, and have carried Embraer to third place in the ranks of global commercial airplane builders.

The general public's concept of Embraer probably doesn't go much further than that. But within the aeronautical and business world, the company has another claim to fame. In addition to being recog-

nized for the quality of its product, the company is admired for the way it designs and builds airplanes, sharing investments, risks and responsibilities with some major partners who cease to be simply component suppliers and become true partners in the development of a new model. "Embraer innovated in the degree to which it uses this process in the aeronautical industry," said Satoshi Yokota, the company's vice-president of Technological Development and Advanced Projects.

Airplane builders always buy components from outside suppliers. In general, that means items like engines, electronic equipment, land-

ing gear and interior fittings. But Embraer went further, and shared with its partners (in this case, investors who put their own capital into the project) the development and manufacture of structural items like the wings and fuselage sections.

Yokota, an engineer who has been with Embraer since 1970, was director of the program to develop the 50-seat ERJ 145 regional jet in the early 1990s. That was when the company started to apply more fully the system of partnership in costs and risks. The success of the elegant, arrow-thin 145 helped pull Embraer out of the financial crisis that predated its privatization in 1994. It was no coincidence that to get out of the red, the company had to prove that necessity really is the mother of invention. Yokota recalls that the company, cash-strapped and indebted, needed the resources of its partners to develop the 145 project. "If we hadn't done it that way, the plane wouldn't have been built."

Embraer continues to use risk partnerships in its latest family of 170/190 jets that can carry up to

120 passengers, and the system has spread throughout the aeronautics industry. Boeing's most recent project, the 787 Dreamliner, has 90% of its components coming from outside suppliers, including major fuselage sections made by partners in Japan and Italy. But how did Embraer manage to pioneer the system?

Yokota says it was essential to keep a flexible mindset – the capacity to absorb new things, and to change. “In this sense Brazilians are culturally more malleable. This could be seen as a defect, but it generates a greater than average willingness to incorporate new ideas.” In practice, this characteristic made it possible for Embraer to take advantage of new technologies faster than its competitors, when digital design and manufacture were just becoming available. “We always used the most advanced technology,” Yokota said. One example is the technology of virtual reality, which allows a project to be visualized in three dimensions, so reducing the time needed for tests with physical mock-ups of aircraft systems. “Digitalization allowed us to break the project into parts and then integrate them afterwards,” he said.

To understand the advance offered by digital communication, it's interesting to recall that the project for the AMX, a military airplane that Embraer developed in partnership with Italian companies, required the constant interchange of technical designs between Brazil and Italy, recorded on computer disks. Embraer couriers carried the disks personally, in secret pouches to protect the project's confidential details. Now, with the Internet, this sounds as outdated as the 14-Bis. (AM) ■

Natura's Millionaire Funnel

The cosmetics company always has 500 projects under way. Those that survive all stages of the development process and get to market will generate 60% of billings

For Natura, launching a constant flow of new products is essential. The overseas market is eager for novelties and the company's sales revenue keeps pace with product launches. “If investment drops, revenue drops,” said Daniel Gonzaga, the company's director for research and technology.

Natura is one of the Brazilian companies that most invests in R&D – around 3% of net annual billings. Spending in 2007 reached 3.4%, the equivalent of some R\$109 million, or roughly US\$55 million.

The result is the launch of an average of 200 products per year, which generate roughly 60% of the company's billings. Natura is betting on the appeal and the richness of Brazilian forests to give it a differential over more traditional brands. To this end, it concentrates research for new cosmetics on leaves, roots and fruits from the Amazon and other regions of Brazil.

Some examples? Gonzaga mentions a face cream that uses the active ingredient of jambu, a herb used in cooking in the East Amazon state of Pará. Anyone who has tasted dishes such as tacacá or duck in tucupí in Belém will know the anesthetic power of jambu, which

numbs the mouth and tongue. In the face cream, the substance has the effect of relaxing and smoothing laughter lines.

Natura also uses or is researching two natural Amazon oils andiroba and copaíba, cocoa, guaraná and pripioca, an aromatic root. The company has a 200-person research team working on creating new products and technologies at Cajamar, a town near São Paulo, and there is a suggestion and project selection mechanism that allows employees

from any area of the company to put forward ideas or offer innovative concepts.

“An idea might come from the technology area, which develops extracts and molecules, or from marketing, which identifies a new market, or from contacts of the Natura sales consultants who listen

to the final consumer,” said Gonzaga. Internal committees analyze the suggestions and those that appear to have potential enter the company's development “funnel”. Natura is always working on about 500 technology projects, new products or concepts and marketing innovations. Some of them will make it through the funnel and become one of the 200 annual new products. ■



Jambu, from Pará: a research target for Natura

HANDOUT

The Only Toy Here is the Car

Braskem is betting on green plastic produced from ethanol as an alternative to plastics made from petroleum derivatives

Plastic produced from sugar-cane ethanol is the most dramatic result to date of investments in research and innovation made by Braskem, a petrochemicals company controlled by the Odebrecht group. Plastics are generally made from petroleum derivatives, a non-renewable raw material that is becoming more and more expensive – the price of a barrel of oil has broken record after record. Polyethylene made from molecules that formerly helped shape a sugar cane plant rather than an underground oil deposit of fossil origin represents a revolution for the industry. It becomes “ethanochemical”, rather than petrochemical. But why go down this path in the first place?

The reason, says Braskem President José Carlos Grubisich, is that the world is changing. “We need more products made from renewable raw materials, the consumer is pressing for this, principally in the more developed markets.”

Braskem developed the new plastic at its Technology and Innovation Center at Triunfo in Rio Grande do Sul State, where it has a major stake in a petrochemicals complex. The company has 200 in-house

researchers and in February signed an agreement with the São Paulo State Foundation for Support of Research (Fapesp) to investigate other biopolymers – intermediary products and materials developed from renewable sources. Each side will invest US\$15 million over five years, and universities and institutes in São Paulo will participate. Braskem invests around 0.7% of billing in R&D, which is in line with the world average for the petrochemicals industry.

The company had previously experimented with using sugar cane to produce ethylene, the intermediate product from which polyethylene is made. But now, the target is industrial scale production, not just a technological experiment. Right now this looks

like good business, Grubisich believes, because clients in sectors such as the automotive and electronics industries are interested in the marketing dividends of using an environment-friendly material, and accept paying 20% to 30% more for the green plastic than for a standard product. The material is 100% recyclable, and the plants it comes from have helped take out of the atmosphere the carbon that is speeding up global warming. With all this appeal, Grubisich managed to enlist a marketing symbol of the first order for the new product – no one less than Brazilian President Luiz Inácio Lula da Silva, who took a toy car made from the green plastic on his trip to Europe in June.

What’s more, the green plastic is different in origin but equal in properties to regular polyethylene. It does not require new machinery or changes to clients’ production processes. Braskem is finalizing studies for construction of a sugarcane polyethylene factory with capacity to produce 200,000 tonnes per year, starting 2010. It will be built at Triunfo, where the technology was developed. The production line for the green plastic will consume at least half of the US\$588 million due to be invested in expansion of the entire complex.

The company’s initial goal was to produce 100,000 tonnes a year, but client response when the product was presented at an international plastics fair in Germany last year led Braskem to double the planned capacity. Expectations are that half of the initial production will be exported, and Grubisich estimates a market potential of 600,000 tonnes. “We shall grow as our clients grow,” he said. “What we have seen so far shows that the market exists, and with petroleum at US\$130 a barrel, all barriers and paradigms have been overturned.” (AM) ■

Grubisich: barriers and paradigms overturned

JULIO BITTENCOURT





**Suzano shipments:
reshaping the
international market**

RICARDO TELES/HANDOUT

success is the result of a major effort in R&D. While eucalyptus takes seven years (or less, in some cases) to get to the point for cutting, pine trees in the northern hemisphere take six decades to reach maturity. And the gain in productivity is enormous. Over the last ten years, Brazil has doubled its production of pulp per hectare.

At the end of the 1990s, the country became an active participant and one of the leaders in the global pulp and paper market. Today, Brazil accounts for 65% of world short-fiber production and is a champion of the global market, with exports totaling US\$1.65 billion in 2007. "The tendency is for the volume of short fiber production to exceed that of long fiber production in the middle of the next decade," said Rogério Ziviani, director of the pulp business unit at Suzano, which today exports half of its production.

Eucalyptus pulp is used mainly to produce writing and printing paper, and demand is growing in Brazil and internationally. Estimates point to global production of eucalyptus pulp rising from a current level of roughly 13 million tonnes a year to reach 20 million tonnes in 2010. This growth is guaranteed by the various industrial projects now being implemented in South America, with investors including Scandinavian companies that have bowed to the strength of the eucalyptus. Companies in the sector in Brazil have plans for expansion of production that will absorb investments of US\$8.7 billion through 2012. All this is aimed at staking out a position in a short-fiber market that is growing between 6% and 7% a year, which is twice the growth rate for the pulp market as a whole. (Vicente Vilardaga) ■

The Long Battle for Short Fiber

Thanks to Brazilian technology, pulp produced from eucalyptus has won a place in the world market

Eucalyptus pulp, which is about to take over the world paper market, is an excellent case of Brazilian innovation. The eucalyptus tree is native to Australia and arrived in Brazil just over 100 years ago, where it adapted readily to the local climate and until the middle of the 1950s was mainly planted along the railroads to serve as boiler fuel for steam locomotives. The first person to spot a more noble use for the raw material was businessman Max Feffer of the family that controls Suzano Paper and Pulp, a São Paulo company.

The company's first experiments took place between 1956 and 1959 with the aim of creating a pulp that

could be mixed with raw material then being imported from Scandinavia and made from pine trees. The first sheet of printing-quality paper made 100% from eucalyptus arrived on the market at the end of the 1960s.

That was the start of the revolution in short fiber – the technical name for the pulp made from eucalyptus – which was to lead to a gradual but total change in the world market. "No other country has the same productivity and has made such investments in forest technology as Brazil," said Elizabeth Carvalhaes, the executive director of the Brazilian Paper and Pulp Association (Bracelpa). The country's

Here, There and Everywhere

High quality specialized services offered in Brazil are finding customers all around the world **BY FLÁVIO DE CARVALHO SERPA**

Think fast – What is there is common between a tomography done in Portugal, a digital advertisement shown in Spain, the efficient performance of a multiple computer system in Canada and the sophisticated calculations that drive the best search engine on the Internet? Don't feel too bad if you didn't get the answer, because most people wouldn't, but these are all excellent examples of the remote supply of high quality services that have their source in Brazil.

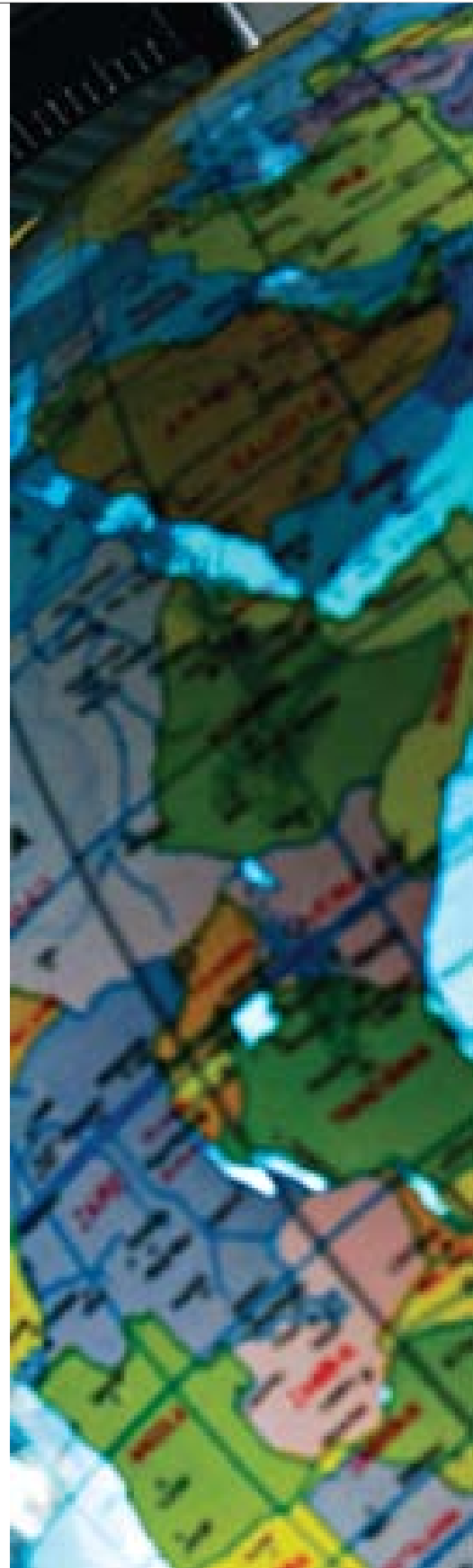
Companies of various sectors, sizes and origins are going global via broadband, without needing to physically move beyond their country's borders. It's the case of the Fleury clinical analysis laboratory, now responsible for analyzing and returning in under 48 hours exams sent from Portugal, and the São Paulo office of the French-Spanish Media Contacts agency that specializes in virtual advertising, and whose Center of Excellence handles demands from all over the world. Then there's IBM – the IT giant has a Global Command Center serving the world on-line 24/7 from Hortolândia in São Paulo state, and there's Akwan, a company in Minas

Gerais that is now a Development Center within Google.

Brazil still doesn't figure very prominently within the global market for offshore outsourcing. It lies way behind India with its super-cheap labor and huge numbers of people who grow up speaking English as a native language. It's estimated that India mopped up 80% of the US\$75 billion the world spent last year on offshore outsourcing, while Brazil attracted just 1% of the total. Nevertheless, Brazil's long-term prospects are good, even with the strong currency harming the competitiveness of Brazilian companies.

**Now
dominated
by India, the
market will
tend to open up**

The tendency is that the development of new suppliers will lead contracting companies to reduce their excessive (and dangerous) concentration in one market, India. Brazil's great chance, the experts think, is to open its borders to high value added services and to better exploit the advantages of being in Brazil, for example the geography and culture which are more like those of the United States and Europe, the time difference which is more compatible with the working day in most developed countries, the political and economic stability, the lack of conflicts





Fabri, of Tribal:
global culture
in the digital
advertising agency

PAULO PAMPOLINI/HYPE

with neighbors (India has an ongoing squabble with Pakistan) and the loyalty of Brazilian labor (in India, high turnover is the norm).

Indian companies themselves have noticed the trend and have started to create alternatives for the inevitable reduction in concentration. Satyan, one of the giants in the field, has already staked out a presence in Brazil. A 30-year pioneer in the sector, Satyan today bills US\$1 billion a year and has 23,000 employees, 150 of them at its São Paulo development center. "The strategy is to be close to the Latin American subsidiaries of our American clients," said Ideval Munhoz, responsible for the company in Brazil. "In three years, we hope to have 5% of the local market."

