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A Successful Year

This edition of **PIB** has a very special significance for its editors and collaborators. Our fifth edition marks one year since we launched the magazine to provide a showcase for the new Brazilian economy, which seems to become more and more international with every passing day.

Over the last 12 months we have received countless messages from readers in Brazil and abroad, showing that we're on the right track with our decision to fill the need for a publication that reflects the dynamism of Brazil's presence around the world.

To mark the first anniversary of **PIB**, which is published simultaneously in Portuguese and English, we have prepared a special edition.

> Our cover design is the work of top Brazilian cartoonist Paulo Caruso, inspired by one of Saul Steinberg's most famous covers for New Yorker. And our lead story focuses on the economic awakening of Latin America, showing how it is attracting countless Brazilian companies as they take the plunge into internationalization.

For too long the ugly duckling of the world economy, the region is now a new motor for global growth. Last year regional GDP grew over 5%, marking the sixth straight year of growth and the longest expansion cycle of the last 40 years. And never has Brazil invested so much in its neighbors. Just in Argentina, the stock of Brazilian FDI now stands at US\$7 billion, and the Brazilian government has approved a further US\$6.5 billion of credit to finance



The original New Yorker cover: inspiration

highway construction and other infrastructure work to link the region's countries more closely. You'll find all the details in our eight-page special report and the interview with Miguel Jorge, Brazil's Minister of Development, Industry and Foreign Trade, who was one of the participants in the Round Table that marked the launch of PIB a year ago.

Three other highlights in this edition: collaborator Arnaldo Comin reports from Cannes on how Brazil's new generation of advertising whiz-kids are winning international acclaim; Tânia Menai, a Brazilian journalist living in New York, makes her PIB debut with a story from St. Louis, venturing inside the headquarters of Anheuser-Busch and describing the rage at the American company's take-over by Belgian-Brazilian brewing giant InBev; and Barcelona resident Adriana Setti flies to Ireland to investigate the phenomenon of the little village of Gort, where Brazilian immigrants are fast becoming a majority.

Enjoy!

THE EDITORS



TOTUM **EXCELÊNCIA EDITORIAL**

Clayton Netz Nelv Caixeta



BRAZILIAN COMPANIES GO INTERNATIONAL

A TWO-MONTHLY MAGAZINE FOCUSING ON INTERNATIONAL BUSINESS AND ECONOMICS FROM TOTUM

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Last week, while waiting in the outer office of Supreme Court Judge Celso de Mello in Brasilia, <mark>I had t</mark>he pleasure of reading PIB magazine. I was most impressed, particularly by the content and quality.

SALVADOR FERNANDO SALVIA Martins & Salvia Lawyers

São Paulo (SP)

I am an economics professor teaching students in the courses of Administration and Marketing Management at the Izabela Hendrix Methodist Institute in Belo Horizonte. I have used articles from PIB in specific studies and examinations. I think the magazine is very relevant for the subjects I deal with at the university, and presents them in a way that is accessible to the students, principally those in management technology courses. I would like to congratulate all your staff for the magazine.

LAILA FERES

Belo Horizonte (MG)

Bra<mark>zil w</mark>ill certainly play an important role in the global economy in a couple of years. In this context, the market was lacking a reliable source of information about Brazilian products and services in the international marketplace. PIB magazine has come to fill this gap. The well researched articles are written with a simplicity that amazes me.

Congratulations to those who had the initiative to publish such a jewel.

CHANG KUO I

Sales Department

Intercontinental Transportation Brazil

São Paulo (SP)

I work at ProChile and had the opportunity of reading the first editions of your magazine. I really enjoyed the subjects you covered and the way the articles were written. They encourage the reader to think and to make a critical analysis. Congratulations!

MARIA LIGIA SAAD

São Paulo (SP)

I read PIB magazine with enthusiasm and admiration. It was certainly a great initiative by Totum Excelência Editorial to publish a magazine with such a modern and informative concept. PIB also stands apart from the others by virtue of the importance that it gives to exportation by the services sector.

RICARDO BOUCAULT FLORES

Teresópolis (RJ)

Congratulations for PIB magazine. Such publications help keep us always up to date about the global economy and make it easier to draw up new legislation that can help the business sector and, as a consequence, society as a whole.

STATE CONGRESSWOMAN MARIA LÚCIA AMAURY

Deputy Government Leader, São Paulo Legislative Assembly

São Paulo (SP)

I am extremely patriotic and place great value on the country in which we live. Brazil's presence abroad has grown substantially and it is of extreme importance that we have a magazine such as PIB. Allow me to offer my sincere congratulations for the excellent work you are doing.

OLAVO JOSÉ QUADROS DE LINHARES

Barueri (SP)

PIB is an exceptional magazine and has been essential for keeping up to date all those who are working to develop the international market. You always deal with subjects that are being discussed in companies that operate abroad. Congratulations for the innovative themes you deal with and the ample vision you bring to matters of the day.

DENIS MACIEL ALAUNES BROTTO

By e-mail

CORRECTION

In the story "Here, There and Everywhere - Brazilian Services Find their Niche" published in our last edition, the total number of employees at IBM's Hortolandia center is 8,000. The center is the second largest in the world, not the largest as stated. The number in the story, 1,100 employees, refers only to those working in the company's Global Command Center.

Please address letters and e-mail to: The Editor, PIB – Avenida Brigadeiro Faria Lima, 1903, cj 33 – São Paulo, SP, 01452-911 – Brazil; contato@revistapib.com.br



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www.cni.org.br/english









The Secret of Jacu Coffee

THUSTRATION: EVID LONGO

THE JACU – also known as the guan, or Penelope – is a large forest bird with dark feathers that looks something like a farmyard hen. In addition to being rather ugly and disturbingly large, the bird has a horrible grunting call and the habit of raiding coffee plantations for food. The Camocim Farm in Espirito Santo State is infested with them, but nobody bothers. On the contrary. Because the dietary preferences of

the jacu have given Brazil its own equivalent of Indonesia's prized Kopi Luwak, or "Civet coffee", which can cost up to US\$400 per kilo.

Kopi Luwak originates in the jungles of Indonesia but found global fame only after the secret was revealed: the coffee beans are collected amongst the feces of the Civet, a wild feline. Passing through the animal's digestive system gives the undigested bean a flavor and

texture that have made it a winner both commercially and in the cinema – drinking a cup of Kopi Luwak was one of the treats which Jack Nicholson and Morgan Freeman, playing terminally ill patients, promised themselves in the movie The Bucket

List. In some countries, a single cup can cost US\$40.

The same "production process" takes place with the jacu and the ensuing coffee – sold as Brazil Jacu Bird Coffee - can reach US\$200 a kilo, to the delight of producer Henrique Sloper Araujo who owns Camocim. Jacu and four other specialty brands produced in the Pedra Azul region of Espirito Santo are now handled by distributors in the United States, Europe and Japan, reaching markets in 20 countries. Araujo's farm is on just its fifth harvest but already has a sophisticated and faithful customer base for its 100% organic product. Camocim coffee is also sold by London's Fortnum & Mason, a retailer with over 300 years of tradition. "I sold my entire 2007 production in 15 minutes," said Araujo, apparently delighted his farm is infested with jacu. (Liége Fuentes)



Eastern Aroma

HARD ON THE HEELS of Café do Centro, which went to Japan in 2006, Café Tiradentes and the Guaxupé Coffee Producers' Cooperative (Cooxupé) are also trying their luck in Asia. The traditional Tiradentes coffee from São Bernardo do Campo (SP) has opened a shop in Seoul, South Korea. Cooxupé, from Minas Gerais State, has chosen Beijing for its international debut. (Andressa Rovani)



LYN WATAN.

Made in the Amazon

THE ECO GROUP, set up seven years ago to develop sustainable businesses, is now entering the United States with over 100 types of products made by craftsmen, Indian tribes and Amazon communities. These will be launched in the US under the Sustainable Amazon brand. "We want to help improve the living conditions of local people and at the same time preserve the world's largest tropical forest," said Davis Tenório, president of Eco. "It's possible to establish a pioneer business structure that encourages sustainable development." (AR)







Sustainable Amazon: for Americans to buy



Not as violent as you thought

HEADLINE OF BRITISH MAGAZINE
THE ECONOMIST, AUGUST 21ST, ON
A STORY ABOUT THE FALL IN VIOLENCE
IN BRAZIL'S BIGGEST CITIES

Windschu



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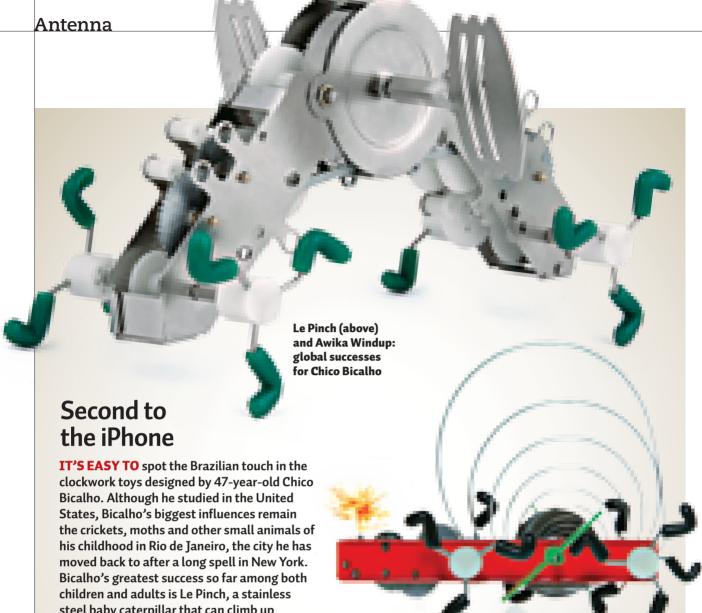
Windshield

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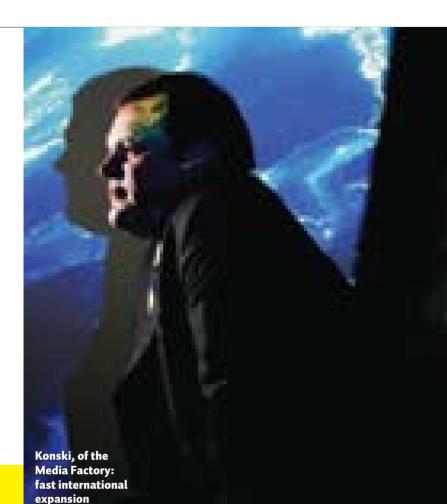
steel baby caterpillar that can climb up small objects. The toy received an honorable mention at the 2008 design contest run by ID magazine, the global bible for the sector. Top prize went, unanimously, to Apple's iPhone.

Le Pinch and Bicalho's other creations are produced in quantity by Dutch firm Kikkerland Design and sold through leading art museum shops and sophisticated toy stores around the world. On average they cost US\$10. Before he achieved industrial scale, production was carried out entirely by Bicalho himself. Today he designs on a computer and then a team of engineers based in Hong Kong helps bring the characters to life. Production in China reaches 40,000 items a month. (Adriana Maximiliano, in Washington)



Bicalho and his wife Isabella: honorable mention in ID prize





Creative Cauldron

THE MEDIA FACTORY is a **Brazilian digital marketing** company headed up by Leandro Kenski. Part of the Brazilian Ideiasnet holding company, the Media Factory is now commemorating the results of its recent international expansion. The first three months on foreign soil contributed 5% of company billings. The goal is to reach 15% by the end of the first half of 2009. The international arm of the Media Factory brings together Mexico, Argentina and Spain. Now, the company is getting ready to expand its participation in the US, Chilean and Colombian markets. (AR)

No Fear of the Arabian Sun

SOLARIUM REVESTIMENTOS, a company from Rio Grande do Sul State, enjoyed a dose of luck to make its first export sale to the Middle East. Company owner Ana Cristina de Souza Gomes, an architect, was visiting Dubai in 2007 and left some brochures of her floor coverings with the owners of the hotel where she was staying. That very same day they showed the brochures to a friend from Point of Design, an English architectural office, which ended up choosing Solarium's cement-based flooring for a swimming pool area at the luxury Messila

Gomes: refractory flooring (above) proves a winner in hot regions

Beach resort in Kuwait.

Solarium was founded in Porto Alegre in 1997 and has production units in São Paulo, Rio, Brasília and Recife, billing R\$10 million – some US\$6 million – a year. There's a rea-

son for the geographic dispersion: freight costs in Brazil are prohibitively high for small companies like Solarium. It's cheaper, Gomes said, to ship products to Kuwait than to

truck them around Brazil. For this reason the company has taken on a representative in Dubai to prospect the Middle East market. "We've acquired a taste for exporting and we're going to expand in overseas markets," she said.



One detail makes the Arabian adventure even more promising: Solarium flooring is refractory, meaning that it doesn't get hot under the sun. That's a big plus when selling to a region of scalding temperatures. (Arlete Lorini)



With the Blessing of Oxum

CAMILA ALVES, a 26-yearold fashion model from Minas Gerais State, is venturing into the international handbag business with a brand named for an Afro-Brazilian god, Oxum, but spelled backwards – Muxo. The name is embossed on the bags that Alves sells at US\$400 to US\$1,400 on her site – www.mymuxo.com – and in the trendiest shops in Los Angeles, where she lives.

Actor Matthew McConaughey, the model's boyfriend who was voted world's sexiest man by People magazine, is Muxo's greatest advertising asset. The couple had their first child in July and the paparazzi helped spread the word about Alves' handbags – she was always photographed with one slung on her shoulder! Handcrafted from Brazilian leather, the bags are personalized for each client. Already the model is thinking of expanding her team – currently just Alves, her mother and two helpers – to meet the growing demand. (AM)



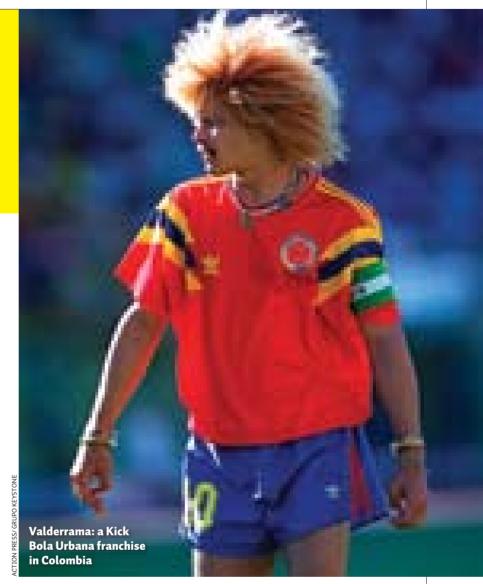
A Global Harvest

NO, THE OLD DOWNTOWN center of São Paulo hasn't been taken over by soy farmers, no matter how profitable it may be. Neither does Coama, the largest agricultural cooperative in the Americas, plan expanding beyond its native Paraná State. So what is Coama President José Aroldo Gallassini doing with a hoe in his hand, tending a soy plantation in the center of South America's biggest city? In fact it's an advertisement for the CME Group which controls the Chicago Exchange, the world's largest for commodities and futures contracts. The campaign invited Gallassini and the presidents of other large financial and capital management corporations from around the world to take part, seeking to present CME as the world's biggest and most diversified business bourse, specialized in administering risk. Coama is headquartered in Campo Mourão (PR), with 21,000 members, and exports to 27 countries. (Liége Fuentes)

Exp<mark>orting the National Sport</mark>

IN THE LAND OF FOOTBALL – soccer to some – a Canadian businessman is showing how it's done. Four years ago and living in Brazil for nearly two decades, Darryl Kirsh created a theme park for the country's most popular sport. He's done so well that even before expanding within Brazil, Kick Bola Urbana or Urban Kick Ball is being readied for export.