In the fray

It's shaping up to be a good fight, and one in which Brazil will certainly be a player. America's EDS, recently acquired by HP, has a global center in the country with 10,000 employees while French-Dutch company Atos Origin, another recent arrival, plans to have 15,000 people working in Curitiba by 2010. Another major IT services supplier in Brazil is Tivit, part of the Votorantim group, which won a global tender to administer all IT resources worldwide for the Rhodia company of France. Xavier Rambaud, then the CIO of Rhodia in Brazil, faced a tough battle with other Rhodia subsidiaries around the world to corner the lion's share of IT services. "We consider the competence of our internal processes to be of very great importance, and we decided to keep this service internal," he said.

Each in their own way, Brazilian companies Ci&T and ACS also have faithful global clients. And that's before we mention the veteran IBM, present in Brazil since 1917. The US giant opened an assembly line

in 1971 at Hortolândia, in São Paulo state, to produce mainframes, the very large processing units still used for banking transactions. Today the IBM plant still shows some signs of its original purpose, for example the girders used to carry machinery are still fixed to the ceiling, but in these days of globalized services, the floor space has a very different function. Today, 1,100 Brazilian employees speaking several different languages provide 24/7 support for IBM clients around the world (see box).

IBM's Global Command Center is located in Hortolândia only thanks to the efforts of the Brazilian subsidiary. "We had to fight four other IBM subsidiaries to win the Center," said José Eduardo Ometto Alberto, responsible for IBM's IT Infrastructure outsourcing operations in Hortolândia. "Our project won because we offered greater added value." A guaranteed constant energy supply was just the first step, to overcome the trauma of a nationwide energy shortage at the start of this decade, but what tipped the scales was the excellence of the labor. "Our professionals are more flexible than Indians and Chinese, who are excessively specialized," said Ometto. "Moreover, our turnover is very low, which provides stability of service and helps promote client confidence." Staff quality earned Brazil the greatest internal prize possible within IBM: all of the global corporation's contracts are controlled in Hortolândia.

Media Contacts, a network of virtual agencies launched originally in Spain but now part of the French Havas Digital group, has followed a similar path with the Brazilian subsidiary supplying services to the head office. Brazil has become a leader in the group under the guidance of Ricardo Reis, who runs operations in Latin America. In 2002, faced with difficulties in finding local clients



POLYGLOT POWERHOUSE IN HORTOLÂNDIA

IBM'S GLOBAL COMMAND Center in the peaceful town of Hortolândia near Campinas, in São Paulo State, is the company's largest such facility in the world, formed from four smaller units that were spread around the globe. Although the 1,100 staffers are all Brazilians, the place is a polyglot mixture of languages and accents. The professional who speaks French to Canadians, for example, is not the same person who attends French clients. The center is structured to link via video conference with up to 200 different points around the world, according to the executive in charge, José Eduardo Ometto Alberto (photo). In addition to the quality of the services offered, the center has an unexpected advantage over Indian and Chinese competitors – it doesn't suffer from earthquakes. Many companies keep back-ups of their data in Hortolândia even when they handle their processing somewhere else.

because of the economic crisis in the South American nation, Reis decided to export services to other subsidiaries within the group. "I used two concrete arguments: Brazilian creativity and Brazilian costs, which at the time were favorable," he said.

The office grew rapidly and had to adapt to the needs of a globalized structure: in addition to technical qualifications, employees had to be fluent in English and Spanish and, in some case, work unusual hours to match the local time of overseas clients. The strengthening of the Brazilian currency has put a bit of a brake on the offshore business, but the loss has been compensated by recovery of the local market and by duplication of the Brazilian experience in India, which gained a Media Contacts

center of excellence six months ago. "We don't compete with them, they handle basic production while we work on products with greater added value," Reis said.

International tenders

Internet offers many examples of successful experiments in globalization. Take the case of Tribal, a São Paulo agency that targets the niche of high quality and enhanced creativity. It's a 100% Brazilian-owned company with 10 years of existence and big plans. The company supplies services to the head office of Dutch giant Philips and to the United Nations, in addition to local clients. "We gain experience by competing in tenders against agencies from all over the world," said Renato Fabri, a partner.



PHOTOS: PAULO PAMPOLINI/HYPE

it offers management of benefits, finance, human resources and health plans, plus IT processing. “We don’t have any national clients, they are all subsidiaries of multinationals,” said Eduardo Paiva Sá Freitas, responsible for the company.

Call centers have now become somewhat of a commodity, where cost is the basic criterion, so ACS focuses on its principal resource, the quality of its labor. “We are not competitive with the most basic call-center services,” Freitas said. “But when you build in analytical processing, which adds value, then we are competitive.”

Analytical processing is basically what the 160 professional staff do at Google’s development center in Belo Horizonte. Every day they handle algorithms and other tools in an effort to improve the searches and other services offered by the California-based Internet giant. The center is one of five world wide, and it was opened even before Google’s São Paulo commercial office.

The development center has its origins in Akwan, a Belo Horizonte company started by search engine specialists from the Federal University of Minas Gerais and bought by Google in July of 2005. “The culture and origin of Akwan are very similar to those of Google,” said Félix Ximenes, the company’s communications director in Brazil. “It was a deal between equals.”

Ximenes believes the Belo Horizonte center has enormous growth potential. “We have carte-blanche to hire engineers here in Brazil,” he said. Just like at head office, famous for its easy-going, unregulated work atmosphere, the Brazilian staff enjoy the freedom to decide their focus and work-hours. “With the advantage that here we have the best cheese-bread in the world,” said Ximenes. ■

“Today Tribal is totally geared up to serve global clients, it’s built into our culture.”

Fleury Medicina e Saúde, one of Brazil’s most respected clinical analysis laboratories, is following the same path. The São Paulo-based laboratory is now finalizing a new system for remote diagnosis, and first tests are running with an ultrasound and radiology service based in the city of Porto, in Portugal. Exams received in São Paulo via Internet will be examined by Fleury’s radiology team, which prepares a written opinion and sends this back to Portugal. “Our technological structure and intellectual capital are geared to meet-

In Fleury, medical exams from across the world

ing new national and international demands,” said Tereza Sacchetta, director of corporate affairs at Fleury.

Straitjacket

Finance is another area where Brazil can compete while escaping the straitjacket of run-of-the-mill IT services. After all, in Brazil checks are cleared in one working day, compared with a week in the United States. This was the path chosen by ACS, a service provider connected to the Algar group, a company with 100% Brazilian capital based in Uberlândia, in Minas Gerais State. Launched just 10 years ago, ACS now has 6,000 employees. Besides call-center services,

Aiming for the Top of the Pyramid

Rosa Chá
parade:
next stop,
New York



With stores like Lilica Ripilica in Milan and Rosa Chá in New York, Brazil's Marisol is betting on high-income consumers around the world

**BY MAURICIO OLIVEIRA,
IN JARAGUÁ DO SUL**

Come September, as Spring arrives in the Southern Hemisphere, Brazil's Marisol clothing company will be celebrating the second anniversary of what was probably its most ambitious move since the company was founded in 1964: the opening of a children's store under its Lilica Ripilica brand in the heart of Via della Spiga, one of the most sophisticated and sought-after locations in Milan. And Milan, of course, is a fashion center for the whole world. The 72-square-meter store and its six staff rub shoulders with brands such as Prada and Dolce & Gabbana. Marisol does not appear to be too concerned that the store has been losing money ever since it opened, after absorbing investments of around US\$2 million. In fact, the company was expecting some red ink.

"This store symbolizes our positioning in the international market," said Giuliano Donini, the new president of Marisol, a company based in the southern Brazilian state of Santa Catarina. "It's a marketing tool rather than a retail outlet." Donini swears that the company is ready to underwrite the store through the 2018 life of the property lease, even if it continues to lose money. "Our learning curve in this ex-

FERNANDA CALFAT/AFIP

periment is absolutely priceless,” he said. “We knew it wouldn’t be easy when we decided to start our international expansion project in the most difficult place. And after Milan, nothing will seem impossible.”

The rise of this 33-year-old executive to the top of the Jaraguá-do-Sul-based company last March was directly connected with the priority the company is placing on overseas markets. Son and heir of Vicente Donini, who ran Marisol for the previous 12 years, Giuliano Donini has for the last decade been the leading proponent of internationalization. During that time he held various positions within the group, starting as a market and products analyst. He moved to the nearby city of Novo Hamburgo as a director of Marisol Calçados, the group’s footwear division which is located in a major shoe-making region in Rio Grande do Sul State, and then returned to head office to run the commercial and later the marketing departments. He holds degrees in architecture and business administration, and was the mastermind behind the decision to open a store in Milan, a city where he took a post-graduate course in fashion and brand management at the Istituto Marangoni.

It hasn’t all been easy. On the one hand, Donini had to personally conduct delicate negotiations with the merchants’ association in the famous street, which is not very open to foreign brands. On the other, he spared no effort to convince fellow Marisol directors of the importance of this investment for the future of the business. In the long term, the main goal of internationalization is to significantly increase the volume of Marisol revenue coming from international operations, which last year were just 3.5% of the group’s total billings – US\$ 8.5 million out of a total R\$ 240 million. The Milan store is the only

Marisol in Numbers

BILLINGS IN 2007

US\$ 240 million

FOREIGN BILLINGS

US\$ 8.5 million

EMPLOYEES

5,500

FACTORIES

Jaraguá do Sul (SC) and Pacatuba (CE)

FOREIGN STORES

18

BRANDS

Lilica Ripilica, Tigor T. Tigre, Pakalolo and Rosa Chá



The Lilica Ripilica store in Milan’s Via della Spiga: sophisticated address

HANDOUT

wholly-owned operation within the 18 Lilica Ripilica non-Brazilian outlets. All the rest are franchises, run by local partners in the Americas, Europe and the Middle East. “Each business has its own characteristics,” said Donini. “What’s essential is to find partners who share our vision of the future.”

The company’s expansion is the result of a mixture of planning and circumstance. The Middle East, for example, was not among the first targets chosen for international expansion, but a businessman from the region made a proposal which the Brazilian company decided it could not refuse. As a result, clothes of the company’s brand targeting girls up to 10 years old can now be found in countries in the Middle East, such as the Lebanon.

Brazil in fashion

In Brazil, where Marisol operates as a franchising network of almost 150 stores, the same outlets offer both the

company’s brands, Lilica Ripilica and Tigor T. Tigre, which sells clothing for boys. However, the internationalization strategy was initially based just on the girls’ brand, which was seen as a more promising niche. “There is a unisex trend in infant clothes in Europe, which in general follow a more urban and casual style,” Donini said. “We saw that there was room for more colorful, feminine styles for girls.” The very fact of locating the anchor store on the Via della Spiga was a clear sign that it was targeting upper-income customers who are willing and able to pay more for clothes that also serve as life-style statements for children and their families.

“Lilica Ripilica products immediately bring to mind Brazil, a country which is in fashion,” Donini said. “People who are well informed want to consume products that suggest the Brazilian way of life.”

Production remains centralized in Brazil, where the group has 5,500

CHANGE OF DIRECTION

Instead of price and volume, brand management and greater added value

INTERNATIONALIZATION OF THE Marisol brands is part of a wider strategy that has gradually changed the group's identity over the last decade. After four decades during which it was basically a clothes maker known for a combination of volume and price, Marisol has also started to develop the profile of a brand and distribution channel manager, betting on products with greater added value. It started its franchising project, seeking to build a direct relationship with the consumer and depend less on commercial representatives who act as intermediaries with the major retail chains. "The result of these changes is that Marisol has become a much more complex company, because it now operates with variables that previously did not exist," said Donini. "This change in mentality is now filtering through the whole organization."



Giuliano and his father Vicente: inspired by WEG

One of the variables was launching products such as footwear, socks and knitted items, which form part of the mix for single-brand stores. Mapped out at the end of the nineties, the change in strategy was based on a perception that Brazilian consumers were increasingly seeking clothes that carry a fashion brand. One sign of this phenomenon was

the creation in 1996 of the São Paulo Fashion Week. Based on this perception, Marisol decided to develop its own brands, targeting market niches. The process has been perfected over the years – three factories were closed, some brands were eliminated and others were added via acquisition, for example the youth-oriented Pakalolo and the beach-fashion oriented Rosa Chá.

In a move to administer its international businesses more closely, the company opened offices in Guadalajara, Mexico and in Gallarate, which is part of the Milan metropolitan region. In the Mexican city, the Brazilian clothes maker found that "Marisol" already figured on countless birth certificates as a given name for local women, which meant it could not be registered as an exclusive brand. The Italian office manages the group business in Europe and the Middle East.

Donini makes no attempt to hide the fact that Marisol's internationalization strategy draws inspiration from the pioneer work of WEG, a major international maker of electric motors and electrical equipment that also has its roots in Jaraguá do Sul. In fact, the companies are linked by more than just geography – Donini is cousin to WEG board chairman Décio da Silva. "WEG showed that you have to have persistence and stick to your guns," Donini said. "They endured 10 years of losses to enjoy the international success they have today."

employees and installed capacity to produce 25 million items of clothing and 3.2 million pairs of infant footwear per year. However, some of the products sold abroad are developed specifically for each market. Italy is a classic example. The Lilica Ripilica collections sold in that country are the work of local designers, who travel various times a year to the head office in Jaraguá do Sul, a municipality of some 135,000 people, to discuss concepts for new collections and seek out the ideal balance between the company's DNA and the habits and preferences of Italian consumers.

"We hired Italian designers because their having lived in the country's culture all their lives ensures a final result that is much more authentic than our trying to understand it in one, two or six months," said Donini. One of the differences when compared to Brazil, he explained, is that Italians have a more sophisticated and demanding relationship to raw materials. Lilica Ripilica's Italian collection even includes cashmere, suggesting a degree of perfection that would probably not be accepted by the Brazilian market.

Internationalization lay behind Marisol's 2006 decision to acquire Rosa Chá, a Brazilian fashion beachwear brand. The idea was to augment the group portfolio with a brand that encapsulates everything that Brazil represents around the world – beaches, sensuality, music and color. The brand's overseas expansion project mirrors the formula used with Lilica Ripilica, and included the scheduled July opening of a dedicated store in New York's sophisticated Soho district. The 170-square-meter shop will be wholly owned by Marisol and will be the brand's fourth international outlet, after franchise stores in Miami, Lisbon and Istanbul. ■

Winning the Workout War

Two small Brazilian sportswear companies are taking on the global giants – and winning! **ARLETE LORINI**

Bia Brazil e BrasilSul, two small makers of gymnastics and aerobics clothing from the South of Brazil, have been working up a sweat to take on giants such as Adidas and Nike in the global arena. It's a huge challenge, and one made even bigger recently by the unfavorable exchange rate, but that doesn't lead to despondency. Both companies have been growing rapidly and brightening up the work-outs of women around the world. Customers in countries as far apart as the United States, China, Mexico, Israel and the United Arab Emirates are opting for the bright and sunny image of Brazil

that both companies embody in their products.

Bia Brazil was started in 1994 by Beatriz Willhelm Dockhorn, a former champion Brazilian Olympic gymnast, and today exports around 90% of its monthly output of 20,000 items. At US\$2 million, the annual billings greatly exceed the initial expectations of the founder. "I never thought we could compete with such strong brands," said Dockhorn, 42.

Similarly, when Heloisa Segall created BrasilSul 25 years ago, she never imagined that her products would one day hang from the illustrious racks of US chain Victoria's Secret. But in fact, she also sells to clients in Europe and Asia, and plans to keep on doing so despite the ever-

falling value of the US dollar. "Our international clients are an asset for the company, we can't just chuck them away," said BrasilSul director Rafael Dias.

BrasilSul is now billing US\$5.6 million a year, 30% of it from exports. In addition to supplying retailers in 50 countries, the company has eight foreign franchise stores, five in Mexico, two in Paraguay and one in Chile. Another eight are likely to open in the United States through the next five years.

Bia Brazil sells to 43 countries and has just one store of its own, in Israel, but also plans to increase its international retail presence, partly as a way to offset the negative effects of the exchange rate. The company has already decided to open one outlet in Paris, in partnership with a local distributor, in the second half of this year.

To please customers in such different markets, Bia Brazil has a catalogue of 300 designs that can be adapted to different countries. Mexicans and Chinese, for example, like more colorful clothes, while English women insist on more sober colors even when dressing for a workout at the gym. ■

FROM THE PAMPAS TO THE WORLD

BIA BRAZIL

Started business: 1994

Billings in 2007: US\$2 million

Exports: 90%

Present in: 50 countries

International stores: Israel and Paris (planned)

BRASILSUL

Started business: 1983

Billings in 2007: US\$5.6 million

Exports: 30%

Present in: 43 countries

International stores: Mexico (5), Paraguay (2), Chile (1), USA (8 planned)

**Bia Brazil:
300 designs
for the world**



Stefanini's Second Great Leap

This IT company is betting on foreign acquisitions, rather than organic growth

BY LUCIANNE CARNEIRO, IN LONDON

It's not much more than a decade since Stefanini IT Solutions took the plunge and marched off into the global marketplace. Today, Brazil's first Information Technology (IT) multinational has its sights set even higher – it aims to become a major international player. To this end the São Paulo-based company has put in motion an ambitious program to consolidate its foreign operations. The goal is boost foreign billings from a current 20% of group total to 50% through 2011. In 2007, the group billed US\$ 200 million.

To achieve this goal, Stefanini plans investing US\$300 million through the next four years to acquire mid-sized companies. Part of this, estimated at US\$200 million, will come from opening the company's capital and floating shares on the stock exchange. Speaking with PIB from his London office, company founder and president Marco Stefanini explained that preparations were already under way and the float would happen some time this year: "The exact moment will be determined by the mood of the financial markets."

A self-styled workaholic who loves races and reading – preferably history and biography – the 46-year-old businessman is a geology graduate who started the business in his home in 1987. International adventures date from 1996, when the first office outside Brazil was established in Buenos Aires. That was before most of his

counterparts were even thinking of internationalization.

Subsequent steps, however, were taken with care. At that moment the company's top priority was building up its presence in Brazil by opening

branches outside of the Rio-São Paulo axis. Internationalization was resumed four years later, in 2000, when offices were opened in Chile and Mexico. The following year saw Stefanini establishing beach-heads

**Stefanini:
Going public,
with growing
overseas
income**



DAVLIN DOURADO/VALOR/FOLHA IMAGEM

in Peru, Colombia and the United States, while the European campaign began in Spain in 2003, followed by Portugal (2004), Italy (2005) and the United Kingdom (2006).

Enemy territory

That was also the year when Stefanini opened an office in India, a step that could even be described as an “attack on enemy territory”, given that Indians are leaders in the IT sector, responsible for 80% of global exports in software and information services. India’s IT exports totaled US\$36 billion in 2007, a fabulous amount when compared to Brazil’s exports of a pitiful US\$313 million. The company’s representative office in Hyderabad, which is still getting up to speed, is charged with servicing Stefanini’s global clients in Asia and also operates as an extension of the services offered by Stefanini in the United States. “With a strong base in Brazil, we now want to consolidate our position abroad where we have greater opportunities to grow,” the founder said.

The exclusively organic growth seen so far inside and outside Brazil will give way to a program of acquisitions of mid-sized IT service companies, ones that attend clients directly rather than subcontracting to other IT companies. In a first phase, Stefanini will buy companies using its own resources, but in a second phase the idea is to use capital raised by offering shares on the stock market. This would allow Stefanini to negotiate with larger companies.

The buying spree will be restricted to deals that can attract clients located at what Stefanini calls the “top of the pyramid”. This includes the 500 largest corporations in the United States and the 100 largest in South America. “Our client pro-

Stefanini in Numbers

GROSS BILLING IN 2007

US\$ 200 million

BILLINGS OUTSIDE BRAZIL

US\$ 40 million

TOTAL EMPLOYEES

5,000

EMPLOYEES OUTSIDE BRAZIL

450

OFFICES OUTSIDE BRAZIL

18

COUNTRIES

Argentina, United States, Spain, Mexico, the United Kingdom, India, Spain, Portugal, Colombia, Chile, Peru and Venezuela

file is the larger company, and that makes the challenge much tougher,” Stefanini said. Among the company’s global clients are groups such as Johnson & Johnson, Santander, HSBC and Dell, while Unilever and Alcoa are amongst clients served in South America.

Priorities

Stefanini will prioritize four main markets in this second drive onto the international stage: the United States, Mexico, the United Kingdom and Argentina, in that order. Uncertainties about the growth of the American economy may have caused consternation in global markets, but they have left Stefanini largely unworried. He sees the world’s largest IT market as one that offers his company enormous potential for international expansion. The group already has three US subsidiaries, in New York, Atlanta and Fort Lauderdale. “The American market looks good even

when there’s a crisis,” he said. “And after all, how many crises have we not weathered in Brazil?”

As for the United Kingdom, it is one of the world’s main IT centers and the most developed in Europe. What’s more, the UK leads in finance, so thanks to the competitive financial sector in Brazil this is one of Stefanini’s specialties. The company opened its third Mexican office last year, and that country is now the group’s largest market outside of Brazil. The company is present in Mexico City, Monterrey and Querétaro. As for Argentina, it gains the status of a priority market thanks to its proximity to Brazil and the strong local economy, now growing for a sixth straight year.

Manpower

Of the group’s 5,000 employees, 700 are dedicated to serving overseas clients. Within this “international brigade”, at least 450 are located in the company’s 18 foreign offices, spread through 12 countries. For Stefanini, the strategy of internationalization goes beyond simply boosting hard currency earnings. He believes it also produces gains back home in Brazil: “It’s difficult to quantify the impact, but the fact that we are a global company certainly increases our credibility and attracts more clients in the domestic market.” In the same way, the internationalization strategy not only helps prepare better staff, but should generate an overall strengthening of the company, making it better placed to withstand the competition and fight off potential purchasers. “If the company has global strength, it becomes better placed to defend itself back home in the Brazilian market, given that in many tenders, the names of suppliers are decided outside of Brazil,” he said. ■



Karen and Kathryn:
young fans enjoy açaí
in Washington

This is Açaí!

Hailed as an elixir of youth, this typical Amazon fruit is gaining a foothold in the land of Coca Cola

BY ADRIANA MAXIMILIANO, IN WASHINGTON

California surfers Ryan Black and Ed Nichols can't even remember if the waves were good on the island of Fernando de Noronha, which they visited in 1999. But what they do remember, and what changed their lives, was discovering açaí, a typical Amazon fruit that is consumed in large quantities by Brazilians seeking a healthy life. Served by itself or mixed with guaraná, açaí provides energy and has anti-oxidant properties, all combined with exotic appearance and flavor and an umbilical link to the world's largest tropical forest. Everything

that California's enormous population of post-hippy nature-lovers ever dreamed of was right there, embodied in a reddish-colored fruit.

Back in the United States, Black and Nichols borrowed US\$100,000 and launched Sambazon, the name standing for Saving and Administering the Brazilian Amazon. What started as a simple operation to import the Brazilian fruit in pulp form – produced under organic and sustainable conditions, naturally – developed to the point where, two years ago, Sambazon opened its own production unit in Amapá, Brazil's most northerly state. And açaí is now

consumed far beyond the desert-scarred frontiers of California. "Our customers range from specialized organic supermarkets through to Wal-Mart," said Black. Sambazon also exports to 20 countries, and billings in 2007 were US\$15 million.

Today, Sambazon is riding high on the crest of the "red wave" that is growing in the United States. It represents well-deserved success for a company that opened up the market with aggressive communications tactics, for example tasting stands in supermarkets, fitness academies and events for young people, as well as sponsorship for surfers. The company had to find a way round the unpronounceable name, so all labels explain that açaí is "pronounced ah-sigh-ee".

Things got easier, however, thanks to a helping hand from Nicholas Perricone, a well-known dermatologist who listed açaí among the world's healthiest foods in his 2004 bestseller *The Perricone Promise: Look Young-*

er, Live Longer in Three Easy Steps. Not by chance, that was the year Sambazon started to make a profit. Perricone even prepared an açai juice for popular presenter Oprah Winfrey, live on her TV show.

From then on, the fruit has been gaining an ever-larger foothold in American gastronomic culture. Since 2005, more than 100 açai-related products have been launched, including ice cream, energy drinks, yogurt, beauty creams, lipstick, shampoo, diet supplements and others. In February of this year, Oprah's show once again stimulated Americans' interest with the presence of surgeon Mehmet Oz, currently a national guru. "This little fruit really is a source of youth," Oz said on national TV.

Competition

Sambazon used to be more or less alone in the game, but recently it has found itself surrounded by competitors, some of them pretty big fish. Companies such as Anheuser-Busch (owner of Budweiser beer), Procter & Gamble and Häagen-Dazs, for example, are already distributing products based on açai. Coca-Cola has closed a deal with Bossa Nova, a small factory in Los Angeles, to distribute bottled açai juice. And Bolthouse Farms, a traditional manufacturer of juices and salad dressings, has opened a factory in Belém, capital of Pará state at the mouth of the Amazon, to produce açai-based juices for the US market, sold under the Bom Dia brand. It's the first Bolthouse factory outside of the United States. Luckily for the pioneer surfers, most of these companies have opted to buy their raw açai from Sambazon.

Major juice chains in the United States are also including açai among their menu options. "It's not exactly like the açai I tried when I was



Black, of Sambazon: pioneering a market for the red fruit in the USA

HANDOUT-SAMBAZON

in Brazil last year, but even so it's pretty good," 21-year-old nutrition student Karen Mechner told PIB while enjoying one of the year's first warm days at a Robeks store in Washington DC. Mechner drinks açai twice a week, and had brought her 20-year-old friend Kathryn Archer along to try it.

Although açai is being marketed mainly by American companies, some Brazilians living in the United States are also getting in on the action. Igor Pereira, Marco Rega and Rafael Magalhães, all of them originally from Rio de Janeiro but now living in San Diego, decided to start Açairoots after sampling the açai being sold in the US, and deciding it tasted strange. "It's lousy quality," said Pereira. "We saw that we could develop far better products."

The ecological and health-enhancing posture of Sambazon which has found such favor with Americans does not invoke the same reaction at Açairoots. "The Americans are exploiting the Brazilian product and the people of the Amazon," said Pereira. "They sell us this story about saving the forest, but it's a lie."

Açairoots is pinning its marketing strategy on the Rio de Janeiro lifestyle. The company's advertising symbol is Junior, formerly with the

Flamengo football club and Brazil's national team. He signs off on the slogan "This is the best açai in Brazil" while posing on the Rio beach of Barra da Tijuca, some 3,000 kilometers from the nearest açai plantation.

Sucasa, a distribution company located in Castanhal, a city lying 68 km from Belém, would seem to confirm the assessment of the people behind Açairoots. The distributor is growing 30% a year and in 2007 shipped 1,000 tonnes of açai pulp to six countries. So far, however, the company does not have sufficient resources to follow the path taken by Sambazon and build its own production unit. "We don't have the same facilities that they had to raise capital," said Sucasa founder Solange Matos.

In the world of cosmetics, Rio de Janeiro-based Assessa is also making progress as a wholesaler. Originally specializing in the production of active ingredients derived from seaweed, the company has grown thanks to açai. "Our sales are up ten-fold in three years," said Daniel Weingart Barreto, general director

of Assessa. His company sells açai ingredients to Estée Lauder of the United States, La Prairie of Switzerland, the Body Shop (UK) and American newcomer Borba, amongst others. The tendency will be to grow much more. "Countries such as China are right now evaluating açai," Barreto said, dreaming of the day when the 1.3 billion Chinese might all become fans of the exotic red fruit. ■

Over 100 açai products have been launched in the US in the last three years

Growing Fast

Brazil now ranks fourth in the global franchising league, and the challenge is to use this experience to expand internationally **ARNALDO COMIN**

Just about everyone involved in the battle to boost Brazilian exports agrees that the country must push harder to widen the range of goods and services it sells to other countries, so reducing the current heavy dependence on commodities. Attractive brands and quality services are thus an excellent showcase for Brazilian entrepreneurs, and help pave the way for companies of all sizes in a wide range of activities. Franchising stands in the very front line of this movement, it is one of the most dynamic sectors of the Brazilian economy and generally regarded as one of the most sophisticated in the world in terms of legislation and investment options.

Franchising is notable for its vibrant results. Annual growth has been in double digits through the last five years and total billings were R\$26 billion in 2007 – roughly equal to US\$13 billion. Brazil ranks fourth in the world in terms of the

number of franchises, with 1,197 chains operating. That puts it behind China, the United States and Canada. It also ranks sixth in the total number of franchise outlets, with a total of 65,500.

With such fertile terrain to grow in, the majority of Brazilian franchisers operate just in the domestic market. Even so, the Brazilian Franchising Association (ABF) has already registered 52 Brazilian franchise brands operating internationally. The United States, South America and the closer European countries such as Spain and Portugal are the most popular choices in this first phase of internationalization. “Our biggest challenge is to have more companies see the international market as a strategic option,” said Maurício Borges, business director at the Brazilian Export and Investment Promotion Agency (Apex-Brasil), linked to the Ministry of Development, Industry and Foreign Trade.