Early in 2009 Urban Kick Ball will open its first franchise in Bogota, Colombia, National idol Valderrama, a former midfielder with the Colombian national team who was famous for his extravagant hairstyle, will be their up-front promotion man. Valderrama and a group of investors will hold the national master franchise. Kirsh's next international forays are scheduled for Mexico and France. Unlike the Brazilian unit which stresses visitor entertainment, the foreign franchises will place more emphasis on learning to play the game. "Brazilian football is a brand known all over the world," said the Canadian entrepreneur. (AR)





On the Road • Clayton Netz

Recent moves by Brazilian companies overseas

All Fired Up

Acquiring LWB of Germany has helped transform Magnesita into the world's third largest maker of refractory products – materials used in the iron and steel, cement and glass industries. With annual billings now exceeding US\$750 million, the company based in Minas Gerais is controlled by GP Investimentos which holds 40.2% of voting capital. The acquisition operation totaled €657 million and marked the start of Magnesita's international career. In one fell swoop the company is taking over LWB's operations in the United States, Belgium, Germany and China.

Mouthwatering Portugal

Slowly but surely, Cutrale, Brazil's biggest producer and exporter of orange juice, is establishing a foothold in Europe. The company based in Araraquara (SP) has just announced the acquisition of Lara – Laranja do Algarve, a small company in Silves in the Algarve, Portugal's main citrus region. Acquiring this Portuguese company is part of Cutrale's strategy of strengthening its position in Europe, its main export market for Brazilian orange juice.

Brazilian .38, Made in the USA

■ Forjas Taurus, a Porto Alegre (RS) company, wants to start producing pistols and revolvers next year in the United States, the country to which

Taurus currently exports 60% of its production. The hope is that the new factory will meet at least 10% of US demand. Currently Taurus has a subsidiary in Miami, Taurus Holding, which acts as a distribution center and has a small manufacturing capacity. The reason for operating outside of Brazil is to reduce the negative impact of Brazil's strong real currency on the company's results.

Pure Luxury!

■ Via Uno, which specializes in footwear and accessories fashions for the younger woman, is opening a shop in elegant Rosny-Sous-Bois, some 10 km east of Paris. With headquarters in Novo Hamburgo (RS), Via Uno produces and exports eight million pairs of shoes a year, mainly to the 77 shops that it has outside of Brazil in countries such as Germany, Spain, Dubai and Holland, among others.

Vicunha in Ecuador

 Another company launching itself on an international career is Vicunha, controlled by the Steinbruch family which also owns the Companhia Siderúrgica Nacional (CSN) steel giant. Using its Textilia holding company, Vicunha has bought 64% of the stock in La Internacional, the biggest textile factory in Ecuador. According to Ricardo Steinbruch, president of Vicunha, the acquisition is the first effective step towards internationalizing the group's textile business which already has commercial subsidiaries in Europe, China, Argentina and Colombia. In addition to meeting domestic demand in Ecuador, La Internacional production will be destined to Mexico and countries in the Andean region.

Ibope in Mexico

■ Ibope, the Brazil market research company, opened its first office in Mexico at the end of August

following a US\$100,000 investment. But the idea is not to research the popularity ratings of soap operas shown on Mexican TV. Ibope will operate in Mexico via its Ibope Inteligência branch which specializes in consumer and brand research. The company already has a subsidiary in Argentina, and the next target is Chile.

In Brief...

The total value might still be quite small, but the rate of growth of Brazil's fashion exports is really impressive: according to Apex-Brasil, foreign sales have soared from US\$300,000 to US\$13 million. Chinese clients of Arezzo, one of the most sought-after brands of Brazilian women's footwear, are bigger spenders than the Brazilians. In Brazil the average sale is US\$200, but in China it's US\$250. Arezzo owners Jefferson and Anderson Birman plan increasing their number of stores in China from four to 10 by the end of this year. Bematech, a company which specializes in commercial automation, spent US\$11 million to acquire US company Logic Controls which operates in the area of automation equipment for hotels, bars and restaurants.

Via Uno: feminine

fashion in Paris



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Do as I say...

Ironically InBev's purchase of Anheuser-Busch led to days of tension, fear and blatant xenophobia in the very heart of the free market

BY TANIA MENAI, ST. LOUIS, MISSOURI

he film Swing Vote which stars Kevin Costner arrived in American cinemas at the start of August. It tells the story of a typical lower-class redneck from any small town in the country. He is blond, has a goatee beard and wears a baseball cap and plaid shirt. He is divorced, unemployed and has a daughter. His vote for president will be the electoral tiebreaker and for this reason he is courted by both candidates. A character with this profile could easily have had a typical name like Joe Smith or Bill Johnson. However, he goes further and, as a beer lover, calls himself Bud, the affectionate nickname which the Budweiser brand is best know. Bud is a national passion for Americans and has a grip on half of the vigorous domestic market. Therefore, the acquisition of Anheuser-Busch by the Belgian-Brazilian company InBev in July for US\$ 52 billion was a kick in the stomach for the Buds. Joes and Bills. Despite the liters of beer they can drink, they have still not swallowed that fact that their greatest icon has been sold to Belgians from the small, medieval, bucolic town of Leuven.

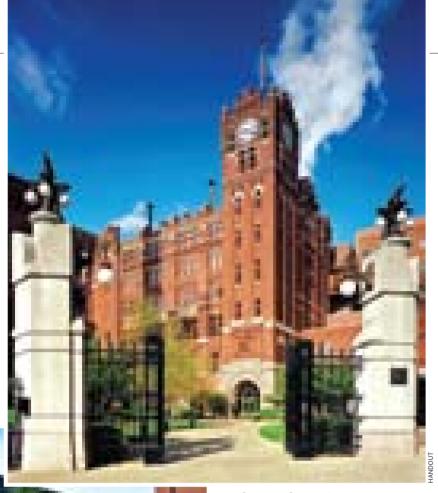
Anheuser-Busch (or Anheuser-Busch-InBev as the new group will be known when the deal has been finalized, probably at the end of this year) is based in St. Louis, Missouri

and employs more than 5,000 people. This means that a sizable proportion of the population of 350,000 earns its living directly from the brewery. The company's relationship with the city goes beyond the

economic dependence and extends to a large number of philanthropic deeds and support for institutions like the Red Cross and the local Boy Scouts. "Everybody in St. Louis has an opinion about this purchase," said the business reporter Jeremiah McWilliams who covered the deal for the St Louis-Dispatch. "I have never received so many e-mails from readers. I can't remember the exact number but this has certainly been the hottest topic in recent years."



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Budweiser plant in St. Louis: gates wide open to receive 3,600 visitors per day

McWilliams's readers were incensed and wanted to know why Anheuser-Busch was giving in to InBev's harassment and what the company would be like under foreign control. Some people even contacted the reporter to find out how they

could prevent the deal and relieve St. Louis from feared job cuts. "There were so many questions that we decided to hold live discussions on the newspaper site," McWilliams said. A site called SaveAB.com set up by

an unknown local person collected signatures against the acquisition. The transport workers union backed the campaign and mobilized its substantial communications power. Its motto was taken from a phrase by a financial analyst: "InBev is managed by investment bankers who have run the business to the bone."

Despite the explicit exhibitions of xenophobia by the population and politicians who jumped on the bandwagon - rather ironic considering that the US is the very heart of the market economy which lauds the free flow of investments throughout the world - the American brewer sent out a peace signal. "Anheuser-Busch has been part of the community of St. Louis for 156 years and this will not change," said David Peacock, vice-president of marketing. "Our headquarters will remain here." The company's 12 plants spread throughout the United States will also continue to do business as usual, he added. Peacock's optimistic view contrasts with the general feeling in the city. "This merger shows a great respect for our beers, our success and the American traditions our company maintains," he said. He also said that 40% of the global revenues - US\$ 36 billion - from the new company to be formed from the acquisition would be generated in the US, giving it a clear lead in the global beer market. Peacock brandished as another trump card the presence on the

> Board of Directors of the last representative of the Busch dynasty to be the CEO, August A. Busch IV, the great great-grandson of the founder, August Busch. "This is a friendly agreement and represents great

opportunities for Budweiser globally." However, this alleged friendly takeover did not stop InBev's controlling shareholders from threatening to force Busch IV from his position. A new, final offer which was

40% of InBev's global billings will come from the United States



US\$ 7 billion above the initial one convinced the heir to the empire to sign the surrender document and avoid a hostile takeover.

What makes the situation even more unusual for the domestic public is that InBev was completely unknown to Americans until May when rumors of the offer began circulating. The presence of Brazilians among the controlling shareholders and executive management has made the situation even more confusing for local people (see below).

Tour of brewery brings free beer but no information

One Monday in July shortly after the acquisition had been announced, a group of 40 tourists who were visiting the company's premises, which

is one of the main tourist points and attracts 3,600 visitors a day, were given no information about InBev. When the university students who work as guides were asked about it they simply lowered their heads and said they had felt no change. It was best to change the subject and enjoy the chance to sample the (free) beer offered at the end of the tour.

The almost embarrassed reaction of the guides is a reflection of a kind of inferiority complex which St. Louis felt when of some of the symbols of its economic power passing into the hands of outside hands, albeit American. First was the plane maker McDonnell-Douglas which was swallowed up by Boeing from far-off Seattle in 1997. This was followed by the AG Edwards finance house bought by



NATIONALISM – FOR AND AGAINST

ATRIOOFBRAZILIAN investors, Jorge Paulo Lemann, Carlos Alberto Sicupira and Marcel Telles, are minority shareholders in InBev, with around 30% of the shares but that has not stopped them running the company. The Chief Executive Officer, Carlos Brito, who will remain in charge of the new Anheuser-Busch-InBev, is also Brazilian. He played a crucial role in crafting the agreement which resulted in the acquisition of the American brewer. Brito normally keeps the media at arm's length but, in this case, he gave many interviews and published articles in the US press

to reinforce the peace message and overturn the public resistance to the deal. The new boss of Anheuser-Busch's operations will also be a Brazilian. Luiz

Brito: a key role in closing the deal

Fernando Edmond, AmBev's current CEO in Latin America, will be officially named as the successor to August A. Busch IV at the end of August.

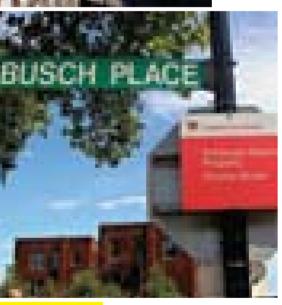
Both Brito and Edmond began their careers with Brahma, the brewery based in Rio de Janeiro which Lemann, Sicupira and Telles acquired in 1989. This acquisition was to lead to the creation of what is currently the world's biggest brewer. Before they entered the brewing area, the threesome controlled Banco Garantia and Lojas Americanas, a retail store network. Brahma grew rapidly, thanks to its tight structure, focus on productivity and the obsession for results of the new shareholders which was so dynamic that the company swallowed up its rival Antarctica and formed AmBev in 1999. At that time, the trio played the nationalist card to justify the deal as it was threatened by Brazilian anti-trust regulations due to fact that the new company would have around 70% of all beer sales in the country.

They said the acquisition of Antarctica would lead to the creation of a genuine Brazilian multinational company which was, in fact, what occurred.Before the creation of AmBev, Brahma had been positioned in Latin America. The aim of the new company was to speed up the process of going international and turn the guaraná soft drink and Brahma beer into global brands. However, neither of these two products fulfilled the promise. In 2004, the nationalism of Lemann, Sicupira e Telles suddenly disappeared and control of AmBey was handed over to the Belgian group Interbrew in exchange for 25% of the shares of the company which would be formed after the deal was finalized

The result was the creation of InBev which would shortly rival Anheuser-Busch in size. The American crisis and management problems surrounding the beer which symbolized the United States have helped write the final chapter of this story, for the time being at least. (João Paulo Nucci)







another American company, Wachovia Securities, in 2007. At least Wachovia kept the headquarters in the city. Now St. Louis has lost control of Anheuser-Busch.

The fact is that fear of cost cuts had existed before the Belgians and Brazilians entered the story and the company had plans to save US\$ 1 billion by 2010. "One of the workers at the brewery came looking for a job as he was worried about his future," said a driver from the Sheraton chain. "This is the hot topic of the moment,"

says Brazilian Olavo Dietzsch who works for a large agricultural company in the city. "People with relatives working for Anheuser-Busch are feeling uncomfortable."

Dietzsch said people were sure that there would be changes in the cost structure to help offset the high price InBev is felt to have paid for the company. The heat has been turned down a little by the knowledge that InBev's controlling shareholders and executives have spartan habits. "A friend met the InBev CEO,

Present everywhere: the Busch brand is on brewery buildings and the streets of St. Louis

Carlos Brito, on a flight in a low-cost airline. This gives a good impression particularly when you remember that the Busch bosses only travel by private jets."

Although the sale of Anheuser-Busch has caused popular consternation, it had been expected by those more alert analysts. "The company was the only one on the market which had not undergone some consolidation process," said

the manager of a fund which specializes in the beer market who did not want to be identified. "Miller and Molson-Coors had already gone down this road," he said in a reference to the other large American brewers.

He did not believe there would be large scale cuts since the cost of labor is relatively unimportant in the beer industry. What weighs most for the large companies are investments in marketing but, in this case, Anheuser-Busch

and InBev make a perfect fit. Both are recognized for their size and their usually efficient advertising efforts. Bud is one of the most traditional and feted advertisers of the Super Bowl, the final of the American football championship which attracts the most hyped commercials in the US. InBev has already warned that it wants to turn Bud into a global brand and make it a Coca-Cola of beers. So far, no-one in St. Louis has complained about this ambitious goal.

Brazilians fly high in Cannes

The new generation of advertising specialists forged in the digital era makes it mark on the global agencies ARNALDO COMIN, CANNES

t has been a long time since Portuguese was one of the languages most spoken at the Cannes Advertising Festival held every year in the last week of June in the south of France. However, the lion trophies are highly valued and hotly disputed by advertising agencies from Brazil, the only country in the world which has raised advertising agents into celebrities. The 2008 harvest was good and Brazil won 41 statuettes, putting it in fourth position in the world ranking behind only the United States, Germany and the UK.

This was Brazil's best performance since 2005 and in line with the standards of Brazilian victories which began in the 1980s. However, what has attracted attention in recent Festivals is the growing numbers of Brazilian in Cannes who are representing companies from other countries. "Of my generation, only myself and Marcio Moreira (currently deputy chairman of Mc-

Cann Erickson) went abroad," says Paulo Salles, who heads the Latin American operations of the French group Publicis. "Nowadays the flow is much more intense." Marcio Mortime abroad.

Salles believes most Brazilian advertising professionals pay far too much attention to the domestic scene vet despite this their native talent and ability to adapt makes them attractive to foreigners. "Brazilians have an incredible ability to innovate, combined with a practical view of business which makes them very attractive in a global context," savs Peter Minnium, Americas director of Lowe Worldwide, one of the largest agencies in the world.

Minnium was responsible for the reorganization of the network in a number of key countries carried out over the last two years and is one of the foreigners with the best knowledge of the Brazilian market. He met businesspeople and cre-

ative professional from various countries in Cannes, many of them from Brazil. During these conversations, he convinced Brazilian advertising specialists to occupy leading positions in

Lowe's operations in cities such as Madrid and Moscow.

Lowe recently lost one of the Brazilian global stars, Fernanda Romano, to the JWT group. Romano made her reputation at DM9DDB in São Paulo and was creative director of Lowe in New York but at the start of 2008 she moved to London to work for JWT. "The Brazilian is

eira is the son of Mauro Salles, the founder of Salles, one of the biggest agencies in Brazil, and began his international career in 1994 when it formed a partnership with Publicis. Although Sales keeps a home in São Paulo, he spends most of his



adaptability of the natives attract the foreigners

The talent and



amiable because he's not afraid of being happy. We don't have money but we know how to go about getting it," she said in the site Portal da Propaganda when she still worked for Lowe. "We are not embarrassed to use the clients' brand and products." Another Brazilian heading to Europe from the Americas is Rosalyn Hester, who will be world director of planning for the Nestlé brand in Paris, after a highly successful experience with Publicis in Mexico.