Just starting

The five largest Brazilian franchise chains are still quite small internationally

RANK	CHAIN	SECTOR	TOTAL OUTLETS	OVERSEAS
1st	O Boticário	Cosmetics	2,500	70
2nd	Wizard	Language schools	1,220	31
3rd	Hoken	Natural products	1,107	112
4th	Fisk	Language schools	966	105
5th	L'Acqua Di Fiori	Cosmetics	908	—

SOURCES: BRAZILIAN FRANCHISING ASSOCIATION (ABF), BRAZILIAN EXPORT AND INVESTMENT PROMOTION AGENCY (APEX-BRASIL) AND COMPANIES.



Ponci Neto, of Chilli Beans: focus on consolidating the brand overseas

Today more mature and professional, the franchising industry is preparing for a second phase of expansion. This time, prime targets will be China, the Middle East and Africa. Top priority at this moment is working together and learning about markets. In the last two years, a partnership between the ABF and Apex-Brasil has invested almost US\$2 million in more than 20 overseas trade missions, an odyssey that has included visits to the United States, Greece, Portugal, Spain, Italy, Mexico, Panama and China. Still planned for this year are trips to South Africa, Ecuador, Colombia and Malaysia, plus Spain for a second time.

“We are at a crucial phase of the process, which is that of gathering



market intelligence,” said Ricardo Camargo, executive director of the ABF. The international visits have generated important discoveries for Brazilian franchising, for example the importance of Macau as a stepping stone into China. A former Portuguese protectorate, the city has a legal system similar to that of Brazil. Like Hong Kong, it does not require that 51% of a business be controlled by Chinese capital. “Macau has the additional advantage of offering lower start-up costs,” said Lina Volpini of Global Track, a consultancy that provides services for the ABF-Apex partnership.

Fine tuning

Any company wanting to establish a presence abroad is well advised

THE BRAND IN FIRST PLACE

The Chilli Beans franchise comes to Dubai

CHILLI BEANS WAS created in 2000 as an importer of carefree, easily-priced sunglasses, and today it's one of Brazil's newest international franchise operations. The brand has 206 sales points including units in Portugal and Los Angeles. The goal is to reach the end of 2008 with 235 outlets, including three kiosks in Colombia, two in Panama and another two in Venezuela. However, the crown jewel in this strategy is the opening in September of two Chilli Beans outlets in Dubai, the result of a partnership with Lebanese group ZSI which already has experience of distributing western fashion products in the United Arab Emirates.

Known in the trade for its aggressive marketing, Chilli Beans preaches caution when it comes to internationalization. “Our main goal is not just to peddle lots of glasses any way we can, but to build a brand in a consistent manner in each market, and that's why we approach the question of growth with great care,” said Mario Ponci Neto, the company's director for expansion. The first international proposal came in 2002, to start operations in England, but the company preferred not to run the risk. “Our logistics infrastructure was not adequate to the challenge,” said Ponci Neto. The decision to start international operations was put off for a year until another opportunity came along, this time for Portugal. “Then we were more confident,” he said.

Even so, the chain invested more than would have been normal in Brazil to understand local tastes, and to adapt the items in the collection and the communications strategy. Now the challenge will be to seduce the “cool” youth of Dubai without falling foul of the rigid moral codes of the Arab world. “We will be aggressive, because that is in our DNA, but with respect,” said Ponci Neto. “We still have to learn from them.”

to look long and hard at the experience of those who have already gone down this road. Some companies have built up highly globalized operations – O Boticário, for example, is today Brazil's largest franchising chain with 2,500 outlets, of which 70 are overseas. The first international venture was in Portugal, in 1986, and now the company is present in more than 20 countries, from Japan to New Zealand.

Building a successful business model also requires sensitivity. "Larger chains often behave in an inadequate way by creating and imposing franchising systems in a top-down manner," said Mario Ponci Neto, director for expansion at the Chilli Beans sunglasses brand (see box). "Only the franchisee operating in the country is really able to adjust the operation to the standards of that market."

In the services sector, where local adaptation can be much more complex, some companies take a long time to fine-tune their operation. This was the case of Localiza, a car rental firm based in Minas Gerais state, which since 1992 has been investing to spread its coverage throughout all of South America – today it is absent only from Venezuela and the Guyanas. "In these 15 years or more, it would be fair to say that we have weathered every possible type of economic and institutional crisis, including differences of currency, culture and infrastructure, and for the last five years our operation can be considered fully structured and profitable," said Aristides Newton, franchising vice president at Localiza.

The company's greatest lesson, according to Newton, is to achieve a balance in adapting to local conditions without losing operational uniformity. The chain operates a

wide range of vehicles, from some equipped for snow in Patagonia to a fleet of four-wheel-drive pickups serving mining areas in Argentina, Ecuador and Chile. At the same time, it has managed to implement uniform electronic fleet management systems, customer service know-how and training, but adjusted as necessary for each country. Another important point is to keep a long-term vision. "We believe that South America will be a region without frontiers, even with a common currency, and so we need to be strong in each country," Newton said.

SEVEN STEPS TO SUCCESS

WHAT IT TAKES to build a successful franchise chain

- ❑ Plan and implement your international expansion in a sustainable way
- ❑ Identify the most attractive overseas markets to launch your strategy
- ❑ Register and protect your brand at least two years before starting operations
- ❑ Study national legislation carefully
- ❑ Identify a suitable and trustworthy partner, preferably one who knows the business
- ❑ Adapt the business model to the local culture
- ❑ Take part in commercial promotion activities

The heart of the business

Cultural and language differences can be just the tip of the iceberg in the list of challenges for international franchising chains. Specialists and businessmen alike warn that caution, planning, a large dose of humility and above all flexibility are essential inputs if the business is to get off on the right foot. The first step is to know where you stand. "It's best to do a solid legal study of each country and, if possible, register your brand at least two years ahead of time to avoid any predatory competition," said Luiz



Boticário store in Lisbon's Vasco da Gama mall: in Portugal since 1986

Henrique do Amaral of the Danemann Siemens law firm. Another key factor is to avoid getting too excited. "Many franchises go bust because they haven't done proper fiscal planning," he said.

It's also essential for the would-be international franchiser to be open to experimenting with new ways of working. This means that the strategic partner must be chosen very carefully. The Nobel bookstore chain is a good example of what can go right – and wrong. Founded 1943, the company has been in the franchise business for

15 years and has 180 stores in Brazil, with another 20 in Mexico, Spain, Portugal and Angola. In the first two of those countries, Nobel formed partnerships with people in the same line of business. This made things much easier. In Mexico, the Brazilian chain chose to adopt the brand of the local franchiser, while in Spain the selected partner was a major book distributor. In Portugal, however, the partner had a background in engineering, and this led to difficulties in getting the brand launched and recognized. Nobel grew to have five stores in Portugal, but had to close one of them. "We are now trying to convince the master franchiser in Portugal to sell the business to his counterpart in Spain," said Nobel director Sérgio Milano Benclowicz, grandson of the founder.

A question of language

Any international franchiser must adapt to the requirements of the local language, but never was this as important as in the case of the Wizard chain of language schools, one of Brazil's oldest franchisers that started operations in 1987. Wizard is the brainchild of Carlos Wizard Martins, the Brazilian son of Mor-

Flexibility is essential for winning new markets

mons who was born in Campinas, near São Paulo, but who went to the United States to study English at Brigham Young University in Utah. While there, he started giving Portuguese lessons to young missionaries destined to work in Brazil. Once back home, he brought with him all the know-how to set up his own language school franchise. Today Wizard has 1,120 schools, of which 31 are outside Brazil.

The attack on the international market started in 2003, with the strategy of following the diaspora of Brazilians seeking opportunities abroad. This made the US market the top priority, with Wizard itself operating as master franchiser. There are now 26 US schools. Other business units are in Japan, Ireland and Mexico, and Portugal will be added shortly, with the opening of the first school in that country.

The falling US dollar and the slowdown in the American economy have sounded alarm bells for Wizard, which is now seeing a drop in the flow of Brazilians going to the US. Some are even returning. The solution has been to adapt the business model to attract Spanish speakers. "In March, we launched our first course aimed at Spanish speakers, adapting the methodology we have developed for Brazilians over 20 years," Martins said. The logical spin-off now will be to open a school in Spain. Faced with all the new opportunities, Wizard is already thinking about setting up schools in Latin America and maybe even going further. "With the right partners, we could think of major consumer markets like China, India and Russia," he said. ■



PHOTOS: TERESA MEROLA

South-South Focus is Paying Off

The controversial strategy of seeking trading partners in developing countries has been producing good results. But is it enough?

When President Luiz Inácio Lula da Silva took office in January of 2003, it signaled a significant change in Brazilian external relations. Nowhere was this more evident than in foreign trade, where the priority shifted from relations with developed to developing nations, and in particular to opening new markets. The strategy, informally known as “South-South” to differentiate it from the more traditional links between developing nations and the rich countries of the Northern hemisphere, was initially subject to all kinds of criticism. Opponents warned about the risk for Brazil of turning its back on the United States and Europe, seeking business in regions plagued by conflict (like the Middle East) or marred by political and economic instability (like Latin America), ones that are very poor (like Africa), or simply places that are culturally and geographically very distant from Brazil (like India and China).

Five and a half years later, few would criticize the new policies adopted by the Brazilian Ministry for External Relations and the Ministry for Development, Industry and For-

eign Trade (MDIC), this latter body headed during the first Lula government by businessman Luiz Fernando Furlan, a major shareholder in Sadia, a Brazilian multinational in the poultry and cold meats sector.

Trade with the United States has grown constantly. In 2003, Brazil sold the US goods and services worth a total of US\$16.7 billion. By 2007 this was US\$25 billion and there were no signs that the crisis sparked by the collapse of the US mortgage market would trigger a slowdown. “The volume of Brazilian exports to the United States has increased, but Brazil has also managed to diversify and

establish new trading partners. This means America’s relative share has fallen,” said Welber Barral, Foreign Trade Secretary at MDIC.

The share of Brazilian exports going to the US market has fallen from 22.8% in 2003 to 15.5% last

year. However, as Barral explained, this fall in the ranking was compensated around the globe. Wherever you look on the world map, Brazilian trade is doing very well.

Latin America was declared a priority region for foreign policy. Some results: Brazilian sales to Venezuela were up 112% between 2005 and

2007; in the same period Colombia bought 66% more from Brazil; and in Chile, growth of Brazilian imports was 67% over four years.

Looking further afield to Libya, Syria and Egypt – all of them visited by Lula and his entourage of ministers and businessmen – Brazilian exports grew, respectively 354%, 194% and 168% over five years. In Egypt, the growth was from US\$496 million in 2004 to US\$1.3 billion in 2007. It’s true that in many cases, the absolute numbers are smaller, and being realistic countries such as Ghana, Namibia and Cape Verde – all of them visited by Lula – would by themselves have little chance of figuring high up on the Brazilian foreign trade rankings. However, the business missions that have accompanied Lula’s 49 overseas presidential visits between 2003 and 2007 are seen as a key to Brazil’s record exports. When Lula went to China in 2004, for example, 450 businessmen went along too.

Despite the unfavorable exchange rate, in 2007 Brazil notched up an all-time record of US\$160.6 billion in annual export sales, compared with US\$137.8 billion in 2006. Moreover, various mid-sized markets turned in solid growth. Angola, for example, imported just US\$500 million from Brazil in 2004, but by 2007 this had surpassed US\$2 billion. “This is an organized and pragmatic policy,” said Alessandro Teixeira, president of the Brazilian Export and Investment Promotion Agency (Apex-Brasil), which organizes seminars on the Brazilian economy and puts together groups of businessmen to accompany official visits and participate in trade fairs.

A new era

Presidential trips are nothing new, even though they have increased in frequency since 2003 and have been transformed by the Lula government

Despite the new foreign policy, sales to the United States are still growing

Lula in Ghana: just one of
49 presidential trips



JOEDSON ALVES/AE

ian companies that no longer treat the international market erratically, paying attention to foreign customers only when domestic sales are slipping. Today, Brazilian companies are adopting long-term strategies to international expansion.

“Commercial springboards”

This new interest in global markets is one reason why Brazil, so far at least, is riding out the crisis in the American economy without significant turbulence. The diversification of trading partners also reduces the risk that the Brazilian economy could be contaminated by localized tremors – even when the epicenter lies right at the heart of the richest nation on the planet. The downside of the equation is that the reduction in dependency could be interpreted as Brazil not taking maximum advantage of the potential of the US market. For Brazilian exporters, particularly those in the footwear and textile sectors, the lack of trade agreements between Brasília and Washington is a matter for concern, because the South American country loses a margin of preference in the world’s largest market.

The textile sector, for example, is dependent on the exchange rate and import tariffs to be more competitive. To get round the situation, some companies are using “commercial springboards” to gain access to the richest markets. This, for example, is the case of Pettenati, a company located in Caxias do Sul in the South of Brazil which makes sweat-shirts, sportswear and other clothing. The company opted for producing fabrics in El Salvador to take advantage of CAFTA, the free trade agreement that links the United States with countries in Central America. The investment planned for the factory in El Salvador is US\$40 million. ■

into major commercial operations. There were also several official trips to a wide range of countries during the “lost decades” of the 1980s and 1990s, but Brazil’s foreign trade did not respond in the way it has done lately. What, then, lies behind the current boom? In the first place, the world is going through a cycle of generalized expansion. Countries that have suffered long crises have now established conditions for growth – and this is without mentioning China and its gargantuan appetite. Venezuela, India, South Africa, Angola and Egypt are just a few of the countries that have been growing at more than 6% a year. In the Middle

East, prosperity is assured by the high price of oil. And Latin America, despite its political instabilities, has also joined the party.

For its part Brazil put its economic house in order during the nineties and in 2008 finally won recognition from the Standard & Poor’s and Fitch ratings agencies with the award of “investment grade” status for government bonds. This constitutes formal acknowledgement that Brazil can honor its international commitments and paves the way for local companies to gain easier access to global financial markets. This positive scenario is enhanced by the new and more mature posture of Brazil-

Hitch-Hiking To the Pacific

Chile is touting the advantages of the free trade deals it has signed with 57 countries, and wants to offer Brazilian companies a springboard into Asia

BY NELY CAIXETA, IN SANTIAGO DO CHILE

The contrast couldn't be greater. The Bruna Palace reeks of laid-back history, a beautiful French-inspired construction dating from the second decade of the last century located near Santiago's elegant Parque Florestal district which was then home to the moneyed elite. But now the Chilean National Chamber of Commerce and Tourism, located in the building, is a focal point for Chile's surging globalization. It receives a steady stream of trade missions from all around the world, but in particular from across the Pacific because Asia is streaking ahead as Chile's principal trading partner. In May alone there were business teams from India, Hong Kong and Japan, all seeking new opportunities in the country that in the space of three decades has become a case-study in how to reinvent an economy in the globalized world. Open markets and internationalization are the key. "Recently we finished negotiating a free trade agreement with Australia, the 57th country with which we have completed such a deal," said Pedro Corona, president of the Chamber of Commerce and Tourism.

Corona says that neighboring countries like Brazil can now profit

from this: "It's an excellent opportunity for Brazilian companies to place their products in numerous world markets with zero import tariff." Thanks to an agreement

between Chile and Mercosul, Brazilian products like coffee, orange juice and soy can be imported for processing in Chile, and then exported to countries paying zero import duties for all stages of the process. "If in the past Chile used to be considered a small country, with a population of just over 16 million, today we have at our disposal a market of 3.8 billion potential consumers all around the world. We are a platform for doing business with 85% of global GDP," he said.

Quite obviously, the main focus for the Chilean government is the fast-growing Asian economy that beckons just across ocean. The goal is to be a doorway into a region that already takes 40% of Chile's ex-

RENE ROBLES





HANDOUT

How can Brazil take advantage of this bridge to Asia? “There’s a world of opportunities,” said Furche, who will be in Brazil in August for another round of talks with the São Paulo Industry Federation (Fiesp). “We have an ongoing project to identify what Brazil has to export that is demanded by Asian countries, and what advantages Chile can offer via its free trade agreements.” Among the various possibilities, he mentions partnerships in sectors like chemicals and engineering, specifically for the production of tires and autoparts. “Thanks to the advantages we can offer to exporters, Chile recently started producing gear boxes which are shipped directly to China,” Furche said.

The government calls this strategy of coordination with companies in countries in the region “the economy of networks”. It’s only just starting, but expectations are that it will figure prominently in discussions in the coming years. “Our free trade agreements pave the way for a group of networks among companies which supersedes the classic model of coordination between nation states,” writes Carlos Eduardo Mena, executive vice president of the country’s Foreign Investment Committee. Behind all this lies a consensus that, even while the economy has grown at an average

of some 5% a year since the country ended its military government and returned to democracy in 1990, Chile is too small to fight alone on the world stage.

For a long, thin strip of a country that is squashed between the An-

Expressway to the Orient: 40% of exports through Valparaíso (below) are heading to Asia; negotiator Carlos Furche (above) receives a Japanese businessman

ports. Among all the countries of the Americas, Chile has the longest Pacific coastline, almost 5,000 kilometers with ports like Valparaíso that handle not just Chilean products but also cargo from neighbors such as Brazil, Argentina and Paraguay. “This is a great opportunity and a great competitive advantage for Chile,” said Carlos Furche, the country’s chief commercial negotiator. Furche heads up the General Directorate for International Economic Affairs, an agency linked to the Ministry of Foreign Affairs. “Chile’s link with the Pacific is something that has come to stay.”

Using Chile as an export platform means gaining access to a market of 3.8 billion potential consumers around the world





JOEL SILVA/FOLHA IMAGEM

Brazilian oranges: tariff exemption for processing in Chile

des and the Pacific, and hampered by a domestic market that is smaller than the population of the São Paulo Metropolitan Region, the best option is to strengthen ties with the rest of the world. Even boasting Latin America's highest GDP per capita, now around US\$14,000, it's obvious that Chile's ambitions are in line with the ample horizons of its development policy, which is rooted in internationalization.

Reinventing Chile as an export platform represents the third step in the strategy of internationalization that has been pursued in recent decades, said Furche. The first phase of the policy was to open up the economy, and is now virtually com-

plete. Back in the 1970s, Chile had import tariffs that reached 250%. Dictator Augusto Pinochet opened up the economy with an iron fist, and tariffs fell rapidly to 10%. Now, they average 1.8% and almost 90% of Chilean exports go to markets with which the country has negotiated some form of preference. In all there are 19 free trade agreements covering 57 countries on all continents, signed individually or in blocs like Mercosul, the European Union and the Pacific Four, a grouping which unites Chile with New Zealand, Singapore and Brunei. Thanks to these treaties, Chile's exports have really taken off, from US\$21 billion in 2003 to almost US\$70 billion in 2007.

The second stage of the government strategy has been the internationalization of Chilean business. This is a more recent phenomenon, but today companies have around US\$40 billion invested abroad. For a country whose GDP is just US\$160 billion, that's quite a lot. The two main destinations are Argentina with US\$15 billion and Brazil with over US\$7 billion, followed by Peru, Colombia and Mexico. Main sectors are retail chains and energy distribution companies.

Everything suggests that Brazilian companies have only recently started to take notice of the opportunities appearing in the Andean country. Last year, Brazil's Itaú Bank acquired the local operations of BankBoston from Bank of America, and a few months ago Votorantim's cement division shelled out US\$100 million for a stake in Chile's largest cement and concrete producer. In this way, Itaú and Votorantim joined Brazilian companies like Gerdau, Vale, Marcopolo, Natura and the Banco do Brasil that have been operating there for some time. Even so, Brazil's presence in Chile is relatively small, according to data from the Santiago government. From 1974 through 2007, Brazil's participation in total foreign investment flowing into Chile was just 0.55%.

One promising sector for Brazilian investments is energy, not just because Brazilian companies have much to offer in terms of technology and experience, but also because the Chileans desperately need new sources of energy to keep on growing. This year, the Chilean economy is likely to expand more slowly. It's partly a reflection of the slowdown in the world economy, but also because of energy supply problems. "Brazil is an important new player in the energy sector," said Furche. "There's a lot to do in Chile in this area." ■



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New Kids On the Block

A new book by Italian economist Andrea Goldstein highlights the growing impact on the world economy of multinational companies from emerging nations **BY BRUNO REIS**

Multinational Companies from Emerging Economies – Composition, Conceptualization and Direction in the Global Economy (ed. Palgrave MacMillan) by Italian economist Andrea Goldstein deals with one of the hottest topics in international political economy: the question of Foreign Direct Investment (FDI) by multinational companies that have their origin in developing countries. Or, as the author puts it, by the “new multinational companies”. Goldstein is a senior economist at the Organization for Economic Cooperation and Development (OECD) and has dedicated himself to studying the private sector, with a special focus on trade and global investment flows.

The book’s greatest virtue is to invert the analysis of the phenomenon of internationalization, historically treated from the point of view of developed countries. It’s rare to find studies that set out to examine the question from the point of view of emerging nations, as does Goldstein. The author shows that multinational companies which until recently came almost exclusively from developed countries are now also flourishing in the developing nations. And he goes further, to describe how these new

Goldstein: “new multinationals” are reshaping the global economy



EMILIANO CAPOZOLI

multinationals are reshaping the world economic scenario.

Developing countries are still principally receivers of FDI, but via internationalization they are following the same path established by the developed nations during their process of industrialization. According to the author, the trajectory that transforms regional players into global competitors of the first order is due to certain competitive advanta-

ges which are not necessarily linked to technological advance. Goldstein also discusses the pertinence of existing theories about internationalization of companies and the need to adapt these to the internationalization of the “new multinationals”.

When he analyzes the strategies adopted by companies from different countries, Goldstein describes national peculiarities that influence their implementation and results.

The frenetic expansion of the Asiatic companies in recent decades – in particular Chinese companies, which today are the leading external investors among emerging economies – is examined in depth by the author. He reminds us that during the greater part of the 20th century, Latin America led the movement of global expansion among the emerging nations, but it was overtaken not only because of the Asian appetite. According to Goldstein, the successive economic crises of Latin countries hampered the process. Only in the 1990s, with the realization of structural reforms, did “multi-latinas” recover their dynamism.

Goldstein stresses the importance of government policies and urges governments to implement policies that encourage competition as a way to increase companies’ productivity, thus helping them move towards the external market. But he warns against protectionist tendencies that supposedly favor local companies, but end up damaging the country’s competitiveness.

In making a clear defense of the free market, the book offers a significant contribution to the argument about the need to preserve free competition in international commerce. Goldstein warns, in his book, that developed economies are shooting themselves in the foot when they put up barriers to companies from emerging markets, which have for many years welcomed foreign investments. In addition to being unfair, it doesn’t make sense from an economic point of view.

Goldstein talked with PIB by phone from Paris. Excerpts follow:

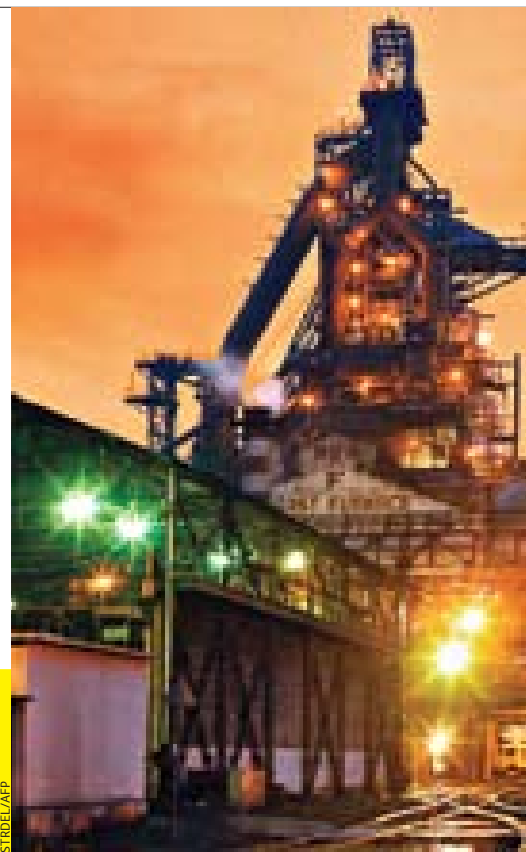
The importance of the “new multinationals”

We can say that 15% of investment flows are from developing coun-



Some emerging economies have become major players in the world economy (...) and some multinational companies from emerging nations can say they have achieved the status of global players





SHEN YU/AP

STRIDEL/AP

World class players: the “new multinationals” are companies like China’s Lenovo (left), which bought part of IBM; India’s

tries in the direction of emerging economies, although there is no firm data. The importance of this flow depends on the origin and destination of the investments. In Asia, for example, multinationals in countries such as China, India and Singapore are increasingly dominant. They act both as sources and destinations for FDI.

Latin American recovery

Company operations are in a certain manner predetermined by the growth and prosperity of their countries, and vice-versa. Since the middle of the 1970s, Latin America has alternated cycles of strong growth with long periods of recession or stagnation. Obviously, the companies have suffered as a consequence. However, things are changing all over the continent. In Brazil, for example, major companies have started to emerge as regional or

even global leaders, including Vale, Petrobras, Embraer, Gerdau, Votorantim, CSN and others. In general, the leading companies are ones that were privatized and where the state continues to play an important role, determining or influencing their policies and helping their internationalization.

Virgin market

It’s probable that multinationals from emerging nations are better prepared or adapted than developed-world companies to supply those markets that target the population at the base of the socioeconomic pyramid. One example of this is the South African telephone companies, which operate the prepaid system, while their competitors of European origin assessed the market badly and were slow to adapt their products to local reality. Something similar happened in Latin America.

Political context

It’s difficult to generalize, but Latin America is more democratic, much more so than the Asian countries in general. This is a point in favor of companies that originated in Latin America. On the other hand, there are governments that don’t adequately support the internationalization of their country’s companies, sometimes because of a lack of talent in the public sector.

The image of the “multi-latinas”

Mexican and Brazilian companies are seen in a good light, especially in terms of corporate governance and corporate social responsibility. This does not mean that their origin might not sometimes be a problem. It is very difficult for a company to disassociate itself from the image of its country of origin, either for the financial market or the general public. Very often a particular sector or



Tata, now spreading its tentacles worldwide; and Brazil's Gerdau (right), which is accumulating assets in North America

place of origin might be associated with certain negative characteristics, even if they are false. Reactions to certain governments also affect perceptions. In this sense, the fact that people like Brazil and Mexico translates into an advantage for companies from those countries.

Sustainable development

The movement in favor of sustainable development could create opportunities for the “new multinationals”. As they are relatively young, these companies manage to react more quickly to new events. This happens even more in Brazil, which has a natural advantage with ethanol. In continental Europe, consumers are more aware of environmental questions.

The Asian model

Asia and Latin America are very different. This makes it difficult for the latter to adopt the Asian model. In general, Latin America tends to

be less predictable than Asia, which can be bad for business. On the other hand, because it is more democratic Latin America tends to correct bad decisions. The majority of countries in the region, and in particular Brazil, are adopting more conservative macroeconomic policies. This is crucial for companies which need to invest thinking of the future. It is no longer necessary for them to survive thinking just of tomorrow. Asia, however, has an advantage in terms of the exchange of information between the government and

In general, the leading companies are ones that were privatized and where the state continues to play an important role

private sector. The Latin American countries have advanced a lot in this sense in the last 15 or 20 years, but it is still insufficient. On the other hand, they have the advantage of cultural proximity to Europe and the United States. In Asia, a large part of the FDI flow takes place within the continent itself. A Latin American would perhaps take longer than an Asian to gain the trust of partners in Asia.

Brazilian diversification

Emerging nations are managing to do more than simply specialize in one sector or sub-sector. The large economies are diversifying, and seeking new alternatives. There's no doubt that Brazil has a great advantage in terms of biofuels, but it has also gained prominence in steel and aeronautics. Even its vehicle industry, which is not Brazilian-owned, surpasses rivals in India and China in terms of efficiency. ■



Sugarcane plantation in São Paulo: just 7% of the total agricultural area

PATRICIA SANTOS/AE

Count Me Out

Criticism of the Brazilian biofuels program is unfounded. World food prices are being pushed up by other factors **BY JOSÉ CARLOS HAUSKNECHT***

The increase in world food prices has caused concern about rising inflation and the potential impact for poorer populations, mainly in underdeveloped countries in Africa and Asia. There have already been reactions in these regions, frequently with violence that implies a threat to the maintenance of social and political stability. The situation has sparked a great global debate about the production of biofuels, with suggestions that this is responsible for the current problems. Various countries have faced questions about their programs to stimulate the development of alternative energy sources, and this includes Brazil with its progress in the production of ethanol.

These programs were conceived as an answer to environmental worries about growing emission of greenhouse gases and, more importantly, as a result of the increase in the global price of energy (petroleum, coal, gas, etc). Developed countries that are dependent on imports of traditional energy sources started encouraging the search for renewable sources.

Policies that include incentives for biofuels have been adopted in recent years in the developed nations, principally for ethanol in the United States and biodiesel in the European Union

(EU), and these have led to a significant increase in production. Consequently, there has been a strong increase in demand for raw materials such as the cereals, edible oils and fats used in biofuel production (see graphs).