Examples like these are likely to become more common. "Every year that passes I see less of the festival and deal more with business at Cannes, particularly in the human resources area," says Salles. "Nobody in this industry works as hard as the Brazilian. This makes me wonder why the local agencies do not try their luck in markets like New York or London. An entrepreneur like Nizan Guanaes is perfectly capable of doing so," says Minnium, referring to the founding partner of the ABC holding company which controls a number of agencies in Brazil, such as Africa, DM9DDB, MPM and Loducca.

TRIUMPHING OVER ADVERSITY

PROFESSIONALS FROM THE most specialized areas of communication are taking on the challenge of becoming entrepreneurs abroad with an eye on opportunities they would not have in Brazil. The chance of working on large-scale projects motivated Adriano Henriques, a specialist in business intelligence which is the most analytical part of marketing to leave Brazil. "I was 32 and running the digital area and data base for Wunderman, the company which is most active in Brazil in this area," said Henriques who is from São Paulo. "I had nowhere else to go."

Henriques spent some time in the United States and Brussels working for the BBDO group. He has been based in Madrid since the end of 2005 where he is a partner in Opportunity, an arm of Shackleton, one of the most premiered direct marketing agencies in Spain despite the fact that it has only been on the market for four years. Based on his experience abroad, Henriques believes that the great differential the Brazilian can offer is flexibility. "We are used to working in adverse circumstances and, for this reason, we have an incredible advantage over those used to a more structured working system," he says.

This same daring spirit led planning specialist Marcello Magalhães to move with his wife and five-year-old son to London where has been a partner since March of BrandThinkTank, which specializes in brand management. The business was helped to his feet

by its client Unilever which has given the company the strategic management of the Sunsilk shampoo brand, known in Brazil as Seda.

In fact, it was with Unilever that Magalhães's international career began in 1998 when he started a three-year assignment in Buenos Aires. In 2002, when he was working for the Lowe agency, he got to know Pierre-Emanuel Maire, a French executive responsible for planning a successful campaign for Omo. Maire is the mentor of BrandThinkTank and offered Magalhães

a partnership. "We are still a very small team of only five people but we have with a global spirit," Magalhães says.

He believes this approach allows the company to pursue clients regardless of nationality. BrandThinkTank has negotiated deals with clients not only from Europe but also from Mexico, Thailand and Brazil itself. "That's why we are in London. The city is like an immense crossing point through which the whole world passes," he adds.

Trailblazers

In fact, not only is Guanaes in a position but is betting on concrete investments abroad. ABC has become a capital partner of the recentlylaunched Pereira&O'Dell which is based in San Francisco, California, regarded as the Mecca for digital advertising. One of the partners after whom the partnership is named is PJ Pereira from Bahia, the founder of AgênciaClick and regarded as one of the greatest advocates of on-line advertising in the world. Professionals from the most specialized areas of marketing are also leaving Brazil to take on the challenge of setting up their own businesses abroad. (See box).

From the 2000s, the surprising success of Brazil in the Cyber Lions category created in Cannes to mark the good Internet campaigns opened the market's eyes to a new generation of professionals. Pereira won the first Grand Prix of the category and has become a figure who is in demand for speeches and workshops in Cannes. He switched from AgênciaClick to the Californian company AKQA three years ago. He is now completely adapted to the United States and does not let any nationalistic view get

in the way in assessing the chances for Brazilians abroad. "There is great demand on the market and, for this reason, agencies want Brazilians, Swedes and Dutch and those who are qualified," he says. In any case, he stresses that advertising in Brazil has specific advantages. "People in the US

and Europe enter the job market at a very late age when they are around 25. By that age, the Brazilians have around seven years experience of working in agencies."

Question of price

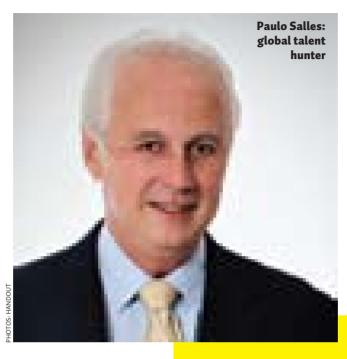
The economic factor also explains why so many people want to leave Brazil while others prefer to focus on the domestic market. Pereira recalls that under the Brazilian payment system in which agencies gain a fixed percentage of what they negotiate from the media sales media truly creative professionals end

up earning salaries which are similar to those of football stars. However, this is not the case with advertising made through the Internet which still attracts little interest in Brazil. "There's little room for a good Internet creator in Brazil," he says sadly.

Anyone who ventures abroad to work in advertising has the chance of working with amounts which are out of the question for Brazilian clients. "One of the difficulties I had was in adapting to the amount of money involved in the campaigns. An Internet film which would be made in an improvised way in Brazil can have millions spent on it in the US," says Mauro Alencar, executive vice-president of creation of the Publicis group

who is responsible for the digital agencies Modem Media and Dialog.

Alencar comes originally from João Pessoa in Paraiba and worked alongside Pereira at Agên-



ciaClick and is now his neighbor in the small town of San Rafael, near San Francisco. Alencar left Brazil for Canada five years ago where he looked after the Nike account for the basketball player Michael Jordan at the Blast Radius agency. "I had the privilege of accompanying advertising films with Spike Lee," he recalls.

Three years ago Alencar linked up with Pereira at AKQA before accepting an offer from Publicis for whom he looks after global accounts such as LG, HP and Delta Airlines. Although he is at the peak of his career and represented the United States as a jurist at the Cyber Lions this year, Alencar stresses the value of the new experiences and the qual-

ity of life an international experience career bring. "In social terms, I am the same as a Sears mattress salesman," he jokes.

Salles cites Alencar as an example of a Brazilian with

the profile to become a global leader of the industry. He believes that if others are to reach this level they need to get rid of some of their native ways of looking at things. "After a while vou see that in advertising 80% of things are the same in any part of the world. Nowadays, it is only the psychological barrier which prevents more people from following an international career," he added

Moving eastwards

The market has proven to be highly receptive to the interchange of

professionals and there is no lack of opportunities in the least likely places. This is the view of Pedro Pahl from Rio de Janeiro. He is 28 and was in Cannes representing Romania where he works for Tempo, one of the largest independent local agencies. He arrived there due to a contact by Internet with the Portuguese director of creation, Miguel Gonçalves, who was looking for good professionals. Within a few emails, the deal was done.

Romania may not seem at first glance to be the new global epicenter but Pahl is surfing the wave as a way of entering a country which is a member of the European Union. "Romania is seen as one of the main creative focus points of Eastern Europe and has attracted many multinationals looking for new talents," he says. Besides the professional aspect, Pahl is sure he is undergoing an incomparable personal experience. "I have an open mind and am ready to accept whatever comes along," he says. \blacksquare

There are Brazilians in the most unexpected markets, like Romania

Interview • Miguel Jorge Miguel Jorge: "there is potential everywhere" ELIANE COSTER/ VALOR/ FOLHA IMAGEM PIB 28

"We're Going to Occupy Spaces"

The emerging world has its eye on the technology and knowhow being developed in Brazil. For the Minister of Development, Industry and Foreign Trade, the consequence is billionaire business deals for the Brazilian companies that get in first

NELY CAIXETA AND ARMANDO MENDES

razilian companies are expanding throughout the world in the wake of the recent fast growth of emerging countries. But as Miguel Jorge, Brazil's Minister of Development, Industry and Foreign Trade explains, there's still a lot to be done to really take advantage of the opportunities that are arising. Jorge, who started his career as a journalist and was later an executive of various large companies before becoming a minister, has under his wing two key public bodies that promote the internationalization of the Brazilian economy: the Brazilian Export and Investment Promotion Agency (Apex-Brasil); and the Brazilian Industrial Development Agency (ABDI). As examples of projects that are starting to bear fruit, Jorge singled out the industrial and agricultural ventures developed by ABDI in Venezuela and Cuba. He also mentioned how Brazilian companies have been active in the new African nations, where they even carry out some government functions under contract. This presence could generate new business for those companies that have been quicker off the mark to establish a presence in the new markets ahead of the multinationals from the rich countries. "Our

goal is to occupy the space so that we're in there before the others," the minister told **PIB** in an interview.

Whatkindofopportunitiesdoyouseefor Brazilian companies around the world?

There is potential everywhere, but I'd like to single out Africa and Latin America. Angola is spectacular. The Brazilian government is making a major effort to organize trade mission to Angola and to put Brazilian companies in touch with people there. Few people are aware of the exceptional work that Odebrecht is doing in Angola. The company issues all the country's official documents - birth certificates, ID cards, passports and so on. As a partner of the state-owned diamond company, Odebrecht exercises complete management of the operation in Angola, from mining and cutting through to commercialization. Anyone who saw the film Blood Diamonds will recall the Kimberly Pro-

Why keep on trying to export to the United States if it's so much easier to export to neighboring countries?

cess, which is a certification system to regulate the flow of rough diamonds in Africa to prevent the profits financing guerrilla movements. Angola is the world's sixth largest producer of diamonds in terms of quantity, but it's third by value because almost all the stones are of exceptional quality.

This means Odebrecht is becoming a key service supplier to the Angolan government...

Angola doesn't have an organized food distribution system, so Odebrecht is building the country's first supermarket chain. When I was there last year, the company had already opened 22 stores out of a planned chain of 60. Odebrecht is looking after everything: identifying best locations, building the stores, importing the products, placing the gondolas and training the staff. When it's all completed, the company will hand over the chain to the government.

Brazil's National Confederation of Industry says that the world's major companies haven't yet woken up to the business potential of Africa and Latin America. What's the Brazilian strategy for these markets?

We want to occupy space, so that when somebody else arrives they'll

Interview • Miguel Jorge

find us there already. We should have started this a long time ago. These are markets which are almost "captive" for Brazil, although we have to use the world with caution to not be misunderstood. But what do we have along our almost 1,600 km of border with Colombia? Nothing. Why keep on trying to export to the United States if it's so much easier to export to neighboring countries?

Can you give some examples?

Well, I was visiting Venezuela, and after two days of meetings the former industry minister Cristina Iglesias handed me a list of products totaling US\$600 million that she would like to import from Brazil - she listed just about everything, from beef to toilet paper. Where else in the world could that happen? We initially distributed that list to the 140 companies that were participating in the trade mission, and then afterwards to all the others. Some time later Edmundo Klotz and the other businessmen of the food sector went back to Caracas with this list, and he phoned me to say that Brazilian food companies had closed export contracts worth US\$1.2 billion. They set up an air shuttle to fly things like powdered and long life milk to Caracas.

Would you say that opportunities for Brazilian companies in Colombia are essentially the same as in Venezuela?

No, because Colombia and Brazil manufacture more or less the same things. Colombia produces vehicles, footwear, textiles and so on, so it's more difficult to export, because one is competing with the other. Venezuela is different. Thanks to petroleum the country has for decades imported everything it needs and not bothered to build up a diversified industrial base. Now ABDI is working with the Venezuelans and has chosen seven productive sectors for an industrialization project there.



What opportunities are there for Brazilians in Colombia?

We are gaining ground in the services sector, in heavy construction. The Carare railroad project in the center of the country is financed by the BDNES, for example, and it will be built by a Brazilian company. There are also opportunities in mining. The 40-year struggle with the FARC guerrillas means nobody has had the courage to go into the forest to work a mine, because they could face kidnapping or death. There are few countries that are so large and have such mineral wealth that are as under-developed as Colombia.

During President Lula's recent visit to Colombia, there were suggestions that Colombian businessmen could participate in the development of a new Embraer airplane. Is there anything concrete in this?

You're talking about the 390, which will substitute the Hercules. It will be a passenger and cargo plane, not just for military use. The president of the Correios – the Brazilian postal service – is very interested in this plane to carry mail and parcels. But at this moment I think it is still in the planning stage.

Does Colombia have an aeronautical industry?

No, but the country has a good naval construction sector, building goodquality smaller ships for coastal work, and rivers and lakes. This is something Brazil is very interested in. President Lula told President Uribe that he was interested in these shipyards, and that the Brazilian government would be interested, if possible, in doing something there.

Can't Brazilian yards meet the demand?

In Brazil, it always seems to be all or nothing. In 1970 we were the world's second biggest ship-builder. Then we simply trashed our shipbuilding sector. Now we've put it back on its feet and filled it with orders, so there's no more capacity.

Is that because of Petrobras?

Well, Petrobras alone needs 200 new ships, counting natural gas ships, oil tankers and support vessels. Petrobras will need 38 drilling vessels. Uruguay has some yards that can be used, and so do Colombia and Argentina. Colombia for example could produce river patrol boats, principally for Brazil's northern borders. President Lula discussed this with President Uribe and asked Brazilian Defense Minister Nelson Jobim to check out the possibility of doing something together with the Colombian shipyards.

What about agriculture?

They are already producing one million liters each of ethanol and biodiesel



per day in the South of Colombia, and the country has a program to blend this into the fuel. We would be delighted if they started importing flexfuel cars from Brazil. As they already have a good volume of ethanol production, they could rapidly build a distribution network across the country. We are talking about this with Chile as well. If vou import a gasoline powered car vou end up tied to that fuel for the next 15 or 17 years, because it will only run on gasoline. The more quickly you switch over to flex models, the more the consumer will be free from just fossil fuel. This is a great advantage, principally for a country like Colombia that already produces ethanol.

Most of the Chilean population lives in Santiago, which is surrounded by the Andes Mountains. Would using ethanol be an environmental solution for Chile?

Chile imports all its cars and is very dependent in terms of energy. It's a major consumer of gasoline and diesel. Santiago was the first city in Latin America to bring in strict environmental rules, because the city is located in a bowl, so to speak, and all the pollution is concentrated. The Brazilian vehicle industry had difficulty in exporting to Chile until the middle of the 1990s because our vehicles used carburetors and did not match the required standards. When carburetors gave way to electronic

ignition it was possible to comply with the emission limits, and we started exporting again.

Embrapa is becoming an international showcase for modern Brazilian agriculture. How can it help win new business?

In Cuba, Embrapa is helping evaluate 40,000 hectares for planting with sov. There was some discussion in the Cuban government about if this area was appropriate or not for this crop. Well, this is not something for a government to discuss, it's a matter of calling in an agricultural technology company like Embrapa to check the soil and climate conditions, and so on. This initiative could benefit the entire Brazilian agribusiness sector with exports of machinery, agricultural implements and so on. Case has already sold dozens of sugarcane harvesters to the Cubans and they're very happy with them, because each new machine substitutes five of the old models imported from the former Czech Republic and from Russia.

What other opportunities does Cuba offer?

Well, Cuba is working with Brazil on an ethanol program. Cuba's Industry and Trade Minister Raul de La Nuez visited Brazil late 2007 and went to the Center for Sugarcane Technology in Piracicaba (SP). He also took a great fancy to the guaraná soft drink. Now, all Brazilians who go to Cuba, whether they are employees of ABDI or APEX, they always take some cases of cans of guaraná. And a Brazilian company is evaluating the feasibility of building a factory in Cuba.

How does Argentina fit into the current picture?

Today Argentina is our biggest single trading partner and bilateral trade should reach US\$30 billion this year. We have tried to boost this bilateral trade as much as possible and the recent agreement making it possible to settle exports between the two countries in pesos and reais is an important step in that direction, because it will simplify trade and reduce transaction costs for companies. Another important example of this policy of promoting trade with Argentina is the automotive agreement. This was a stop-gap measure for 15 years, but recently we renegotiated it for six years. After that period the trade will be completely free, without tax or any other barrier. The footwear sector is also having discussions.

What about?

Indular, which is the only large footwear factory in Argentina, was acquired by Vulcabras (of Brazil). All the other Argentine footwear producers are small. Indular makes quality footwear with a higher added value than the Brazilian product. Now the Indular team plans on organizing the Argentine market to negotiate an agreement with European makers. The goal is to achieve zero tariffs for all Brazilian and Argentine footwear in all of Europe, and not just the European Union. That means a reduction from 8% to zero. There's really a lot going on. Camargo Corrêa, for example, has announced the possibility of building a new cement factory in Argentina.

A stretch of the Pacific Highway: 1,200 km linking Rio Branco in Acre with the Peruvian ports of Ilo and Matarani will cut through the Andes Mountains and the Amazon Forest



Brazil is rediscovering Latin America and this can be seen in various ways. Trade has almost tripled with the region since 2003. The sum of Brazil's exports and imports with its neighbors surpassed the US\$ 60 billion mark last year. Brazilian businesspeople are now increasingly pursuing investment opportunities in neighboring countries. In 2007, Brazilian companies invested 15.8% of the total investments abroad of US\$ 11.65 billion in Latin America. This did not even amount to 9% in 2006, according to a recent survey by the Foreign Trade Studies Center (Funcex)*. In 2007 alone, Marfrig, one of the largest companies in Brazil's meat-

packing sector, bought three meatpackers in Argentina, Chile and Uruguay, respectively, for approximately US\$ 310 million. At the same time, Artecola, a manufacturer of industrial adhesive products in the Vale dos Sinos region of southern Brazil, acquired four companies in Argentina, Chile, Peru and Mexico.

Brazil not only invests in producing goods and services but is also financing infrastructure projects in the region amounting to US\$ 6.5 billion. Brazilian companies are building roads and bridges in the Andes, hydro-electric plants in Colombia and Venezuela, an airport and irrigation channels in Ecuador,

gas pipelines in Patagonia, water and sewage treatment stations in Lima and Buenos Aires, as well as a metro project in Caracas. (This amount includes loans which have been approved but the projects have not yet got underway). They are also distributing fuel in Argentina, Uruguay, Paraguay and Chile, producing beer and soft drinks in Argentina, Peru, Bolivia, Chile and six other countries, software and advertising announcements in Argentina and making cement and steel everywhere.

The region finally seems to be overcoming - or, at least, creating the conditions to overcome - some of its traditional scourges, such as poverty, social upheavals, political instability and low growth. Latin America's economy grew by 5.7% last year and is expected to expand by 4.7% this year despite the international financial crisis and uncertainty on markets in the developed world. The region has grown for six consecutive years, according to figures from the United Nations Economic Commission for Latin America and the Caribbean (ECLAC). This is the longest expansion the region has enjoyed for 40 years.

Brazilian multinationals are playing an important part in this new push forward. Take the example of Colombia where investments by Brazilian companies





Diplomatic bustle: President Lula meets with businessmen in Buenos Aires and with President Uribe and singer Shakira at a national festival in Leticia, Colombia

INTERVIEW: ANDRÉ GERDAU JOHANNPETER

THE EARLY BIRD

Starting before the competition has been a competitive advantage in Latin American expansion, says the president of the Gerdau steel group

multiplied tenfold from around US\$ 50 million in 2006 to US\$ 530 million last year. Brazil has become

the third-largest investor at the very moment when the Colombian economy is taking off. Colombia's economy grew by 7.5% in 2007. Much of this big increase was due to the Votorantim Group's acquisition of control of a large steelmaker, Acerías Paz del Rio.

Growth Potential

Gerdau, Petrobras and the bus manufacturers Marcopolo and Busscar are also in

Colombia. "Latin America is now a region of potential growth for the steel sector, particularly as a result of the low current consumption of steel per inhabitant and the high rates of growth which need strong investments in infrastructure and, in turn, present strong demand for steel," says André Gerdau Johannpeter, chairman of Gerdau which is based in southern Brazil. Gerdau invested US\$ 466 million in the region in 2007, the year in which the company expanded most in Latin America. It bought plants in Mexico, Venezuela and the Dominican Republic which joined others in Peru and Colombia, along with older acquisitions in Chile, Argentina and Uruguay.

Like Gerdau, Brazilian investment in neighboring countries is more varied. In the first wave of expansion, Brazilian companies were attracted to the Mercosul countries, particularly Argentina which is the second-largest economy in South America. Argentina has around US\$ 7 billion in investments by Brazilian



GERDAU, A STEEL conglomerate based in the southern Brazilian state of Rio Grande do Sul, made its first moves towards becoming a multinational in 1980 when it bought a steel plant in Uruguay. Next came Chile, Argentina, Colombia, Mexico and other nearby countries, so that today the region is home to nine of the group's 13 foreign operations, according to the Dom Cabral Foundation business think-tank. "Gerdau's skill has been taking good advantage of business opportunities in Latin America," said André Gerdau Johannpeter, president of what is today Brazil's most internationalized group.

Why the option for neighboring countries?

At the time, we chose Latin America because of the geographic proximity and the relatively similar culture. More recently, our investments have been justified by the high rates of growth in the region, driven by investments in infrastructure and, consequently, the high growth in demand for steel. Consumption of steel per capita in Latin America is still very low, compared to developed countries, and this indicates great potential for growth. Additionally, Latin American countries are more open to foreign investment and in general now have governments that are politically and economically more stable.

What advantages did Gerdau have compared to local and multinational companies that were also present in these markets?

In terms of advantages over local groups, I would highlight Gerdau's great experience in steel-making, with well-established processes and qualified people. With respect to third-country multinationals, our advantage was having started the process of expansion via acquisition earlier than the competition. This allowed us to acquire companies when asset prices were lower and gave us time to learn to operate efficiently in the Latin American market.

Will the strategy of international expansion be continued?

Our plan is to continue growing in the region as the opportunities arise, be it by acquisition, alliances or expanding our existing plants. The Gerdau long-term strategy is based on growth and profitability, and all our investments will be directed to these goals. Our presence in Latin America fits into that strategy perfectly, both in terms of growth, as I explained, and also in terms of profitability.

Cover Story



Siderperu workers: Gerdau invested US\$466 million in the region in 2007

companies which are the main direct foreign investors along with American companies.

The most high profile transaction in this period was probably the acquisition of the Argentinean brewer Quilmes by Ambev (the group formed by the merger of Antarctica) which started in 2002. This was more visible because, unlike most Brazilian companies which ventured abroad in the Americas, AmBev produces and sells a popular item.



Petrobras filling station in Buenos Aires: Brazilian investment amounts to US\$ 7 billion

Its purchasers are people and not other companies which forces it to dispute directly with the consumer's preference for beer and soft drinks. As a result, the company, which is currently present in 12 Latin American countries, became a kind of standard bearer for the Brazilian multinational abroad, aggressively promoting its brands.

There is a difference in this new way of international expansion. The big Argentinean market is still in

GOING AGAINST THE FLOW

To avoid being gobbled up by a global multinational, Fischer has created a regional network of advertising agencies

FISCHER AMERICA ARGENTINA

was born amidst widespread popular unrest. It was early 2002 and Argentina was trying to resolve a crisis sparked by the resignation of President Fernando de la Rúa and the end of a rigid peso-dollar exchange rate parity. But it wasn't the first time that Brazil's Fischer agency had ventured abroad. In 1998 the agency set up shop in Venezuela, following a client that was going international – the Brahma beer company, now part of Anheuser-Busch InBev.

From then on, Fischer has swum against the market tide. Rather than being swallowed by a global multinational like so many Brazilian agencies, it became a regional multinational itself. After some ups and downs it now operates in Argentina, Brazil, Colombia and Mexico, with a foothold in Portugal. Venezuela, however, was closed.

"So far there is not one independent advertising agency south of the Equator that has gone international," said Antonio Fadiga, president of Fischer America. The Brazilian market is no exception. "Brazil is used to being the prey, not the hunter," said Eduardo Fischer, director of the Totalcom group that controls the agency. "Multinationals gobble up advertising talent everywhere, but we thought Brazilian talent could create multinationals. It's been tough, but we've reversed the process."

Why Latin America? Fischer summed it up as proximity, language and similar currencies, plus a reason he sees as fundamental: "Brazilian creative services offer a differential." Cultural and linguistic affinities also make it possible to serve clients in the Spanish-speaking part of the continent from a few key countries. He sees Argentina and Colombia as key markets.

Despite all the affinities, national characteristics must be respected. Clara Mazzei, the regional coordinator of the network of agencies, spends her days handling the subtleties. The language might be the same Spanish, she said, but the way people speak differs from country to country. "Language is

Geographical and cultural proximity is a factor in attracting business

view but the Andean countries have entered the dispute for Brazilian capital, particularly Chile, Peru and Colombia.

A high profile transaction was the purchase of Avianca, one of the oldest airlines in the world and the largest in

Colômbia, by the Synergy group which belongs to Germán Efromovich, a Bolivian-born naturalized Brazilian. The deal was made in March 2004 and gave Colombians a positive view of Brazilian investment, according to consultant Sandra Rios of the National Confederation of Industry (CNI). "Agriculture and the upgrading of infrastructure in Colombia are opportunities for Brazil," she said.

Figures from Funcex show that in just six years, from 2001 to 2006, Brazilian companies' investments in Chile grew by more than 11 times and jumped from less than US\$ 160 million to almost US\$ 1.8 billion. The biggest rise occurred between 2005 and 2006. Investments in Peru increase 5.9 times in the same period. These results did not only come from giants like Petrobras, Gerdau and Votorantim but from smaller compa-

nies which do not feature on the list of the 20 top Brazilian multinationals.

These are IT companies like Totvs and Datasul, which are merging in an attempt to form the largest management software company based in emerging

countries and the second in terms of market share in Latin America (see page 38). This list also includes service companies such as the vehicle hirer, Localiza and Gran Sapore, a mass catering company from Campinas which is now active in Mexico and Colombia. It even includes an advertising agency, Fischer América, which has operations in Argentina and Colombia (see box). They are following the path of young multinationals from other continents, according to to the economist Luís Afonso Lima, chairman of the Brazilian Society for Multinational Companies and Economic Globalization Studies (Sobeet). He believes the geographical and cultural proximity plays a large role in going international. "Figures from UNCTAD show that this has also happened in Asia. Companies from Japan and Korea started investing in neighboring countries like Vietnam, Thailand and China," he said



much more formal in Colombia, even between parents and children, and morals are stricter," she said. Humor, always an advertising tool, can also vary, from English-style irony in Chile to a more playful style in Argentina. And Mexico is different again: "To start with, they have lunch at three-thirty," joked Fischer.

Beer, a major advertising client virtually all over the world, also creates some advertising problems. In Brazil, beer is synonymous with fun, partying and beaches all year round. But, asks Mazzei, what about her native Argentina where people can go the beach only one month of the year? The answer is to associate

beer drinking with music and the company of friends. In Chile it's the same thing, while Venezuela and the Caribbean are much happier with the Brazilian model.

For Fischer, Brazil and Argentina are similar in the degree of cheekiness that they accept in advertising. In other markets, however, creativity requires caution. "Intelligence is finding a way to speak to everybody," said Clara. At such moments, diversity helps. Fischer recalled that when the agency had to present a campaign proposal for various Andean countries, it mounted a three-week workshop in Buenos Aires with Brazilian planners and Colombian and Argentine creative teams. They got the job.

The similarities between the South American countries and the various regional markets in Brazil were also important for Localiza, a vehicle rental firm based in Belo Horizonte, which is now active throughout almost the whole of South America. "Brazil is a continental-sized country. We have a number of environments which are similar to those of South American countries and this facilitates integration and our operations," says Aristides

Newton, Localiza's vice-president of franchising. The company bet on the expansion of the Mercosul and went on to become a large rental company in the region.

Other companies do not even need to pursue work as they are being approached by potential clients interested in technologies created in Brazil. Twentythree agricultural technicians from Venezuela visited a soybean cooperative in the Barreiras region in the

UNDER THE SAME ROOF

Working together, Totvs and Datasul will be able to expand faster throughout Latin America

TWO LEADING BRAZILIAN

software firms have merged, and their Latin America operations will spearhead the changes as the new group seeks greater international efficiency. Totvs from São Paulo and Datasul from Joinville in the State of Santa Catarina are both producers and vendors of business management solutions. "The first area to feel the effects of the merger will be international," said José Rogério Luiz, vice president and director for investor relations

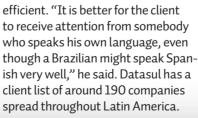
at Totvs. "Our goal is to have our operations working under the same roof in Mexico and also in Argentina by the start of 2009."

Both companies had been operating separately in these countries. Datasul also has offices or representatives in Chile and Colombia and served cli-

ents in neighboring countries through this structure. In future the group's international operations will do business under one brand, probably Totvs, said Luiz. Counting the operations of both companies, he estimated that between 4% and 5% of total group billing – which was around US\$486 million in the 12 months through March this year – would come from international operations.

Before the merger, Datasul last year took an important step towards consolidating its status as a Brazilian multinational in Latin America by inaugurating a software development center in Cordoba, Argentina, which also serves Spanish-speaking clients. This unit located in Northern Argentina will focus on supporting Spanish-language clients who were

previously served out of Brazil. The Cordoba office has a staff of over 70 and one of its functions is to "localize" products – adapt them to local markets. Jenal Klaumann, the Datasul operations director for Latin America, said that client service has become faster and more



The most recent advance came in Colombia, where the company this year announced it was opening new franchises in Bogota and Medellin. Datasul received help from the Colombian commercial promotion agency Proexport in its search for potential clients. "They were very professional and helped to organize visits to more than 20 potential clients," Klaumann said. The Colombian franchises will also act in the neighboring markets of Ecuador, Panama and Peru.

Brazilian companies enjoy certain advantages in the Latin American market, Klaumann said. One is scale. Datasul's R&D investment normally exceeds the total billing of most local competitors in the markets it goes into. Technology is another plus. In most countries the supply of locally-developed products is pretty meager, but Datasul offers business management software that is calibrated to the needs of midsized and large companies that don't want the higher cost of the systems developed by the global multinationals, SAP and Oracle, which tend to be more expensive and suitable for very large companies. It's a case of less being better.



Klaumann: scale is a competitive advantage



Ambev in Latin America: Brahma became Brahva in Guatemala (left) and chases the youth market in Venezuela



Cerrados Development Program (Prodecer) which opened Brazil's Midwest to agribusiness through the use of technology cultivate the soil of the Cerrado region.

The Venezuelans were interested because they want to learn to plant in a similar kind of land known as "sabanas" to reduce Venezuela's dependence on imported food. Venezuela imports about one million tons of soybeans a year and produces just over 20,000 tons of the product itself. "We are at the dating stage," says the chairman of Campo, Emiliano Botelho, which was responsible for the initial contacts with the Venezuelan government. The aim is for Campo to set up a pilot project of 50,000 hectares of soybeans in the Venezuelan state of Monagas for the 2009-2010 harvest. The goal is to plant 500,000 hectares in five years, with technical assistance from Embrapa which established an office in Caracas in March. A project like this goes beyond just the company involved. The entire chain of

small, medium and large firms could be involved - including tractor and machinery manufacturers, suppliers of seeds and packaging, providers of technical service and companies offering commercial and logistical support.

Stability

To help Venezuela produce grains is part of a wider objective within Brazil's foreign policy - to support the political

Brazil has a solid trade surplus with the countries in the region

and economic stability of countries in the region (see article by President Luiz Inácio Lula da Silva on page 41). One way of doing this is to help and improve the exporting structure of neighbors, such as Venezuela, which has become used to importing all it needs with the money it earns from oil and has not developed its domestic production. "It is in Brazil's interest to reduce the trade deficits the countries in the region have with us," says Clemente Baena Soares, one of the officials who is responsible for the South American department of Brazil's foreign service, the Itamaraty. Brazil exports much more than it imports from nearly all the Latin American countries (see page X.) with the exception of Bolivia, due to the gas which Petrobras exploits. The

Brazilian government is pledged to narrow the trade gap. "We want to identify with suppliers of products which Brazil imports as a way of balancing out trade," says adviser Norton Rapesta of the Itamaraty's trade promotion division.