However, the rise in the price of foodstuffs cannot be attributed exclusively to the demand caused by biofuels. The strong economic growth seen in recent years in developing countries such as China and India has led to higher income and faster urbanization, which has provoked increased food consumption. Additionally, as income rises, more “noble” foodstuffs such as meats,

milk and vegetables increase their participation in people’s diet. At the same time, the growing demand for grains and oil seeds to feed the larger animal population places yet more pressure on agriculture.

The effect of this economic growth has

Despite the increase in demand, the supply of both ethanol and sugar has increased

been felt mainly in non-agricultural commodities like petroleum, iron and other minerals. Initially the agricultural sector managed to meet the additional demand, in part because agricultural production in these countries was also stimulated and thus also grew. More recently, however, the growth of global agricultural production has not been sufficient to keep step with rising demand, leading to falling world grain stocks and rising prices (*see graphs*).

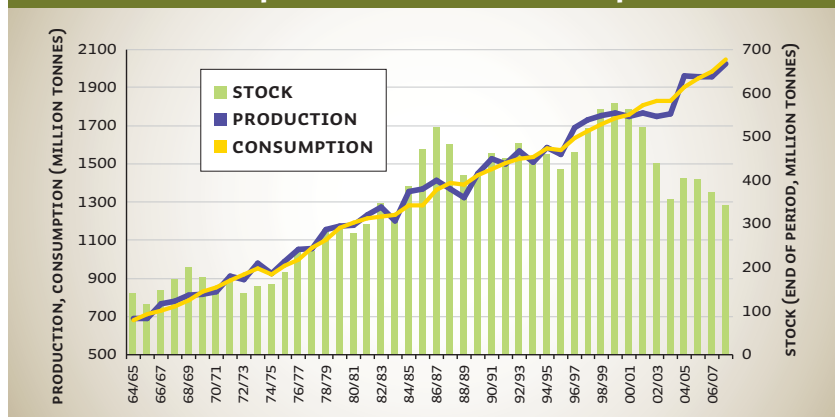
Adverse factors

We could also cite other factors that have hampered a rise in agricultural output, thus contributing to the current situation. One of them is the devaluation of the US dollar. As commodities are quoted in dollars, their prices end up being corrected upwards. Another factor is the occurrence of adverse climatic conditions in some grain producing regions such as the EU and Australia. A third complicating factor has been the increasing cost of agricultural production. Difficulties for the adoption of new technologies such as the use of genetically modified crops reduce the dynamism of the sector.

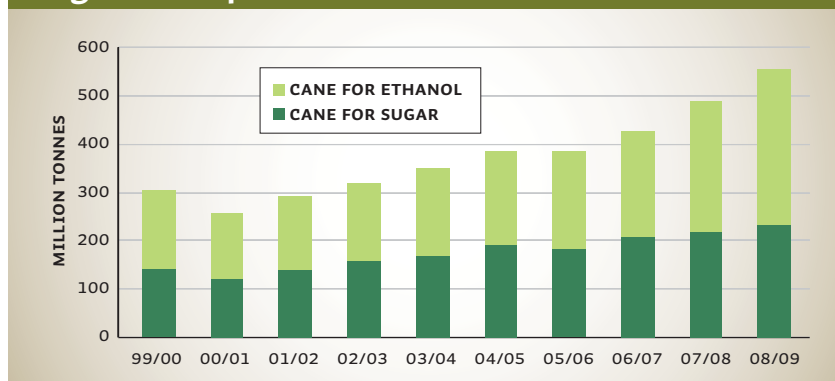
In response to this situation, many countries have adopted policies to try and hold down domestic food prices. Some of these policies are aimed at encouraging domestic production. Others, such as the elimination of import tariffs and the imposition of export barriers for agricultural produce, are demonstrably counter-productive. By reducing prices, these policies end up discouraging investments in the expansion of production – exactly the opposite of the initial intention.

In this scenario, Brazil stands out as the only country with an established and mature biofuels pro-

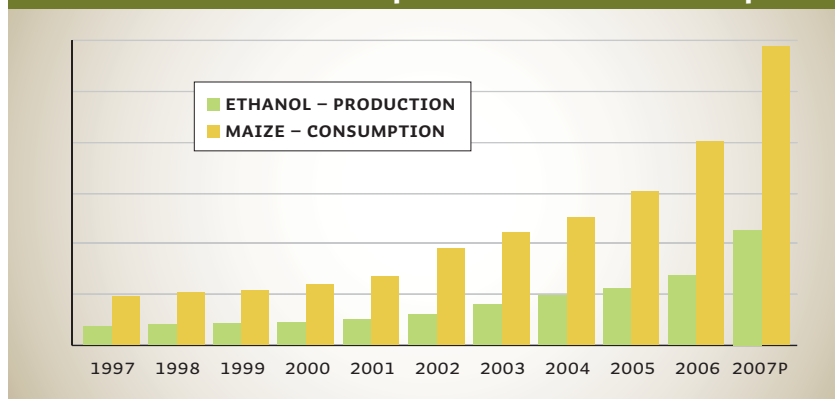
Grains – world production and consumption



Sugarcane – production in Brazil



Ethanol and maize – US production and consumption



gram, based on sugarcane ethanol. In comparison to other raw materials used to produce ethanol, such as wheat, maize and other cereals, sugarcane is more efficient from both the energy and environmental points of view. Maize-based ethanol reduces in roughly 30% the emission of carbon, compared to

gasoline, while for sugarcane ethanol the reduction is 80%. Another advantage is productivity. An area planted with sugarcane produces 70% more ethanol than the same area planted with maize. Consequently, the environmental impact is reduced, diminishing the need for areas destined to agriculture.



Maize ethanol in the US: the impact on the raw material price...

J. EMILIO FLORES/APP



... drives up the price of tortillas, part of Mexico's staple diet

LUIS LOPEZ/APP

Another important point to remember is that the area planted to produce ethanol in Brazil is expanding mainly in the regions of cerrado or savannah located in the Center-South of the country, in particular in the states of São Paulo, Goiás, Paraná, Mato Grosso do Sul and Minas Gerais. It's also important to stress that this has happened practically without substitution of crops. This can be seen in São Paulo, where the area under sugarcane grew by 965,000 hectares from 2001 through 2006. No less than 75% of this expansion came from areas that were previously occupied by natural or cultivated pastures. In other words, just a quarter of the

almost one million hectares of new sugarcane substituted crops such as maize and soy.

Unlike Europe or the United States, Brazil still has a vast amount of agricultural land available. This will allow for expansion of production even without including any areas that are environmentally unfavorable, such as the Amazon forest. Currently, the area destined exclusively to ethanol production in Brazil is roughly 4.3 million hectares. This is relatively small, slightly more than 7% of total agricultural land, bearing in mind that the country has 60 million hectares under the plow and 200 million hectares of pasture.

Prices under control

Another factor to consider is that, despite the strong growth in demand for ethanol, driven mainly by the increase in the fleet of flexfuel cars, the supply of both sugar and ethanol has grown (see graphs), thanks to the enormous investments made in the Brazilian sugar and ethanol industry. This means that the prices of these products have held pretty steady, while world sugar stocks rose from 60 million tonnes in 2005 to 74 million tonnes in 2007. This shows that there is an equilibrium between supply and demand, a fact that differentiates the Brazilian biofuels program from grain-based programs adopted in other countries.

When all is said and done, the current situation gives rise to justifiable concerns and implies a need for the adoption of short-term solutions to minimize the difficulties faced by the neediest sectors of the population. However, we must also be very clear that historically, world agricultural production has grown enough to meet the growth of consumption. Also, that despite the circumstantial difficulties mentioned above, the current momentary lack of equilibrium can certainly be resolved by an increase in production. Given this outlook, it is no exaggeration to say that Brazil is in a privileged situation. The availability of potential agricultural land and technology, and the entrepreneurial ability of Brazilian agribusiness, suggest that Brazil is the country with the greatest potential to contribute to an increase in the global supply of agricultural products.

**José Carlos Hausknecht is a director of MB Agro Consultoria, in São Paulo*

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Globalization Starts in the Head

What defines whether an executive really is part of the international economy? Experts say it's much more about outlook and attitude, and less about simply working in another country **BY MÁRCIA ROCHA**

One of the biggest challenges facing companies in emerging economies that want to go international is finding qualified professionals who can act effectively on the global stage – and the dearth is greatest amongst leaders. This is one key finding in 2008 BCG 100 New Global Challengers: How Top Companies from Rapidly Developing Economies are Changing the World, the second edition of a study by the Boston Consulting Group, a consultancy that specializes in global strategy and management, with operations in 38 countries. Published at the end of last year, the 2008 edition of the study involved 100 companies in the BRICs (Brazil, Russia, India and China) plus another 10 countries that are gaining in prominence in the world economy. “Globalization has placed the management of national companies in check,” said Fernando Machado, a director of the Boston Consulting Group.

In this sense, expatriation is just one of the instruments used by Brazilian organizations to try and give their management teams the skills needed to work globally. But it's not the only one, because not all expatriates are globalized professionals, and vice versa. The students of OneMBA, an international MBA course at the Getúlio Vargas Foundation (FGV) business school in São Paulo, often seem puzzled when they hear Professor Renato Guimarães Ferreira speaking on the subject. “Many people think that the fact of working in another country guarantees that a professional will have a global outlook,” he said. Obviously, spending some time abroad can help a lot in acquiring a global mindset, but there are cases where it does not represent such an efficient contribution to the formation of this competence.

Vassoller, of Citibank (center): six months in the United States



This might happen for example when an executive is selected to run the most important factory in a small town in any country in the world. It's likely that this professional's universe will be restricted to that city and that company. Another situation in which expatriation often contributes very little to developing a global mindset is when the executive has a mission to resolve a specific problem for his company in a foreign operation. "His workload and the effort that he and his family make to adapt to the new reality may be so great that he dives head-

long into this and is isolated from everything else," said professor and headhunter Luiz Carlos Cabrera, director of Panelli Motta Cabrera, a São Paulo-based consultancy, who lectures alongside Guimarães on the OneMBA program.

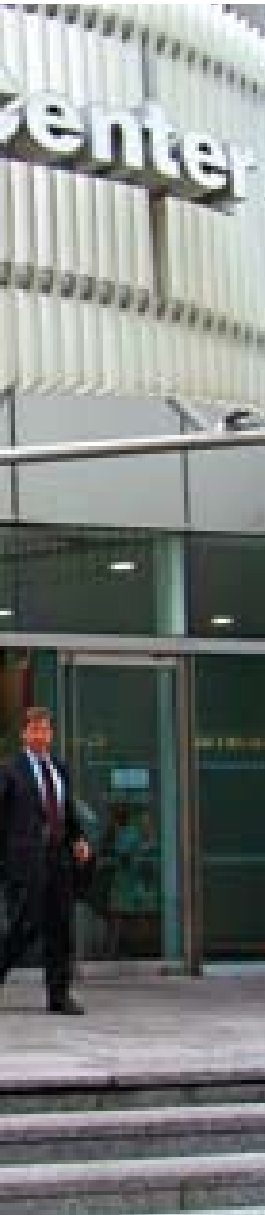
Going global at home

For both these experts, it's not always necessary to cross frontiers to acquire a global mentality. Frequently, professionals act in a highly multicultural environment in their country of origin. Their business outlook is rooted in a global pers-

pective and they have a work pattern that constantly brings them into contact with colleagues, clients, suppliers and competitors from various parts of the world. "The definition of a globalized professional is more about his outlook and attitude, and less about where he works," said Guimarães. Leni Hidalgo, general manager for development at Votorantim Industrial and co-author of the book Executive Expatriation (Publisher: Thomson) puts it another way: "The person who cannot implement in a factory in Bahia the same project that was adopted in Paraná could have problems if he tries something similar in two different countries."

What does this mean? Simply that before thinking about an international career, an executive has to learn to deal with diversity at home. This doesn't refer to diversity in terms of minorities, but to a multiplicity of ways of thinking. It's for this reason that exposure to different points of view in the most varied situations is one of the pillars that guides training at the Votorantim Group, which has 60,000 employees and operates in 13 countries. "In our corporate university, for example, the classes are composed of managers drawn from various companies within the group," said Leni. "Around two years ago, we started adopting a similar policy with the trainees."

Participating in projects and courses abroad is also a reality for the more than 20,000 local employees at Brazilian plane-maker Embraer. Professional staff at the head office at São José dos Campos near São Paulo are already used to working with people from other countries, and the company now has operations in eight countries worldwide. Many of Embraer's in-



Much more than just geography

Working abroad doesn't always give an executive an international outlook. A person's individual characteristics, the things that lead him or her to seek out information that goes beyond the immediate job on hand, could make all the difference during a spell of working overseas. Check out the key differences between an expatriate professional and one who has a real global mindset:

EXPATRIATE	GLOBALIZED MINDSET
Focus on the country he's working in, and in managing relations between this country and head office	Understands the business environment from a global perspective
Becomes an expert in the culture of the country he's working in	Is interested in various cultures, perspectives, points of view, technologies and ways of doing business
Interacts with foreign colleagues according to a structural hierarchy in which there is a cultural relationship of dominance and subordination	Treats foreign colleagues as equals
Has contact with foreigners mainly when he travels internationally	Has everyday contact with foreigners, even when he is working in his home country
Sees an international posting as a mission with a set date for ending	Sees an international posting as a process that is part of his professional development

Source: Adler and Bartholomew

ternational partners insist on teams comprising professionals of various nationalities, and it's common to find foreigners lunching in the staff canteen or circulating in the construction halls. "We also habitually bring in international clients to talk to our employees," said Eunice Rice, director of human resources. "This kind of initiative is very important, because client focus is one of our key competences."

Business diplomacy

Oil giant Petrobras started its international activities in 1972 when it created Braspetro, its former subsidiary for overseas operations. In 2000 the company restructured with an International Business Area, totally dedicated to the company's operations in the 27 countries of the world where it does business. "Overseas training and courses are the norm for us," said José Carlos Moreira, the company's human resources manager for the international area. Last year, Rio-born chemical engineer Regina Maria Cunha Sant'Anna Teixeira, 53, spent a week divided between Shanghai and Beijing on a course called Inside China. The course is a partnership between IESE, the Business School of the University of Navarra in Spain, and the China Europe International Business School (CEIBS). The program cost 5,500 Euros, plus air fares, and was paid for by Petrobras.

Teixeira is a consultant for downstream business in the company's supply area, seeking out, structuring and planning new business. She deals daily with professionals from other countries, be it

by phone, e-mail or even in person, during trips. "The course was very useful for giving me a general idea of how to do business with the Chinese," said Teixeira, who is fluent in English, French and Spanish. "I learned for example that in China, signing a contract means that you are authorized to negotiate, and not that the negotiations have ended." Petrobras has developed various programs for candidates for overseas jobs and for other staff like Teixeira whose job brings them into contact with other countries. One is called Business Diplomacy and Intercultural Flexibility.

The company currently has 300 Brazilian technical-level and management-level employees working abroad. Fifty-year-old São Paulo civil

engineer Homero Ventura lived in the United States from 1999 through 2003 but contact with other countries was a constant part of his work even before that. He joined Petrobras 27 years ago via Braspetro and this, he said, functioned as a warm-up period that

was very helpful in reducing the impact of expatriation. "At that time, expatriate worker programs were not as well structured as they are today," he said. "It was no joke, but I'm sure it would have been much more difficult if I had not had this experience in Brazil." He explained that the most difficult part was leaving behind his career as an engineer to become involved in finance. Now, in addition to his other responsibilities, he is general manager for asset development

in the Americas, Africa and Eurasia, based in Rio de Janeiro.

Training, training and more training. That is one of the most important recipes of Brazil's globalized companies to prepare their staff for international experience. The Gerdau Group, which has been internationally involved since 1980 and today has 37,000 staff with operations in 14 countries, is no exception. The focus is on making people able to learn and to deal with other cultures. "In addition, we have other training and development programs for our leaders who will manage company businesses overseas," said Francisco Depperman Fortes, human resources director for the group.

A greater learning capacity is fundamental for going global

Petrobras' Ventura: constant contact with other countries throughout a 27-year career



STÉFÉSON FARI/AGÊNCIA PETROBRAS

Global insertion is by definition somewhat easier in a multinational like Citibank, and it tends to occur in day-to-day activity. The bank's subsidiary in Brazil currently has 75 Brazilian executives working abroad. Last year, São Paulo public relations specialist Gabriela Vassoller, 28, spent six months in New York working on a project to create global solutions. "I talk a lot with people in my area who work in the United States, Japan, England or Germany, for example, to deal with questions related to the services we offer," said Vassoller, nine years at the bank. She also frequently receives groups of foreign staff who comes to Brazil to see local operational systems.

Learning ability

Leni Hidalgo of Votorantim Industrial said that she sees three essential skills for the professional who wants to operate globally, in addition of course to having a thorough knowledge of his or her own area and of the market: an outward orientation; integrative capacity and the ability to build relationships. Hidalgo explains these as follows: the first relates to knowledge and experience and their systematic use in processes of improvement and renewal; the second is the capacity to promote and participate in team-work, respecting and taking advantage of diversity to enrich dialogue and the decision-making process; and

the third relates to the executive's ability to establish professional relationships with lasting bonds that generate alliances and partnerships with mutual benefits.

Other attributes are also desirable. Rodrigo Araújo, directing partner of KornFerry International, one of Brazil's biggest head hunters, says that a globalized professional also needs to have a large dose of what he calls learning ability. "This is related to a greater capacity than other people to learn and to carry out new tasks in new contexts," he said. The ability to identify the processes and to be able to visualize things as a whole is also important, as are creativity, flexibility and a command of English and at least one other foreign language. "I'm not talking about the English or Spanish that will get you through a vacation," said professor Tharcisio Souza Santos, director of the MBA program at the Fundação Armando Álvares Penteado (FAAP) college. "You have to be fluent to be able to negotiate in another language."

Some people will find it easier to develop a global outlook, perhaps because they have a background that helps in this process. "It could be because they have parents of a different nationality, or have already studied in another country, or packed a rucksack and travelled the world while they were young," said Cabrera of Panelli Motta Cabrera. According to the business professor and headhunter, the younger generation and in particular people born since the 1980s also find that internationalization comes more easily. "It's a generation that has participated much more in international exchanges, that has grown up with the Internet and in a world where internationalization is a reality," Cabrera said. ■



Bulwark Brazil

Fat profits in emerging markets are shoring up the bottom line for many multinationals, as they struggle with the US downturn

BY ADRIANA WILNER

There was a time when emerging markets got blamed for dragging down the profits of multinational companies.

But now things have changed. Today, fat profits in countries like Brazil are helping offset losses in the United States and other Northern Hemisphere markets. Companies like Ford, General Motors, Fiat, Philips, Avon, Basf, Dupont, Whirlpool and Santander readily admit that results in regions like Latin America and Asia are helping improve their global bottom line. In the case of Brazil, the bonanza translates into an explosion of profit and dividend remittances which hit US\$3.7 billion in April of this year, against US\$1.2 billion in the same month last year. For the year to date, remittances stood at US\$12.4 billion, signaling a continued upward trend that started in 2005.

It's no coincidence that Brazil is taking center stage, because the economy is growing and the currency is strong. "All sectors in the country are enjoying one of their best moments for profitability," said Octavio de Barros, director for economic research and studies at Bradesco, a major bank. "The Brazilian subsidiaries of multinational companies

operating in these sectors, where profits are strong as a result of economic growth, are lending a helping hand to their head offices."

Barros, a leading Brazilian expert in international economics and capital flows, has compiled data showing that emerging economies in general generated 70.2% of global GDP growth in 2007. Ten years ago, when emerging economies were mired in crises, they generated just 35.5%.

The contrast is even more striking in the vehicle industry. The Brazilian market has been setting new records month after month. In the first quarter of this year, new vehicle sales in Brazil were 648,000,

up 31.4% on the same period last year, according to data from Anfavea, the national vehicle builders' association. Projections are that the sector will close out this year with sales of three million vehicles, against 2.45 million in 2007. The result,

according to the Valor Econômico newspaper, is that the value of profit and dividend remittances by Brazilian subsidiaries in the automotive sector totaled US\$1.8 billion between January and April this year, up no less than 238% on the same period last year and exceeding the annual total for 2006.

From January to April, multinationals sent home profits of US\$12.4 billion

Good-looking profits: Avon is growing more in Latin America than in Asia

Apparently, the bad times are a thing of the past. In 2005, for example, total automotive sector remittances were just US\$500 million. Now, the good results in Brazil are helping prop up companies like General Motors, which is going through a severe crisis in the United States. GM, now fighting with Toyota to defend its long-held title of the world's largest car maker, suffered a global loss of US\$3.25 billion in the first quarter of this year. Meanwhile, in the region comprising Latin America, Middle East and Africa, GM turned in a profit of US\$517 million, double that of the same period last year. And Brazil leads the region, representing 40% of the regional total.

It was by far the best result in the company. In the headline-grabbing Asian region, profit was US\$286 million, and in Europe, US\$75 million. Frederick "Fritz" Anderson, world president of operations for GM, was lavish with his praise when he participated last May in commem-





VALÉRIA GONÇALVES/AE

Positive trend

What lies behind the increase in remittances

- ❑ Multinational companies are increasing their investments in Brazil, so generating more profit
- ❑ Results of multinational companies in Brazil are improving, thanks to strong economic growth
- ❑ Brazilian subsidiaries of multinationals are taking advantage of the strong Brazilian currency, which allows them to remit more dollars and so gain points at head office in the dispute for new investments
- ❑ Multinationals need to use profits earned in Brazil to offset losses incurred in countries like the United States

orations to mark the one millionth vehicle produced at the company's Gravataí plant in Rio Grande do Sul state, in Southern Brazil. "Right now, it's GM Brazil that's paying the dividend," Andersen said, speaking in the Portuguese he learned during his time as president of the Brazilian subsidiary.

Ford is in a similar situation. Recently the company announced investments of US\$350 million for its Taubaté factory in São Paulo

state, doubling production and launching a new line of engines. While the head office was looking at losses of US\$45 million in the first quarter, Ford's South American operations churned out a profit of US\$257 million, up nicely on the US\$113 million profit of 2006. "Our results in South America are contributing to the overall recovery of the company," said Rogelio Golfarb, Ford's director of corporate affairs for South America. "The Brazilian

economy is showing signs of maturity and consequently the automobile industry is also enjoying this good moment."

Soaring profits

For Barros, the chief economist of the Bradesco Bank, it is important to note that foreign companies' profits have been growing much faster than their sales or production. He points out that the automotive industry has changed its product mix to improve its margins. Ford is a good example of this with billings of US\$1.8 billion in the first quarter of 2008, compared with US\$1.3 billion in the preceding same period. Production was up 29.9%, while profit more than doubled. "The improvement reflects price liquidity, with increased volume and mix that were only partially affected by cost increases," said Goldfarb. If Ford's Brazilian operation was a star in terms of financial results, it also improved its standing within Ford worldwide. In 2007 Brazil was the company's third largest market, with 256,000 units sold. That placed it behind the United States and Great Britain. The year before, Brazil ranked sixth worldwide.

The same thing is happening with the Brazilian subsidiaries of the European car makers. Volkswagen and Fiat have suffered less with the US crisis, and have announced good results in Brazil. VW's profit was up 26% in the first quarter this year, against Q1/2007, driven by demand in emerging nations, particularly Brazil and China. Fiat's global results in Q1/2008 were up 13% over the same period last year, thanks mainly to strong performance in Brazil where sales grew 35%, compared with overall group billings which were up 9.9%.

Brazil has also turned in stellar performance in the consumer goods sector. US cosmetics maker Avon announced profits rose 23% in the first quarter this year, thanks to international sales. Billings in Latin America were up 32%, to US\$864.3 million, while billings in North America were down 6% to US\$593.6 million. Latin America even outpaced China, where sales rose 29%. Thanks mainly to fast-growing sales in Brazil, now the company's second largest consumer market after the United States, Avon's global sales grew 14%.

75% of total profit

Latin America was also the fastest-growing region by far for Dutch multinational Philips in the first quarter. Regional sales were up 15% to US\$412 million with Brazil leading the way. This excellent performance was also reflected in other emerging markets like Russia, China and India, and helped the company offset the impact of the US recession on North American results.

Philips has been reaping the fruits of investments made in the region. Marketing, for example, was intensified with its budget doubled in 2008, while the company structure became more dynamic thanks to a head-office decision to give regional managers more autonomy. Philips' business in Latin America has doubled in the last five years, with Brazil leading the way. "Our excellent performance in these markets underscores the benefits we enjoy from having a widespread geographic presence," said Philips world president Gerard Kleisterlee.



Kleisterlee, of Philips: benefits from geographic dispersion

HANDOUT/PHILIPS

Brazil has contributed significantly to the deterioration in the country's current account, which was already taking a hit because of the shrinking trade surplus. In principle, however, this phenomenon is no cause for alarm, for two reasons. First, because there are strong indications that the American economy will start to recover in the second half of this year. And second, because there is an offset in the shape of increased inflows of foreign direct investment (FDI), which

The importance of Latin America for the results of multinationals headquartered in the industrialized world varies from company to company. In few cases, however, has it been so decisive as for the US giant Whirlpool, the world's largest maker of major home appliances.

Countries in the region contributed no less than 75% of the group's operating profits in the first quarter of this year, despite the region generating just 20% of net revenue. Operating profit in Brazil and regional neighbors summed

US\$119 million, up 41% on the same period 2007. Whirlpool's global profit fell from US\$226 million to US\$159 million on the back of poor US results.

Hero or villain?

The exceptional increase seen in the first part of 2008 in remittance of profits and dividends by foreign companies operating in

set an April record of US\$3.8 billion. FDI for the first four months was US\$12.6 billion, a record for the period. "It's obvious that reinvestment is just as significant as the amount sent abroad, because Brazil is going through a phase when it is very attractive and important for companies to expand their business," said Bradesco's Barros.

He stressed that frequently, profit and dividend remittances are wrongly seen as harmful. "What people fail to see however is that this trend of increasing remittances is consolidating Brazil's position as an important player in the world economy, and improving its prospects for sustainable economic growth," he said. Putting it more simply: money attracts money. To the extent that the head offices of multinationals see that investing in the Brazilian market is good business, which generates profits for shareholders, they will be more likely to choose the country as a destination for their investments, building new factories and expanding existing operations. ■

The downside of high remittances is deterioration in the current account

Mônica Named Ambassador

MÔNICA, ONE OF BRAZIL'S all-time favorite children's cartoon characters created in 1963 by artist Mauricio de Sousa, has been handed a major responsibility. Since June 3 the buck-toothed Mônica is officially an Ambassador for Brazilian Tourism. She was named to the position in a ceremony organized by the then Brazilian Tourism Minister Marta Suplicy at a school in Planaltina, in the Federal District. Suplicy, stepping down to run for mayor in São Paulo, told an actress dressed up as Mônica "you'll be representing Brazil abroad, that's a big responsibility," adding sternly, to the delight of the youthful audience, "you can't get up to any tricks, Mônica."

The character and her young friends will feature in leaflets to promote tourist destinations in different parts of the country. De Sousa – who said the choice of his character as an ambassador was "an honor" – based the toothy Mônica and her inseparable stuffed rabbit on his daughter of the same name. The character is already an ambassador for Unicef, the United Nations' Children's Fund.

(Arnaldo Comin)



Fischer Growing in Argentina

TOTAL, A BRAZILIAN HOLDING company that owns the Fischer América advertising agency, is once again betting on the recovery of the Argentine economy. The company made its first acquisition in Brazil's southern neighbor at the end of 2001, on the day President Fernando De la Rúa announced his resignation, and bought Smash, Argentina's largest promotions agency that was still under local ownership. Advertising mogul Eduardo Fischer then launched the Fábrica de Comunicação Total (Total Communications Factory) based on a strategic model geared to act in all areas of marketing services. The idea is to repeat the model used in Brazil, where the group controls five specialized agencies. (AC)



Fischer: Brazilian business model advances in Argentina

GUSTAVO LORENÇÃO/FOLHA IMAGEM/VALOR

The Ideas Salesman

NICOLA MINERVINI, an engineer, professor and consultant, came to Brazil 40 years ago to start a new life. He stayed until 1977, when he was hired by an Italian-based company to manage their exports to Latin America. He settled in Brazil once again in 1985 as a consultant. Six years later, he returned for good to his native city of Pedrengo, near Bergamo, but he never severed his ties with the region. In recent years, Minervini has worked on projects financed by the European Union to help small and medium-sized Latin American companies break into global commerce, in particular in Brazil and Mexico. Minervini is well known to students of foreign trade in Brazil and Italy. His book *O Exportador* is a best seller in the field, now in its fifth edition by publishers Pearson Brasil. He still finds time to give lectures in post-graduate courses in business administration and foreign trade. During his most recent visit to Brazil, in April, Minervini spoke with PIB:

Minervini:
author of a best-
seller about
exporting

PIB | What are the main challenges facing an exporter?

NICOLA MINERVINI | The first step is a thorough evaluation of the company's exporting potential. It's essential to understand and adapt to the demands of the international market, and not just look at the momentary state of the economy. Sometimes an executive might read that the international market is the solution for a specific crisis, but the crisis will end and he won't have managed to export. Even if he does, his exports will end along with the crisis, because his short-term outlook will dictate that it's better to sell more here on the street corner than to export.