The search for natural resources and facilities to enter other markets is another reason for Brazilian companies to go abroad. The attraction for the petrochemical company Braskem is

the natural gas found in Peru and Venezuela which is cheaoper than Brazilian petroleum used in the manufacture of plastic resins. The vice-president of international business, Roberto Ramos, sums up the reasons why Braskem

started to look to neighboring countries: "Peru has gas and ports on the Pacific, with easy access to Asia while Venezuela has gas and is close to the American and European markets".

Braskem has two projects in Venezuela where it operates in partnership with the state-run Pequiven .

One of the attractions of Latin America is the fact that it has grown more than Brazil

This is an investment of US\$ 850 million in polypropylene production plant and another US\$ 2.5 billion in a polyethylene plant set to start operations in 2011-2012. It Peru it is working with Petroperu and Petrobras and consider-

ing building another polyethylene plant. "The aim is to be as close as possible to a port, preferably Callao at Lima," says Ramos. A viability study will be ready by the end of the year and the final decision on the investment estimated at around US\$ 2 billion, should be taken in 2009.

Braskem is also looking at Bolivia, where it has an agreement of understanding with the state company YPFB which owns the large gas wells to study a similar project to the one in Peru. Braskem is no different from all the other companies studied for this report: practically al of them want to expand and strengthen their business in Latin America. "Going international is inevitable," says ex-ambassador Sérgio Amaral who is now working in the private sector.

Amaral regards Latin America as an attractive opportunity for a number of reasons beginning with the fact that it has grown more than Brazil on average. He also refers to the return to democracy in the 1980s, the economic reforms in the 1990s and the emergence of social movements which are now incorporated to public life in countries with the most solid institutions. "There is now much more political stability," he says. Those Brazilian companies which are entering neighboring markets at the right time have discovered today that, once the initial resistance has been overcome, the international expansion becomes be necessary and increases the results. There usually no going back once a leap like this has been taken. ■

* An edited version of the study "Investimentos brasileiros na América do Sul: desempenho, estratégias e políticas", by Fernando Ribeiro and Raquel Casado Lima will be published in the Revista Brasileira de Comércio Exterior.



BUSY AGENDA

Fiesp Works to Diversify Commercial Partnerships

PRESIDENTS ALAN GARCIA of Peru and Luiz Inácio Lula da Silva of Brazil met again in September at the São Paulo State Industry Federation (Fiesp) headquarters on Avenida Paulista. The September get-together brought 150 Peruvian businesspeople to Brazil for a meeting that officially kicked off Peru Week; Brazil's biggest city enjoyed a blitz of Peruvian art exhibitions, food fairs and other activities. Fiesp President Paulo Skaf said he wanted to show that there's no point in trying to exclude commercial partners. "Why do we have to choose between closer links with the United States or Peru?" he asked. "Why can't we be close to both?"

In August Fiesp staged a Chile Week. Although it has a relatively small market, the country offers investors other attractions: stable rules; investment-friendly laws; access to Asian markets and 57 free trade agreements with just about all the important economies in the world. In March of 2009 it will be the turn of Argentine President Cristina Kirchner to hand out her business card to Brazilian company leaders.

An irreversible strategy

Our collective commitment is to strengthen democracy, economic integration and social justice throughout Latin America Luiz INÁCIO LULA DA SILVA*

ight from day one of my Government, I decided that Brazil's foreign policy would give priority to strengthening relationships with Latin America. The conditions had never been so favorable for Brazil to reinforce its relations with the region.

Like Brazil, Latin America is undergoing a period of exceptional confidence in the future. We are overcoming social inequalities and traditional economic weaknesses. The governments of the region, regardless of their party politics, are committed to a regional integration project founded on democracy and growth and is accompanied by social justice. The quality of life indices have improved, with a decline in poverty and a rise in the middle class. None of this would be possible without consistent macroeconomic policies, centered on combating inflation and providing credit to the less favored sections of the population. The resulting increase in the creation of formal jobs and higher income has created millions of new consumers and a virtuous cycle of sustained growth.

As a result, the region grew by more than 5% on average in 2007 in what was the longest cycle of economic growth in 40 years. At the same time, trade has reached record levels. Trade between Brazil and Latin America, for example, jumped from US\$ 23 billion in 2003 to US\$ 63 billion in 2007 and the trend is for further sharp growth.

To consolidate these advances, we are strengthening regional integration projects, particularly in infrastructure material for transport, communications and energy. We are reinforcing the internal links and creating contacts which will allow us to take advantage of our vast natural resources in a more efficient way and

make the most of the fact that we live in a peaceful region which is free of ethnic or religious tension and military rivalries.

These are impressive triumphs in a world which is becoming increasingly globalized and unpredictable. At a time when there is tough competition for energy, Latin America has some of the world's largest reserves if we consider hydro-electric, petroleum, gas, bio-fuels, solar, wind and even nuclear power.

Our region is also extremely well positioned to take on the challenge posed by the current steep rise in food prices which threatens the progress made in

We are fully involved in continental integration.
Investments reflect confidence in the potential of the region

reducing poverty at world level. We have vast areas with agricultural potential and are expanding our production of agricultural products.

Through developments, such as the Union of South American Nations, we are creating the political, economic and financial bases to speed up the integration of the continent. It is in this spirit that we will host the Latin American and Caribbean Summit Meeting on "Integration and Development" in Brazil at which we will take advantage of all the potential synergy and complementary nature of the initiatives which are already underway.

Brazil is fully engaged in continental integration. Brazilian investments in neighboring countries are growing and reflect the confidence in the region's potential. In Argentina alone, we have investments of more than US\$ 7 billion in strategic sectors such as energy, food, transport and cement. This presence is starting to be seen in other countries in Latin America and the Caribbean.

In South America, the Brazilian Government has approved loans for around 50 infrastructure and transport projects of US\$ 6.5 billion since 2003. This is the same approach that has led Brazil to enter the Center American Economic Integration Bank recently with a contribution of US\$ 200 million.

Through technical missions and regional offices, we are contributing Brazil's technical experience and technology to this project of integration and regional development. This is the case with training in agriculture and industrial production. We are also establishing partnerships with our neighbors which have the conditions to repeat the economic, social and environmental results we have harvested with the ethanol and biodiesel programs. Partnerships based on Brazilian social programs are also helping our neighbors combat obstacles to development and the well-being of their people.

Brazil's strategic option for Latin America will not be reversed. This is the only way we can bring prosperity to our people. We will resist the external shocks in a world which is facing unparalleled challenges and we will make sure our voice is heard at international discussions.

Our collective commitment to strengthen democracy, economic integration and social justice throughout Latin America is the best contribution we can make to build the more peaceful, prosperous and fair world which we all desire.

Neighbors invite Brazil to help them modernize

Brazilian construction companies undertake projects worth more than US\$ 4 billion to build roads, railways, gas pipelines and hydroelectric plants ARMANDO MENDES

ne Saturday morning last July, the Colombian President, Álvaro Uribe, told his Brazilian counterpart, Luiz Inácio Lula da Silva, that he had been contacted earlier that week by many Colombians wanting to know whether Brazil would really be constructing a railway line linking the center of Colombia to the Caribbean Sea. President Uribe made the announcement at a meeting with President Lula before a group of more than 100 Brazilian and Colombian executives in a hotel room in the Colombian capital, Bogota. "I told them I would be meeting President Lula today and ask him", President Uribe said. Some time later, President Lula

confirmed that Brazil would indeed be financing the railway which would run from the town of Carare to a port on the Magdalena river and from there to the Caribbean. The project will make it easier to export coal from Colombia which is the biggest producer in South America. The Brazilian national development bank, the BNDES, will finance the project through a loan of US\$ 650 million.

The previous evening, on a dusty football pitch in Riberalta, a town in the

Bolivian Amazon region, Lula had given a similar commitment to Bolivia's President Evo Morales. Brazil will lend US\$ 270 million to upgrade 508 kilometers of unpaved roads which link the capital La Paz to the north of the country. The President of Venezuela, Hugo Chávez, was also in Riberalta to announce loans of US\$ 300 million to Morales and challenged Lula to match his "bet".

The Amazon Corridor, as it is called, will link Porto Velho in the Brazilian state of Rondônia to La Paz and then continue to the Chile's Pacific coastline. The road crosses the border at Guajará-Mirim where Brazil will build a bridge and pass through Riberalta on the way to the Bolivian capital. It will help resolve the transport and logistical problems which are currently the most serious obstacle to Brazil's exports to neighboring countries, according to a recent survey by the National Confederation of Industry (CNI).

Financing the upgrading of the roads and railways of neighbors is also an additional attraction for Brazilian companies. It opens the way for Brazilian companies to do business in countries with leftist leaders, such as Morales and Chávez, to more conservative leaders, like Uribe. The Brazilian funds can only be used to finance exports of domestic goods and services and these projects will soon be in the hands of Brazilian companies. For example, the construction firms Norberto Odebrecht and Camargo Corrêa, will form a partnership to take part in the Carare railway although they have not yet confirmed that they have been chosen. "The process is somewhere between the

political decision and the definition of technical details," says Kalil Cury, Camargo Corrêa director for new business. Despite this, Comlombian authorities made a presentation of the infrastructure projects in his country at the Bogota meeting in which the Carare contract seemed destined for the Brazilian companies.

From the construction of gas pipelines in Patagonia to the widening of the Panama Canal, Brazilian companies are

involved in – or disputing, in the case of the Canal – dozens of projects across Latin America. The construction firms were the first to venture abroad due to the stagnating home market in the 1980s when the flow of public funds for large engineering projects in Brazil dried up. Nowadays, in better times, they are benefiting from the urgent need to reconstruct the infrastructure of neighboring countries. The so-called "lost decade" did not just affect Brazil but the whole continent.

Transportation and logistics are the greatest problems for Brazilian exports



The list of projects includes hydro-electric plants and irrigation projects in various countries, an airport in Ecuador, gas pipelines in Argentina, the expansion of the metro in Caracas, and water and sewage treatment stations in Lima and Buenos Aires. The total value of the projects which have been recently concluded or are under construction is more than US\$ 4 billion. This amount also includes the construction of bridges, railways and roads to finalize the links between the Atlantic and Pacific coasts - the inter-ocean corridors. This is the case with the road which Lula announced in Bolivia and the

Pacific Highway, a 1,200-kilometer highway which will link Rio Branco and Assis Brasil, in the state of Acre, to the ports of Ilo and Matarani in southern Peru. Camargo Corrêa, Andrade Gutierrez and Queiroz Galvão will be present, constructing a 306-kilometer stretch between the Peruvian towns of Inambari and Azangaro at a price of US\$ 215 million.

Once the highway leaves the Amazon it climbs the Andes, passes through Cuzco and descends to the other side to the Pacific. "Do you know what it's like to pave a road at an altitude of 4,000?" asks Kalil Cury, the Camargo Corrêa director. (The asphalt has to be changed due to the cold and rarefied air.) In fact, this existing precarious route is being remade and upgraded. Cury is



Full order book: the Orinoquia Bridge in Venezuela (above) and gas pipelines in Patagonia, Argentina – Brazilian construction companies are everywhere

reluctant to say how long it will take to travel from Acre to the Pacific on the new road as the Andean stretch is twisted and slow and hugs almost vertical mountain faces. However, he guarantees it will be shorter than the long boat trips across the continent required to transport a cargo from a Brazilian port to Peru or Asia.

And the Panama Canal? For the moment this is only a tender bid. Three Brazilian construction firms – Camargo Corrêa, Andrade Gutierrez and Queiróz Galvão, once again – are part of one of the multinational consortia which are prequalified to bid to widen the Canal. The winning companies should be announced by December by the Panama Canal Authority which runs the waterway.

What Lies Ahead

PIB was born a year ago with the mission of covering the international expansion of the Brazilian economy. Specialists Maria Tereza Fleury and Afonso Fleury describe the key events of the last 12 months and identify the challenges that await Brazilian companies as they try to break into the globalized economy by Maria Tereza Leme Fleury and Afonso Fleury



n 2006, the flow of direct investments out of Brazil exceeded the inward flow for the first time, and one result has been for Brazilian multinational companies to occupy an ever-greater space in the national and international media. The birth of PIB a year ago and its success amongst businessmen, researchers and people connected with official bodies is proof of the importance of the subject. And the numbers underscore the point: according to data from the Brazilian Central Bank, in the first half of 2008 the outward flow of Brazilian FDI exceeded US\$8.5 billion, a record since the Central Bank survey began in 1947.

Various financial factors lie behind this boom, for example the strong real currency, the high international liquidity and the large volume of funds flowing in when companies launch their shares on the stock exchange. In 2007, according to KPMG, a consultancy, the total volume of deals done by Brazilian companies buying businesses abroad jumped 40% over the previous year. In all, KPMG identified 66 such operations.

Some deals were particularly newsworthy, for example the pur-

chase of Chaparral Steel of the United States by Brazil's Gerdau, the acquisition of Swift Foods of the US by JBS-Friboi and Sadia's 2007 construction of a factory in Kaliningrad, in Russia. It should be noted that these represent investment flows to developed or distant countries, outside the Latin American region. At the same time there has been

another more subtle change that is essentially cultural. It has to do with the more active stance of government agencies with respect to the process of internationalization of the economy

and with the positive perception of the phenomenon on the part of the general public. There's even an element of national pride. The argument that outward FDI means a loss of jobs or resources has been substituted by a perception that it brings gains for the country.

What might these gains be?

For companies, they are reflected in greater demand, scale, productivity and even innovative capacity. At the recent National Forum organized by former minister João Paulo dos Reis Velloso in Rio de Janeiro, Professor

Cláudio Frischtak mentioned how the production of the subsidiaries of Brazilian multinationals tends to be positively correlated with job creation and exports of their Brazilian operations.

There's also a positive effect throughout the input supply chain, with suppliers coming under pressure to accompany their clients

and establish an international presence. Finally, there's a gain for the country's image via the promotion of Brazil as a brand.

It can thus be said that the internationalization of Brazilian

companies generates a positive balance for the country. The question therefore becomes – does the process have the vigor to be sustainable? An initial indicator of its velocity is the formation of the stock of Brazilian investment abroad. Here, data suggests that while outward Brazilian FDI has grown in the last 15 years, it has done so more slowly than outward FDI of emerging economies such as China and Russia.

A second question concerns how Brazilian multinationals operate. How does the process of interna-





tionalization influence the model of company management? In a study by the São Paulo University's Nucleus for Research in Technology Policy and Management, conducted with the help of the Foundation for the Support of Research in the State of São Paulo (Fapesp), we examined 30 Brazilian multinationals and 67 subsidiaries of foreign companies, examining the most important aspects of organizational competence in three moments: before, at the start of and following internationalization. We observed that to compete in the domestic market, the companies attached greatest importance to their technological skills, followed by production and logistics skills. Curiously, among the companies we studied the question of personnel management was seen as least important for their local operations.

When companies invest abroad, be it via acquisition or the creation of a new subsidiary, the production and logistics skills tend to be seen as most important. The management model and personal management rise to second and third place respectively in the ranks of importance, reflecting the requirements of this moment of transition. In the next phase, however, there is another change of priorities. At the

top of the list we find marketing, client relations and investments in research and development, reflecting the company's new situation. Personnel management skills, however, slip back down the priority list

 in our view, a priority that should be reconsidered at this point in the company's development.

The study also showed that Brazilian companies are only just starting to learn to act as head offices and how to deal with subsidiaries. Brazilian multinationals seek to keep control over their operations and give their subsidiaries very little autonomy and space for initiative. Just 7% of the subsidiaries studied said that they enjoyed the initiative to develop new products, assume responsibilities and develop new business.

Of course there are exceptions, of companies with more tradition and experience that have fully assimilated the lesson that they need to grant their subsidiaries greater autonomy and to develop collective forms of learning (like Odebrecht, for example), or of companies that actually acquire subsidiaries in developed

Brazilian companies must modernize their management countries in order to learn from them, technologically – Sabó is an example. We also identified "rebel" subsidiaries that take the initiative and become entrepreneurs and act independently of the head office.

In order for Brazilian companies to develop, move up the value chain and operate positively in the countries where they invest, they must evolve in the way they manage their subsidiaries. They need to develop new management models, learn to manage in a more integrated manner and to take advantage of the opportunities that the subsidiaries identify to develop new business. The maturity and sustainability of the internationalization process of Brazilian companies depends, amongst other things, on this ability to learn. ■

Maria Tereza Leme Fleury is a director of EAESP/FGV and a professor at FEA/USP. Afonso Fleury is a professor at Poli/USP. They are authors of the book Internationalization and the Emerging Countries ("Internacionalização e os Países Emergentes").



"Today I am muito busy"

Mixing Portuguese and English in their every-day conversation, Brazilians now make up 40% of the population in the small town of Gort in Western Ireland. Some are doing well and are very busy. Others have been less fortunate... BY ADRIANA SETTI, IN GORT

itting in his office in an imposing two-story house with five rooms and modern decoration, Anael Barbosa Dias seems a long way from his native Cassilândia, a rural town in the Western Brazilian state of Mato Grosso do Sul. Simultaneously juggling three mobile phones, Dias has a life-style that contrasts sharply with peaceful little Gort, a town of 3,500 people just miles from Ireland's beautiful Galway Bay. "Today

I am muito busy," he confides to a visitor, before returning to one mobile to tell a supplier his proposed price was too high: "This no good to me, brother." Dias speaks English that he learned on the street, blunt and basic, then slips back into his native rustic Portuguese to complain into another mobile about a container stuck in Brazil.

Thick gold rings and heavy gold chains draped from his neck and wrist would suggest that business is good in this mini empire built up in

just over four years by the 1.80-meter Dias, who tips the scales at around 135 kilos. Until 2003 he lived in São José do Rio Preto, in upstate São Paulo, and worked as a personal trainer. "I was super-fit," said the 30-year-old businessman. But then he received an ultimatum from Eucles, his vounger brother. Eucles had some business ventures in Europe, a network of international money-transfer agencies and selling telephone cards for immigrants. It was growing fast and he needed a trustworthy partner to open up new areas of business.

When he arrived, Dias spent nine months working in a meatpacking company in Edenderry, 63 km from Dublin, Saving up, he bought a 1997 van, put in some shelves and hit the road looking for Brazilian expats, go-



ing door-to-door selling imports from the home country – rice, beans, guava jelly, cassava flour, candies and other tidbits that were snapped up eagerly by homesick Brazilians.

Now Dias has six vans criss-crossing the country, all driven by Brazilian employees. "My best salesman is doing up to €7,000 a week," he said. "From here on I want to expand my fleet and delegate all this area of mobile shops to him. I just can't handle all the work." In a little over three years, Dias and his brother have opened four supermarkets and a wholesaler of Brazilian

produce, all called Real Brazil. The storeroom near the center of Gort became too small to handle all the goods delivered by two container shipments a month so another warehouse will be ready soon, big enough to handle 15

Real Transfer will fly Brazilian country singers Bruno and Marrone to Gort for a party



Lindimar, owner of the Via Brazil supermarket: "The Irish love Brazilian guaraná, candies, coffee and beans"

containers with a cold store and modern stocking technology.

In addition, the Dias brothers have rented a small meatpacking plant in Tyrellspass, 80 km from Dublin. "The secret of our success is to use the front part of the bull, which Irish consumers tend to sneer at but which Brazilians and other immigrants such as the Africans like," he said. Trading under the name of Troy Meats, his meatpacker has four employees producing 4,000 kilos of beef cuts and 1,000 kilos of industrialized meat products per week. Both the meat products and the typical Brazilian items are exported to Portugal, the United Kingdom and Germany. And just like the big supermarket chains, Dias is investing in his own brand - products such as rice, beans, wheat flour and cassava flour are sold in Gort in packaging carrying the Real Brazil brand.

Dias wouldn't say how much he's

billing, but indicated it had doubled in the last two years. "If it goes on like this, I'll be a billionaire," he said. The goal now is to build up the business in mainland Europe and expand the customer base. Recently,

Dias opened a store in Setubal, in Portugal. The idea is to use Ireland as a platform from which to supply not just the throngs of Brazilians spread throughout Europe, but also the immigrant communities from other origins and even the local population. "If the gold mine gives out one day, for example with lots of Brazilians going back home, I'll be able to do just fine," Dias said.

So far this meteoric career in Ireland has netted the young Brazilian such trophies as a farm in Cassilândia complete with boat, jetski and motorbikes, law school for his younger brother, a beachfront apartment in the southern Brazilian state of Santa Catarina, the large house which serves as home and office, and medical treatment for his father, who suffered a stroke. This last item is costing him an average of R\$20,000 - some US\$12,000 per month. The party scheduled for November to mark the fourth anniversary of Real Transfer, the money transfer company set up by his brother Eucles, will be reason

enough to fly over the "Bruno and Marrone" Brazilian country music duo from Goiás state. Last vear's party was enlivened by Brazilian funk artist MC Créu, composer of such notable songs as "Danca do Créu" which has a frenetic dance rhythm and normally features scantilv clad girls gyrating what might be delicately described as well rounded hips. And for a year's-end party Dias is planning something really special - he plans hooking up Gort and Cassilândia in a real-time online barbecue, with giant screens and interviews at each end.

Uncertain destiny

While Dias is reaping the fruits of the tough years he's spent so far from Brazil, just a stone's throw from his house a group of some fifty of his fellow countrymen gathered in the main square of Gort face an uncertain future. These are unemployed Brazilians who hang around in the hope of picking up odd jobs, even if just for a few hours - bored men in hooded jackets who speak neither English nor Gaelic, just their native Portuguese, looking for any kind of work. These Brazilians in the town square are the sad side of a story that started almost a decade ago, one that had some happy endings but many which are less so. In 1998 a production unit of Brazil's JBS-Friboi meatpacking company was forced to close. It was the Vila Fabril plant in Anapolis, a city of 320,000 people in Western Brazil.

One of the managers was Jerry O'Callaghan, an Irishman who had lived in Brazil since the 1970s, and he became a kind of link between rural Brazil and rural Ireland. The first wave of workers to

make the trip comprised 25 butchers.

"Brazilians are much more creative than the Irish when it comes to butcherGort school: of the 180 children enrolled, 80 are Brazilian

ing meat," said Isaías Silva, an English teacher in Campo Grande who was hired by the Irish Ministry of Justice to act as an interpreter in judicial questions, and who is a kind of community leader for the Brazilians in Gort. "What's more they are responsible workers, quick to learn the local cuts and never miss a day's work." Noting the success of the Brazilian workers, other Irish companies went to the Anapolis region looking for more people. One such company was Sean Duffy Meat Exports, from Gort.

Attracted by the promise of wages of around €100 a day, still more Anapolis people packed their bags and headed to Ireland under their own steam, without any prior contact with the local meatpackers and without even a visa in their passports. One such was Alan dos Reis Monteiro, a specialist in animal slaughter. "When I arrived I didn't know how to make a phone call, I had no money, I went hungry," he recalled. "But finally I landed my first job, and from then on I have always had work." Once he was settled in, Monteiro was followed by his wife and two children. Both father and son work at the same meatpacker, while the mother and daughter work at an hotel.

Many other stories like that of the Monteiro family help explain a curi-

ous demographic phenomenon: 40% of the population of Gort is now composed of Brazilians, 90% of whom came from Anapolis. Eighty of the 180 children enrolled at the local school are Bra-

ADDRESS TO A STATE OF THE PARTY OF THE PARTY

zilians. The Gort colony represents around 10% of all the Brazilians living in Ireland. Nine out of ten are in the country illegally and so cannot visit Brazil without running the risk of being barred when they return.

In Gort, the friends and family of the meatpackers now work in other sectors that need labor – in civil construction, as domestic servants, in homes for old people, in hotels, restaurants, schools and factories, on farms and in many other places. Alfredo Neto, 20, is a star of the Galway United football team in the neighboring town.

Encouraged by the ease of setting up a company in Ireland, some small businesses are starting to appear among those members of the community who have legal residence. They include two beauty salons, two cybercafés, a franchise of the Wizard English language school (with Brazilian teachers), two supermarkets selling Brazilian produce (one of them a Real Brazil store), and a clothes shop selling tight-fitting, low-cut clothes and platform shoes that an Irish girl would have difficulty walking in. The average wage in the town is €10 per hour, but it can reach €15 in the building trade

The Real Brazil supermarket recently opened a shop in Portugal



At the weekends, while the Irish take refuge in the pubs until midnight, the parking lot of the Real Brazil supermarket is packed with cars parked with their doors open and Brazilian music blaring. Others, less discreet, drive up and down the street to show off their powerful new purchases. It's a scene that might be typical of any small rural town in Brazil, and now it has been incorporated into the life of Gort. Little by little the consumption habits of Irish families in the region are also changing. "They love Brazilian guaraná, candies, coffee and beans," said Lindimar Souza from Paraná State, owner of the Via Brazil supermarket.

"The Brazilians have given new life to a town that was stopped in time," said Scottish sociologist Frank Murray, who acquired fluent Portuguese in the four years he spent working in a Brazilian university. "Today, the local economy and much of the social life of the town depend on the presence of this community," he said. Murray knows practically all the local residents and their respective life stories and is seen by them as a kind of guardian angel.

Simone Bueno, originally from Goiás State where Anapolis is located and now owner of Star Hairdressing which operates on the second floor of a large house in the central square, is one of the Brazilians who are bringing new life to Gort. She has up to 40 clients per day, many of them Irish. Bueno has three full-time employees and three part-timers that help out at the weekends. Another meeting place is the cybercafé run by Josi and Nilton Vieira de Souza, a couple from Londrina. On the notice board the small ads announce jobs vacant, Brazilian parties and local taxi drivers.

Souza founded the now-defunct Gort Brazilian Association. "We spent all day doing voluntary work, translating documents, and the queues were never-ending," said Murray, who also helped out at the association. "The great problem was the language, given that less than 10% can speak English reasonably, and this opens the door to people being exploited by unscrupulous employees."

Long journey home?

A year ago, the Sean Duffy meatpacking plant closed down. Almost all of the 80 Brazilians who worked there have found jobs at other meatpackers in the region, but not all of the other butchers and people with different skills have been so lucky. In 2004, when 10 new countries joined the European Union, Ireland was one of the few "older" members to quickly open up its labor market to workers from the new members.

As a consequence, Ireland received thousands of workers from countries in Eastern Europe, above all from Poland. There are currently 150,000 Polish people living in Ireland. In addition to having valid documents, they normally have a greater facility for learning English. Since then, Ireland has stopped issuing work visas for non-Europeans. What's more, the country is going through an economic crisis that has pushed the unemployment rate up to 5.2%, the highest level since 1999. Even people who already had permission to work there have had their visa renewal refused in recent years. And a new immigration law due to come into force in October promises to make life much more difficult for illegal immigrants.

As the economy of Gort depends on the presence of the Brazilian community - 40% of property is rented to Brazilians, for example the immigration department has so far turned a blind eve to the situation. Only a few rowdies tend to have trouble with the police. However, nobody is sure how long this situation will be able to continue. On the other hand, in August JBS-Friboi reopened the Vila Fabril meatpacking plant, the same one whose closure sparked the exodus of local people to Ireland. The US\$10 million investment has created 260 new jobs in Anapolis. Might this be the moment for the butchers of Gort to start the long journey back home? ■

From Brazil to the world

Multinationals like Whirlpool, Merial, New Holland and Dow maintain centers of excellence in Brazil ANTONIO CARLOS SANTOMAURO



Duarte, of Siemens: center of development for energy generation in Brazil

he workforce is first class, the industrial environment is diversified and the costs are attractive. As multinational companies from the most varied sectors increasingly choose Brazil to base their centers for developing global products factors like these are fundamental in taking the decision. However, a country can also benefit in some cases from something which is less tangible. "Brazilians are pro-active and always ready to take on challenges," says Marcelo Fischer, general manager of technology for the American washing machine manufacturer Whirlpool.

Computer games, giant electric turbines, efficient washing machines, software for mobile phones, and heavy agricultural machinery are only a few of the products developed by multinationals in Brazil and highlight the diversity of skills which have been developed in the country. The capital which irrigates these development centers is foreign, as is the profit obtained, but the presence of this type of structure brings a series of benefits which remain in Brazil.

The path followed by the Brazilian subsidiary of the French-American company Merial, which makes veterinary products, is a good example of this. In recent years, the company's manufacturing complex at Paulínia, in upstate São Paulo, has received investments of US\$ 40 million. Most of the oper-

ations, which had previously been scattered across different countries, were brought to Brazil after the head office noticed that the human resources and infrastructure there brought together ideal conditions for the development of the business. "The country ended up being a logical destination in the structure," says the Merial CEO Alfredo Ihde. The local subsidiary, which used to concentrate on exports to Latin America, now also exports to the United States and Europe. "The plan is to reach 2010 with exports to more than 60 countries," he adds. Merial's Brazilian operations are currently focusing all production on anti-parasite, pastes and chewable products for animals on a global scale. As a result, exports should soar from US\$ 35 million this year to US\$ 300 million in 2010.

The US company Motorola is also located in upstate São Paulo, in the municipality of Jaguariúna where it employs 900 workers at its center for developing software for mobile phones. The result of the work of these researchers benefits millions of users of Motorola products throughout the world every day. "A lot of what we do here is not even used by Brazilian consumers," says Rosana Fernandes, Motorola's director of research and development.

One of the company's latest achievements in Brazil was the development of software to allow mobile phones to use Microsoft's popular instant message tools (Windows Live Messenger better known as MSN Messenger). This was made in partnership with Bill Gates's company. Another recent great breakthrough for the Brazilian team was the creation of the U3 cellular which is exported to a number of Latin American countries and is on the verge of becom-

ing global. Motorola chose Brazil at the end of the 90s because of the country's vast experience of telecommunications. During that period of euphoria in relation to investments in the Internet, expe-

rienced professionals were worth their weight in gold. The costs at that time were much higher – combined with the Brazilian's obvious enthusiasm for the cellular telephone. The bet paid off. Motorola's Brazilian operation exported US\$ 430 million last year alone.

The strength of the domestic market is Brazil's secret weapon Siemens, the giant German group which has development centers for different items for the generation, transmission and distribution of energy located in Brazil. The company will export R\$ 340 million from Brazil in

2008 alone. "Lots of opportunities are now arising in thermal energy, such as burning biomass," Duarte says, highlighting a new development frontier on the market.

The same factor was of key importance two decades ago when the Italian company Case New Holland



A CNH sugarcane harvester: production cost was a factor in choosing Brazil

An additional triumph which boosts Brazil's competitiveness in the dispute for becoming the head-quarters for global platforms is the existence of a large domestic market for various sectors. "Brazil is very important globally in the hydraulic generation of energy," says Newton Duarte, director of the energy area for

(CNH of the Fiat group) centered its technological development and production of mechanized sugar cane cutters and harvesters in Brazil. "The decision took the cost factor into consideration which at that time was much lower. However, what swung the decision was the strategic view in favor of the do-

mestic market growing," says Carlos Santiago, the company's industrial director. In the first semester of the year, two-thirds of the production of 1,500 machines remained in Brazil while the rest were exported.