PIB | How should a company decide to export or not?

MINERVINI | Even in the largest companies, it can be difficult convincing people that it's important to export. Once I was hired as foreign trade director of a Brazilian company, and we placed fifth in our first international tender. I went to the technical director and suggested improvements to our product. He told me to keep

out of his area. And I heard the same thing from other areas, like purchasing and marketing. So I went to the owner and said he made a mistake hiring me, because exporting was not part of the company culture.

PIB | What was the solution?

MINERVINI | We ended up forming a working group, with fortnightly meetings, to prepare the company for the international market, and all the company's working practices were discussed. So things started moving. The whole company got involved in the process of exporting.

PIB | Brazil's exchange rate is currently hampering export plans. What's your comment?

MINERVINI | The exchange rate is just the tip of the iceberg. Brazilians complain about the overvalued real. When I speak with Italians, they say they can't export because of the Euro, or the lack of government support, or because it's an election year. But in addition to a macroeconomic evaluation, it's necessary to look inside the company and ask if it's ready for the international market. Does it have the necessary quality and design? If the company moved to Switzerland today and all the barriers disappeared, would it be successful? In general, the answer is no. (João Paulo Nucci)

HANDOUT





Taking Care with Culture

PETROBRAS HAS WRITTEN a booklet to give employees hints on how to avoid gaffs when dealing with people from other countries. See how to avoid embarrassment in some common situations:

BUSINESS CARDS | Arabs consider the left hand impure. So, presenting a business card or greeting anybody with the left hand is offensive. When in Japan, deliver the card with both hands. The person receiving it will take this as a mark of consideration.

NEGOTIATING | In India, a “no” can mean various things, just one of which is “no”. Local forms of expression can be considered evasive by western standards. Appealing to feelings and beliefs, rather than facts and numbers, might help.

FEET | If you stand on or even touch the foot of another person in India, apologize

immediately. The sole of the foot is considered impure in that country.

COLORS | In Japan, avoid brown. It’s associated with frustration. In Malaysia, golden yellow is only for the king’s clothes, while white indicates mourning.

PRESENTS | Chinese associate watches with death. Giving one to somebody is like saying you wish them dead.

GESTURES | Pointing with a finger is an insult in India. Use the extended hand, or the chin. Also, never wave with the palm of the hand forward, or whistle or wink – they’re all unacceptable acts for local people.

CIRCUIT

Check out some highlights for July-September 2008, in Brazil and around the world:

DAMASCUS FAIR
August 15-22, Damascus, Syria.
One of the largest business events in the Middle East. Information from the Arab-Brazil Chamber of Commerce: www.ccab.com.br

BRAZIL-GERMANY ECONOMIC MEETING
August 24-26, Cologne, Germany.
It’s the 26th edition of the event: www.ahkbrasil.com

INTERNATIONAL FOODTEC CHINA
September 3-5, Shanghai, China. Attracts the main suppliers of foodstuffs for the Chinese market: www.foodtecchina.com

7TH BRAZILIAN AGRIBUSINESS CONGRESS
August 11-12, in the World

Trade Center, São Paulo, Brazil. Event hosted by the Brazilian Agribusiness Association. Five panels focusing on sustainability. Topics include certification, sustainability and international relations, and renewable sources of energy. www.abag.com.br



Les Roches, in Switzerland: top-quality training

HANDOUT

Living Your Life in an Hotel

FOR SOME PEOPLE, an hotel is a place to laze away the hours. For others, a place to work hard. For those who choose hotels as a career, it's a highly competitive environment with long and rigid hours – all aimed at making the guests' lives more pleasant. "The hotel business can be essentially operational, and

very tiring," said Fábio Carvalho, business development director for Hilton Europe in Portugal. So what's the secret to getting ahead in this profession, and seizing the innumerable opportunities that the global market can offer good professionals? "Study hard and love your job," said Carvalho, one of the many Brazilians who have studied at the Les Roches Senior School of Hotel Management, in Switzerland. For Rogério Angeloni, another

graduate of Les Roches and now general director of Novotel Varmar, also in Portugal, the difficulties of hotel work start when young people come to realize that this world of travel is not as glamorous as they had imagined. "You can forget weekends and holidays, and people who start off imagining that they will immediately be a manager or a boss discover that the pay is not as high as they thought," he said. (RM)



HANDOUT/APEX

Apex More Global

ALESSANDRO TEIXEIRA, president of the Brazilian Export and Investment Promotion Agency (Apex-Brasil), is the new president of the World Association of Investments Promotion Agencies, or Waipa, the organization that represents investment promotion agencies in 149 countries. With a Brazilian in command, the hope of Apex is that Brazil will gain more visibility in attraction of investments.

Teixeira:
president
of Waipa

Brazil to Follow India?

ANTÔNIO GIL, president of the Brazilian Association of Software & Service Export Companies (Brasscom), is pretty excited these days. He reckons the government's new industrial policy has a great chance of raising Brazil to the status of a world player in the IT industry: "The sector will be completely transformed in a short time, maybe one year." The main step is the reduction of payroll charges for companies. Gil called this "a shot in the arm" for the sector, which sees India as a model of success. (NC)



STOCKXPRT

Dom Cabral:
training for
the world



HANDOUT/FDC

Education for the World

THE DOM CABRAL FOUNDATION in Belo Horizonte is dedicated to training executives, and now it's looking specifically at the situation of those who work for companies in the process of internationalization. The initiative is a result of pressure from the market, which is more and more demanding professionals with the right aptitudes to work in global companies. The new training programs will include special components for professionals who will focus on the BRICs. (RM)

Quirós is Back in the Market

WHEN BUSINESSMAN Juan Quirós became president of the federal government's Brazilian Export and Investment Promotion Agency (Apex-Brasil) in 2003, the country exported US\$60 billion a year. When he stepped down in mid 2007, he could point to a total two-and-a-half times greater: "I helped sell everything from frozen chicken to airplanes." Once he completes the obligatory quarantine period for former public officials, Quirós, 45, will be able to apply much of what he's learned. He's formed a holding called Advento, based in

Campinas, which brings together three companies from the areas of air conditioning, electrical engineering and integrated maintenance. With a portfolio of 700 projects already implemented by the three companies for clients in sectors such as food-stuffs, drinks, pharmaceutical, hospitals and hotels, Advento now plans bringing to Brazil the Spanish business model for the area of engineering. With 600 direct and indirect employees, the group predicts 2008 billings of R\$150 million – almost US\$100 million. (CN)

FABIO POZZEBON/ABR



Quirós: running the
Advento holding

Express Tourism

BRAZILIAN BUSINESSWOMAN

Nara Vidal, seven years living in the British capital, offers a program for anyone who will spend a brief but unforgettable time in the world's most cosmopolitan metropolis.



Westminster Bridge: surefire program

ISTOCKPHOTO

If you have just a few hours...

...TOUGH CHOICES! But one surefire program is walking over Westminster Bridge to drink in the magnificent view of the Houses of Parliament and Big Ben. Every hour on the hour you can hear the world's most famous clock strike the time. The area reflects all the power of an empire on which the sun never set and which dominated the world for three centuries. Just be careful with pickpockets which infest the region!

* Nara Vidal is a partner in Brazilian Gateway real estate

National Gallery: great place to start



FRANCESCO GASPARETTI



If you have a full day...

...START WITH BREAKFAST in the luxurious Ritz Hotel in Green Park. From there, head to Fortnum & Mason, a shop selling tea in beautiful containers. Right in front you'll find the Royal Academy of Art. Another great option for art-lovers is heading straight to the National Gallery. There, amongst thousands of other paintings, you'll see Van Gogh's Sunflowers and Renoir's Dancer. The museum is in front of Trafalgar Square, a public space which brings together just about every kind of person in London. There are 400-year-old pubs and bus-stops for the famous double-deckers. If you want typical English pub food, try the Rose and Crown. There'll still be time to catch a bus and head for Buckingham Palace. It's also worth passing by St James Park, one of the most beautiful royal gardens in London. At night, try the Mandarin Oriental Hotel, in Knightsbridge, where the chef is generally reckoned to be one of the best in Europe. The menu changes according to the season of the year to ensure that it is always using fresh produce. Well, if you still have money and time, a good way to finish off the night is at one of the musicals running in the city.

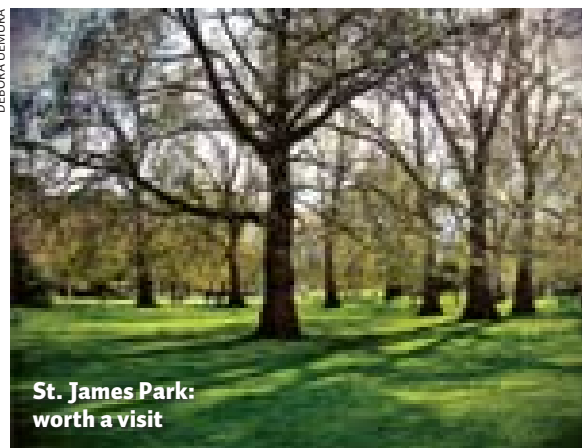
NATHAN WILLIAMS



And if you have a full weekend...

...SKIP THE MAIN TOURIST areas, stay in neighborhoods like Clapham, Battersea and Shepherd's Bush. The hotels are half the price and are served by excellent public transport – you get to Trafalgar Square or Victoria Station by tube in 15 minutes. With a day to spend in the city, it's worth facing the lines for a trip on the London Eye, the giant Ferris wheel inaugurated in 2000. If it's cloudy, give it a miss and head for Southbank and Southwark, on the south side of the Thames river. There you'll find the rebuilt Globe Theater, where Shakespeare and his company staged plays like Romeo and Juliet. There's also the 11th century Southwark Cathedral and the Tate Modern, a gallery with some of the most controversial pieces of modern art. Crossing over the Millennium Bridge visit St Paul's Cathedral, venue of famous marriages like that of Prince Charles and Lady Diana.

DÉBORA UEMURA



St. James Park:
worth a visit

My First Trip Around the World

When he was just 15, Pierre Schürmann set sail with his parents Vilfredo and Heloísa on the yacht Aysso to circumnavigate the Earth – a voyage that helped mold his personality and prepare him for the world of business

THE JOURNEY THAT most marked my life was the first circumnavigation of the world I did on the yacht Aysso with my parents Vilfredo and Heloísa, in 1984 and 1985. I came to this unforgettable experience at the age of 15, and it taught me to be responsible. The voyage was also an incredible source of knowledge and learning. The experience I accumulated after visiting dozens of cities is indescribable and makes me what I am today.

In my travels around the world, I learned that one of the most important things in life is to put yourself in the other person's place. Some things are universal, like ethics, compassion and spirituality, but what might seem right to a Polynesian can be offensive to a Muslim, and so on.

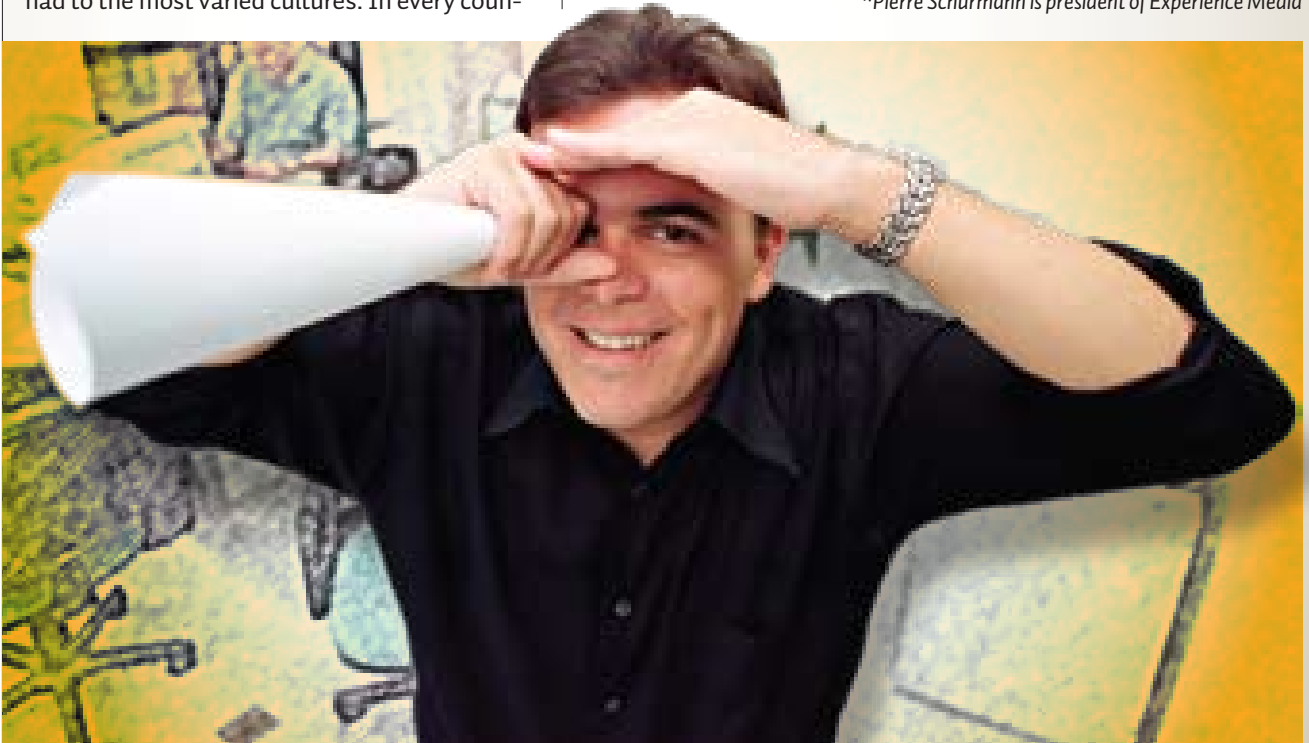
I'm sure that my travels have greatly influenced my professional life, given the exposure I had to the most varied cultures. In every coun-

try, I saw a way of being different – and in every city, a new ritual.

Travelling alone is a great exercise in reflection and self knowledge. But at certain times, having the company of my wife Maria Fernanda, and of my family and friends, makes all the difference. One inseparable companion on all my journeys is without doubt a good book (and my iPod, of course). One thing I always bring back from my journeys is lots of photos.

Today I do small journeys, for pleasure. For me, the ideal thing is to travel every three months, but I can't always manage that because of my busy professional agenda. The last time was to the Caribbean for a week. My last business trip was to New York. In all these comings and goings, that first journey around the world sticks in my mind as totally unforgettable. As I am always looking ahead, I already have my next trip planned. It will be to somewhere in Asia, a continent that is culturally and historically very rich and which, these days, is once again becoming the center of world attention. ■

**Pierre Schürmann is president of Experience Media*



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