Accumulated experience

The dynamic automobile industry installed in Brazil is full of good examples. Brazil has been the single world center for developing the architecture of General Motors' medium-sized pickup trucks since 2006. It vied with South Korea for the position and won thanks to the experience it has accumulated in the category. "Korea is responsible for smaller vehicles, an area in which it is more experienced," says Pedro Manuchakian, GM's vice-president for engineering for Latin America, Africa and the Middle East.

Brazil's excellence in developing global automobile products is also seen in the autoparts sector. Germany's Bosch group created its system for Flex Fuel motors in Brazil and its unit in Curitiba is now a Center of World Skills in the production of components for diesel motors. "Brazil's know-how makes it the leader in the development of the Flex system," says Besaliel Botelho, vice-president of Robert Bosch in Latin America. The company has invested more than R\$ 1 billion in Brazil over the last five years.

Brazil plays a strategic role in the white-line electro-domestic appliances market for Whirlpool, owner of the Brastemp and Consul brands. The company arrived in Brazil at the start of the 90s after acquiring Multibrás which had an enormous tradition in research and development. Softwares developed in Whirlpool's technological centers in the town of Rio Claro in upstate São Paulo and Joinville in Santa Catarina are used in Mexico and Spain while its technology for refrigerators has been adopted in Mexico and Poland. Washing machines designed in Brazil are used in India and China. A total of 30 countries receive Brazilian products or technology which have been developed within Whirlpool.

Another sect<mark>or in which the country is outstanding in global terms is agribusiness and this has</mark>

also attracted cross-border platforms. International Paper, for example, was attracted by Brazil's excellence in eucalyptus production. Decades of investments in genetic engineering in Brazil have turned the eucalyptus, a native of Australia, into top products in the sector thanks to its fast growth to maturity and excellent productivity. "Brazil's productivity is even higher than that of Australia," Nilson Cardoso, commercial director of International Paper.

Another American company, Dow, which is a giant in the chemicals sector, will set up the first operation of its project to produce green plastic produced from ethanol in Brazil. The product was developed in partnership with the Brazilian groups Crystalsev and Santelisa Vale and will initially be directed at the domestic market. It will be the first integrated alcohol chemical center in the world in which the same plant will house the sugar cane cultivation, the ethanol plant and the plastic production unit. The complex will employ 800 people initially.

Interzone, a producer of videogames based in Chicago, was attracted by another Brazilian specialty - football. When it decided to create a game based on football, the company's executive did not stop for a moment to think where to go. They headed for Brazil and set up a development structure. Other studios in China and Australia will be responsible for the technical part of the products but the entire artistic creation, which includes a backdrop of Rio de Janeiro, is being carried out in Brazil. Interzone Football will be launched throughout the world by the end of this year and highlights another intangible quality which only Brazil can provide. ■



Merial laboratory: the Brazilian subsidiary will export to 60 countries





In order to increase production, the Federal Government is investing R\$ 78 billion in the next harvest, with more credit, more technical assistance and lower interest rates.

The greater consumption of food products is a world phenomenon caused, specially, by the economical growth of countries such as China, India and Brazil itself. The world needs more food. We have high field technology, the strength of the rural producer and plenty of good land to plant. Brazil has everything to consolidate itself as a world large producer of food products.

Check the main measures:

- Increase of public stock of food products from 1.5 to 6 million tons in 2009.
- Pronaf annual interests reduced to 0.5%.
- Discounts of up to 17.5%, already negotiated with the industry, to allow family farmers to purchase up to 60 thousand tractors and 300 thousand machines and implements, up to 2010.
- 1 million family farmers will be benefited by the new "Mais Alimentos" credit line up to 2010.
- A new credit line for the recuperation of degraded areas.
- Increase by 50% of the technical numbers in the field.











Demonstrators protest against the invasion of Georgia by Russia troops: unstable environment for business

The political risk of internationalization

Brazilian companies are forced to face unknown challenges, and at times threats, when going abroad **BRUNO K. REIS**

he recent fighting between Georgia and Russia, disputes between
Argentine President Cristina Kirchner and Vice
President Julio Cobos, the possibility of a third term for Alvaro Uribe in
Colombia, the conflict between sepa-

ratists in Bolivian provinces such as Santa Cruz and president Evo Morales, as well as the U.S. election in November are all events that can affect Brazilian investments abroad. Not even a high GDP means it is safe to invest in a particular country. For example, Argentina is growing faster

than Brazil, but according to Carlos Caicedo, Latin American Director of Exclusive Analysis, a political risk analysis firm based in London, itis far riskier to invest in Argentina than Brazil.

According to the companyís business index measures, which ranges





Bolivia boiling: anti-government separatist groups cut gas supplies to Brazil

from a scale of 0 and 10, Brazilís risk is 1.6, while Argentinaís rates a 3.5, one of the highest scores in Latin America. Brazilís rating is better because the country is following the rules of the game and has strong institutions, with three relatively autonomous governmental powers. In Argentina, on the other hand, there exists the sentiment that the Kirchner era will end in chaos, harkening back seven years, when then-president Fernando de la Rúa resigned in the midst of the gravest economic crisis in the history of the country.

According to Caicedo, a similar difference can be observed when comparing Colombia, with a strong tradition of democracy, to Peru, which is showing good macroeconomic numbers, but has a history of coup dietat. For Erasto Almeida,

of Eurasia Group, a consulting firm specializing in international risk analysis and based in New York, political risk is any risk related to governmental decisions could significantly affect asset prices, in finance or investments. According to Almeida, the international political arena is directly linked to the economic arena.

These risks can be related to domestic and international political issues, as well as economic, social and security issues, including terrorism. On this point, however, the definition of terrorism is defined by the insurance companies. The attacks by the PCC (Brazil's organized criminal network) in São Paulo, for example, were considered acts of terrorism by risk agencies, rather than the result of common criminality.

When heavily investing abroad, businesses hope that their capital will be protected from abrupt changes in the political and economic climate. From the political point of view, it is hoped that the "rules of the game" will be respected and that countries receiving investment money will assure stability in the business environment and adherence to accords and agreements. These are, according to Caicedo, the first issues that businesses ask about when searching for risk analysis firms. They fear that the government of a country receiving investments will not honor signed contracts, as was the case with the energy industry in Bolivia when the country decided in 2006 to nationalize a portion of its gas industry, which directly

affected investments of Brazilian and European companies.

Risk analysis changed a bit after the 1990s, with the maturization of several emerging countries, including Brazil. Before, analysis in emerging countries was focused on constant political and economic anarchy. Cabinet changes, new economic plans to combat inflation, currency changes, and a series of measures, such as price freezes in the 1980s, made political risk analysis a chaotic endeavor. For some time now, a good portion of these countries have been stable from an institutional point of view.

Much of the current instability is no longer a national issue, but more of a sector issue. In this sense, there exist sectors whose crises make investment in a particular country a risky proposition. For the most part, there are sectors in which political pressures and partisan and ideological interests are particularly strong, as is the case with the energy telecommunications, finance and media sectors, for example. This is due to the fact that these sectors are greatly dependent on government decisions. It is critically important that businesses with direct interests in these sectors stay constantly informed and aware of potential political and regulatory changes.

Obviously many businesses that intend to venture outside the country will encounter politically unstable situations, weak institutions and regulatory processes that do not offer much transparency. Many of these businesses are stuck between the necessity of expansion and fear of investment loss. Companies therefore need

to rely on internal departments dedicated to Caicedo: respect for the rules of the game political risk, as is happening with companies such as Vale and Sadia, or to hire consultants to handle these matters.

In this sense, the Brazilian case is even more interesting. First of all, as Brazilian com-

panies do not have a tradition of international expansion, they must adapt their decisions to the hard realities and inherent difficulties of the process of internationalization. This includes hard lessons learned working with "complicated" countries. Secondly, within the current international economic context, and particularly the rise of China and India, there has been a significant rise in commodity prices. Finally, most Brazilian multinationals are exporters, and despite observed advances in



Most emerging economies have stabilized

recent years, Brazil still is a mainly an exporter of commodities and manufactured products, mainly raw materials and hand-made goods.

Accordingly, a number of the principal multinationals of the

country fit this profile, as proven by a study of Brazilian multinationals by Columbia University in the U.S. in partnership with the Dom Cabral Foundation, a leading Brazilian business school. In this study, commodities represent 67.5 percent of the assets of Brazilian multinational, while raw industrial products represent 19.2 percent.

In what way does the profile of Brazilian exporters and Brazilian multinationals relate to political risk? In the first place, a major

> portion of the worldwide demand for commodities is concentrated in the developing countries. Consequently, the principal buyers of Brazilian products are countries whose institutions, despite some political stability, do not excel in transparency and trust. Secondly, as Brazilian multinationals specialize in commodities (Petrobras and Vale, to name two of the biggest), they have reached positions as worldwide leaders in their sectors. As they begin to act as big global players, these businesses are obliged to scale and to grow their positions in relation to their competitors. It just so happens that many remaining sources of mining and petroleum are situated in developing countries, in those places still susceptible to political instability. ■



Oriental Patience

After long negotiations, Aeromot hopes to start producing airplanes with its Chinese partner in 2009

ARLETE LORINI

n recent months, a group of more than 20 Chinese workers have been training with Aeromot, a light aircraft maker located in Porto Alegre, the capital of Rio Grande do Sul State. Through December they will learn all the steps of building a plane, from lamination to final assembly. The training is one of the last steps in a process that started in 2002 and should end with production of Brazilian aircraft in China.

After six years of protracted negotiations, 77-year-old Brazilian engineer Cláudio Barreto Viana believes he is now closer to seeing the craft he created being produced in China. "It took truly Oriental patience to get to this point," said

Viana, founder and president of Aeromot. "In February of 2009 we should start production in China." The factory is the result of a joint venture signed with China National Guizhou Aviation Industry (Gaic), a giant Chinese state company that builds everything from Russian MiG fighters to cars and motorbikes.

Once everything is finalized, the project will provide a new lease of life for the Brazilian company which has been suffering from an adverse exchange rate, given that its major customers are foreign. Aeromot sales in the United States alone have totaled 59 of the Ximango model since 1995. Of the 21 airplanes built in 2007, 17 were exported. However, the company has found it difficult to readjust its prices

in US dollars. To make things worse, roughly 50% of components are imported in strong currencies such as the euro and the yen. "Without this joint venture, the company would be totally stagnant," Viana said.

During the last year Aeromot was forced to get rid of its aircraft maintenance and parts supply business, which accounted for 40% of total revenue. "The weak dollar forced us to cut back and concentrate on aircraft production," the businessman said. The forecast for 2008 is to produce 15 planes, just eight of them for the overseas market, with billings of R\$15 million – some US\$9 million – at the most.

Aeromot's new joint venture will be in Guizhou Province, in the southwest of China. The initial annual production run is planned at 50 of the Ximango model, a two-seat powered glider that is used mainly for pilot training and aerial patrolling. In exchange for transferring technology, the Brazilian company will have a 25% stake in the joint venture and receive royalties. The Porto Alegre factory will supply machined parts like the landing gear, which comprise some 15% of the airplane's value. Estimates are that the planes built in China will be sold for between US\$150,000 and US\$200,000, given that they will be used by the Chinese government.

In addition to the fantastic potential of the Chinese market, Aeromot is optimistic about the prospect for growing technologically with its new partners. The contract signed with the Chinese paves the way for the company to develop, in partnership, new four-seater or six-seater models. "Our partner has the market and the money to invest," said Viana. "The sky's the limit for the Chinese aviation market." And that's just what Viana has been patiently waiting for.

Building the Brazilian Brand

Brazilian companies polish their images to facilitate expansion abroad

BY CHRISTINE PULEO

ate last year, mining company Companhia Vale do Rio Doce decided to give its name and logo a makeover for the first time in sixty years. Specifically, the company adopted its Brazilian nickname - Vale - as its official global name, and replaced its stern and monochromatic logo with a new design in green and vellow - the ubiquitous colors of Brazil. Certainly the company's vellow and green color scheme was meant to invoke the flag of Brazil? Not exactly, according to Marco Rezende, partner at São Paulo-based branding firm Cauduro Martino who, along with international partner Lippincott in New York, masterminded Vale's new look. After all, the logo had to speak to a global audience, even those unfamiliar with the Brazilian flag. "The green represents environmentalism and sustainability, and the golden yellow represents energy and wealth," says Rezende. "The old identity was military looking, a chevron, a military badge."

Rezende is proud to be part of what he considers to be the first truly global Brazilian brand. "Brazilian companies are starting to see the value of branding: if they do not learn, they will lose money. A brand is a winning proposition," he says. Besides being appropriate for the international public, the new



Vale visual identity maintained a strong connection with Brazilian constituents. In addition to the green and yellow logo, the adoption of Vale as official name carries some weight with the local population; it was chosen over other possibilities including CVRD (as it was best known in the U.S. and Asia) and Rio Doce (the name most common in Europe).

Communications consultant Andrea Herrmann, a Brazilian living in the U.S. for more than a decade, also recognizes the value of building Brazilian brands. Along with two Latin American partners, Herrmann launched Dialogue, a marketing communications consultancy to tend to the needs of Latin American companies entering the U.S. market. "What works in Brazil does not necessarily work here," says Herrmann. "These companies need to understand this." While in most cases, companies need to let go of their Brazilian habits to create a global image; in others cases touting a Brazilian

identity offers a key market differentiator. This is the true for one of Hermann's clients, cosmetics company nuNAAT, whose brand is inextricably linked to Brazil, from which its natural products are derived.

Reverse Path

Nearly all of the world's largest global communications firms maintain a São Paulo presence. Historically, these companies as-

sisted multinationals with interests in Brazil or other South American countries. Lately, however, there has been a shift in direction, with business increasingly flowing out of Brazil and into other markets.

According to Shei-

la Magri, the head of the São Paulo office of Hill & Knowlton, one of the largest communications firms in the world, business is changing direction. At this time, her office spends 50 percent of the time working with multinationals targeting the Brazilian market, and 50 percent working with Brazilian companies going global. Magri sees Brazilian companies, which she considers to have the most global focus and adaptability in Latin America, as becoming increasingly sophisticated in their strategy over the past five years. "Brazilian companies started to go abroad by using Chambers of

Commerce and industry associations that promote different sectors," says Magri. "Now they are starting to work more with communications firms. They have all the infrastructure to establish their specific images."

Edelman, another

enormous global firm, also notes an upswing in Brazilian clients searching for international expertise. According to Ronald Mincheff, president of Edelman's São Paulo office. his company spends 80 percent of its time assisting multinationals going into Brazil, and 20 percent working with Brazilian companies going to the international market. "This year, the proportion has remained the same, but the volume is growing," he says. Mincheff says the major Brazilian companies, such as Vale, Petrobras and Embraer have already laid the groundwork, and are helping other companies in their ventures abroad. "These Brazilian multinationals are casting a different light on Brazil," he comments.

Certainly, images are not made overnight. But perhaps the swiftest image enhancement ever orchestrated by a Brazilian entity

Building a national identity can be a decisive factor for business

success

SOME BASIC TIPS

SPECIALISTS EXPLAIN how to make a good impression abroad

- In some cases it can be important to maintain a Brazilian identity.

 More frequently, however, it's better to come across as a global concern.
- Remember that what works in Brazil won't always work in other markets.
- Be humble. A big fish in the Brazilian pond might be seen as a minnow by the inhabitants of the global ocean.
- Make priorities. Activities must have a well-defined focus to avoid wasting resources.
- **Hire local professionals** or a local company.
- Don't simply translate your message. Transform it. Adapt it for your new public.



NEW LOOK

A BRIGHT NEW logo is always a good weapon to improve communication. It happened with Vale, and now Unica has a new logo to promote Brazilian ethanol





was the recent effort of UNICA, the association of Brazilian sugar growers headquartered in São Paulo. The organization, which represents sugar and ethanol producers, launched a media campaign in the U.S. to fight high tariffs on Brazilian ethanol imports.

Global warming

The communications strategy, coordinated by U.S.-based Fleishman-Hillard (specifically its VOX Global Mandate consultancy), presented ethanol as a low-cost fuel alternative and a solution to global warming. UNICA timed its program to coincide with the 4th of July weekend—a holiday when many Americans take to the road and burn millions of gallons of (expensive) gasoline.

The association's president, Marcos Jank, gave a series of interviews <mark>to important me</mark>dia. "The country is experiencing an oil crisis and the current presidential election brings the environmental debate to the forefront," says Adhemar Altieri, director of corporate communications at UNICA. "The coverage we received went well beyond our expectations." In August, as part of its communications program, UNICA unveiled a logo for ethanol, with versions in Portuguese and English, intending to make ethanol recognizable worldwide as the principal brand of alternative fuel.

At the beginning of 2008, UNI-CA had already launched a successful communications effort in Europe, but with a slightly different focus. Europeans, like Brazilians, are more sensitive to environmental issues related to ethanol production than U.S. counterparts, for whom ethanol is currently more of an economic issue. The organization launched an office in Brussels to maintain proximity to the European commission responsible for renewable energy initiatives for the continent.

UNICA has made a major splash, but the recent activities are a small part of its ongoing global efforts. "Public relations and branding are part of a middle to long-term process," says Mincheff of Brazilian efforts at crafting a global image. "Objectives, strategies and funding need to reflect that the process takes time."

Legislation

REACH for Your Wallet!

The European Union will start requiring that exporters register products containing certain chemical substances. Be prepared, because the approval process won't be cheap

BY ANDREA FLORES, IN PARIS

ny company that exports or plans exporting to any of the 27 countries in the European Union had better pay close attention to the calendar, because December 1st marks the deadline for pre-registration of all products that contain chemical substances among their raw materials and are destined to the EU market in quantities equal to or greater than one metric tonne. A company exporting shoes, for example, will have to prove that the glue it uses meets European standards, while Brazilian ethanol and biofuels will have to demonstrate that they comply with the requirements if they want to expand their sales in the region. Similarly, makers of drinks, paints, certain types of plastics and many other sectors will have to meet the new regulations if they use any of the more than 100,000 substances that will come under EU control.

Companies that have not registered by the deadline will not be able to export to the Old Continent until they regularize their situation. The measure is part of a new



European control process called REACH - Registration, Evaluation, Authorization and Restriction of Chemicals. It came into force in June of 2007 with the aim of preventing the entry into and circulation inside the EU of products that are harmful to consumers and the environment. The legislation was

under discussion from 2001, following an abnormal increase in the incidence of illnesses among Europeans related to toxic waste, for example asthma, certain types of cancer and skin problems.

According to the

regulations, pre-registration must be done on the site of the European Chemicals Agency (ECHA)*, located in Finland. Pre-registration is roughly like obtaining an identity card for the product and will be essential to be able to continue exporting, even for products containing substances deemed undesirable by the EU. "Products will be analyzed only at the next stage of the process," said Paul-André Nivault, a French lawyer who specializes in commercial and international law. According to Nivault, products classified as dangerous will not necessarily be banned, but they could face limitations on quantity or even be substituted.

The rules determine that all approved products will receive a direct

Strict control

for more

than 100,000

types of material

authorization and will then be able to be registered. This will be done in three distinct stages: in 2010 for exporters shipping over 1,000 tonnes per vear; in 2013 for those shipping between 100 and 1,000 tonnes, and

in 2018 for the smaller exporters in the range of one to 100 tonnes per year. This final stage will be expensive for the exporter - the minimum cost will be €30,000 for the registration. Nivault estimates that a company billing €40 million a year will have to spend €3 million for the registration. ■

> *More information at www.reach-pre-registration.eu

Mahomet Comes to the Mountain

Rather than trying to takeover foreign stock markets, Brazil's BM&F Bovespa is betting on attracting foreign investors BY JULIANA GARÇON

Latin America

is first target

for a stock

market seeking

partners

fter five years of virtually uninterrupted growth, the Bovespa shares index in May started prolonged downward slide. Investors bit their nails but bourse directors didn't fret over market fluctuations. They kept their eve fixed firmly on ambitious plans for international expansion of BM&F Bovespa, the giant created in March 2008 through the merger of the São Paulo Stock Exchange (Bovespa) and the Brazilian Mercantile & Futures Exchange (BM&F). The goal is to

consolidate São Paulo as a financial business center for the emerging world, in a global scenario where economies of scale will be essential for bourses to survive. BM&F Bovespa now ranks world number three in

market value, at US\$18 billion, and it's betting that not only will it escape the sector trend towards concentration, but it will position itself as one of the world's most important centers.

conquering the world involves at-

tracting foreign companies to the Brazilian capitals market. There was a lot of speculation when the merger was announced about the new bourse's capacity for making acquisitions. But the path chosen is to remain firmly centered in São Paulo and use this base to negotiate partnerships that have the potential to attract new business. After updating its technology infrastructure to integrate completely into the global financial transactions system and to eliminate any cultural and linguistic

> BM&F Bovespa set out to talk with other Latin American stock markets. It was the first step in an approach to emerging markets around the world, including China, India, Russia and dozens of other smaller coun-

tries. Soon it will be possible to buy and sell stocks on three Chilean markets, three Argentine markets and one Colombian market without leaving São Paulo. "Our goal is to close operational agreements and develop the other local markets," said Paulo

barriers that could stymie its plans,



BM&F Bovespa's strategy for





Global trading: Brazil's BM&F will integrate with the Chicago stock market (above) de Souza Oliveira Junior, chief business development office at BM&F Bovespa. "That's the only way that

companies in these countries will list their stocks here too." According to Oliveira, it makes sense thinking of a two-stage process because in general companies float their shares in their home market and then seek foreign markets once they have reached a certain stage of equilibrium.

In Globex

Brazil's new bourse will certainly receive another stimulus with the inclusion of future products in the Chicago stock market's Globex. Chicago owns 2.5% of BM&F Bovespa. As a publicly traded company, BM&F Bovespa is wary about making growth predictions. But the potential is clear, given that taking part in Globex means availability on 100,000 client terminals in over 80 countries. Today just some 700 terminals are hooked into the trading session. To trade in the stocks and bonds available on BM&F Bovespa,

the hordes of investors using Globex will simply need to register with a Brazilian broker.

Joining this network means that the commodities and futures trading that was previously conducted on the BM&F will have the same chance of attracting foreign investors as the company stocks listed in what used to be Bovespa, where foreigners account for roughly a third of business volume.

Global market sentiment will determine when and by how much joining the global system will boost trading volume on the Brazilian bourse. However, specialists told PIB that volume could rise by as much as fivefold in the next two to three years. The new digital system

is designed to handle up to ten times the number of bids and five times the number of deals, compared with current levels. "Up to now, the broker has been an 'ear juggler' handling two clients simultaneously by phone," joked Oliveira. "Brazil is one of the last markets in the world to adopt the new technology."

Major Brazilian investors such as banks, insurance companies and investment funds can also use the system. But the greatest impact on the market is likely to come from foreigners who were already interested in investing in Brazil, but had problems accessing the market. Imagine for example how difficult it is for the employee of a bank in Asia phoning a broker in São Paulo. Or even the situation of Brazilians operating abroad who lose excessive time phoning and placing their order. The really big rise in trading volume in expected for the next phase, with the arrival of market newcomers.

A WARM WELCOME

Brokers invest in technology; look to international business

IN A MOVE to provide foreign investors with access to the Brazilian market, local brokers are spending heavily to upgrade their technology. Many want to stand out from the pack by offering exclusive services that can attract outsiders and drive up business volume. Planner Corretora, for example, has hired 11 staff with previous international banking experience outside of Brazil to bring in the cultures of Wall Street and the City of London – not to mention the good contacts and future clients.

Three of Planner's new staff were living outside of Brazil before joining the brokerage. In addition to fluency in English – a must – the team has members who speak Spanish and French. The idea is for the new team to cover virtually the whole market, from the most fashionable stocks to the most complex bets on futures markets. Additionally, foreigners will be offered kits of financial products based on interest and exchange rates. "We will offer the external client much more than just basic products," said Stephan de Sabrits, respon-

sible for Planner's international area. He predicted that the flow of international investors will multiply fourfold the total business volume of the brokerage by the end of next year.

The Fator brokerage is positioning itself to attract principally US clients. Alexandre Carneiro, responsible for the derivatives area, said the company saw internationalization as a strategy not so much for expansion, but rather for survival. "We believe the market will double in the next three years and so will our income," he said.

Brazilian authorities have expanded the options for buying foreign assets, and in future local clients

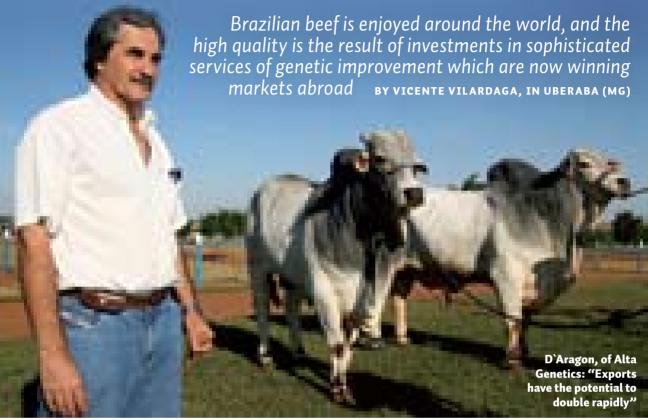
will want to conduct transactions abroad. Fator has invested in technology, staff and the variety of services offered, adding six traders to focus on foreign investors, increasing from four to seven the number of agricultural contracts specialists – basically because of ethanol – and is hiring economists with expertise in the futures market to beef up operations in this area. The company will thus be able to deliver more reports and economic information. "Maybe brokers are lucky the market is currently in a downturn," said Carneiro. "It means we can build up our expertise at a more moderate pace."



Algorithms

The clients that both the brokers and the BM&F are most looking for are the investment funds that use socalled algorithmic (or quantitative, or high-frequency) trading, which requires a digital system. These funds use sophisticated computer programs to compare prices in dozens of markets and discover arbitrage opportunities, issue orders and close deals. Such opportunities might include for example to buying for less and selling for more, buying shares of the same company in different markets, or making paired purchases, amongst other things. They carry out thousands of arbitrage trades with small margins, seeking to earn on the volume of deals made. Roughly one fifth of all trades on the New York Stock Exchange result from such a process.

Beef Made to Order Brazilian beef is enjoyed around the world, and the



razilian bovine genetics are today the most advanced and promising in the world, and that helps make Brazilian beef a global success. In addition to being home to the world's largest commercial beef herd, with around 200 million head of cattle, and holding the world record for beef exports, Brazil is the most active competitor offering genetic services for various cattle breeds. Local companies are constantly seeking to improve the national beef herd, and to this end are adopting and developing techniques such as DNA analysis, in vitro fertilization, cloning and embryo selection. The good results have paved the way for exporting

both the technology and controlled genetic material. According to data from the federal government's Foreign Trade Secretariat, the total value of exports of bovine semen rose from US\$479,300 to US\$908,500 over the last two years and the volume rose from 104,700 doses to 162,900 doses.

"This market has great potential and Brazil is the leader," said Mú-

cio Alvim, director of Cenatte, a company located in Pedro Lobato (MG) which exported a batch of Zebu dairy cattle embryos to Canada at the start of this year. "Thanks to efforts in herd selection and improvement, there is a great domestic demand for genetics services and there have also been growing international opportunities."

The leading Brazilian farms, ones that are dedicated to producing better animals and improving their breeds, are boosting the profitability of their herds by using sperm and embryo banks. Mata Velha, in Uberaba, is one

> of the great centers for Zebu cattle breeding in Brazil. There, thousands of top-class animals constitute a permanent source of reproductive material. And even though Brazil is already at the

Brazil has the world's largest commercial beef herd cutting edge in the sector, experts say there's still a long way to go. "Brazil could increase its production very quickly and genetics can show us the way," said Henry Berger, manager of the genetic services division of Merial, a French-American multinational which opened a subsidiary in Brazil at the end of last year, focused on DNA analysis. "Gene sequencing

means we can select with confidence the best bulls and breeding cows, ensure precocious offspring, improve herd characteristics and reduce herd deficiencies," he said.

The demand for Brazilian bovine ge-

netics has to do with the way that breeds such as Nelore, Gir dairy cattle, Guzerat dairy cattle and North America's Brahman Zebu strain are so well adapted to tropical climes. Roughly 80% of Brazil's beef herd is made up of these breeds which, while they originated in India, have been radically improved in recent decades in Brazilian farms.

At Jacarezinho, in Valparaíso (SP), there are 19,000 head of Nelore and Bradford cattle, the latter a breed originating in South Africa. The focus is on improving productivity, increasing the added value of the meat and the exports. "An efficient farm must be able to slaughter its Nelore cattle precociously," said Ian Hill, director of Agropecuária Jacarezinho, a farm that complies with European Union traceability requirements and is about to start exporting to that market via the Bertin packing house.

Lots of champions

The recent progress of genetic engineering is driving the market. Modern in vitro fertilization techniques can result in up to 60 calves per cow,

while earlier technologies produced 15 at the most. According to data from the Brazilian Society for Embryo Technology (SBTE), in 2006 there were 396,000 cases of bovine in vitro fertilization worldwide. Of these, 198,000 were in Brazil.

Brazilian leadership in the sector becomes even more evident when you visit the city of Uberaba in the

Originally from

India, Zebu

cattle have

been improved

in Brazil

Triângulo Mineiro region of Minas Gerais State. It's one of the world's leading centers for development of bovine genetic research. The city has five insemination centers, 15 breeding centers and 60 farms that produce

fine genetics and high-efficiency cows and bulls. The city is home to the headquarters of the Brazilian Association of Zebu Breeders (ABCZ) which has for some decades now been conducting genealogical registration and promoting the selection of Asian breeds. Local farmers started travelling to India early in the 20th century to seek out good bulls and cows, and the region has become a reference for breeding technology and control of information about the national herd. This work now underpins the recent good performance of the beef and dairy sectors in Brazil and has been strongly supported by breeders. Now, it's equally strongly supported by the genetic services companies.

In 2003, ABCZ created Brazilian Cattle, an international program to promote cattle breeding solutions. This now involves 18 companies and has only served to highlight the international demand for Brazilian genetics. Last year Brazilian Cattle notched up its first export sale of embryos, the Cenatte deal described above which was worth US\$95,000. Also, the venture has seen a huge increase in ex-

port sales of semen. "Little by little we are receiving the export certifications that guarantee our genetic material is clean and illness-free," said Gerson Simão, general manager of Brazilian Cattle. Between 2004 and 2007, revenue from exports of semen by companies participating in the program increased from US\$378,800 to US\$653,400. Overall sales by the consortium rose from US\$14.7 million to US\$60.1 million, including sale of live animals and production inputs such as seeds and veterinary products.

Brazilian genetic material is currently exported to Angola, Argentina, Colombia, Ecuador, Malaysia, Paraguay and Venezuela. The country has also made progress in the export of live animals for breed improvement. Government data shows that last year the country shipped out 7,381 thoroughbred bovine cattle – cows that were pregnant, with calves or ready



Alta Genetics, of Uberaba: semen

CHINA WANTS ZEBU

Technology interchange with the Asian giant is under way

BRAZILIAN BOVINE GENETIC material looks set to spread through China. The interchange between veterinary specialists and technicians of the two countries has already become a commonplace, and all that's missing for business to take off is the signature of an agreement between the countries' sanitary authorities and definition of a commercial protocol. A mission of seven Chinese scientists visited Uberaba (MG) and ratified a cooperation agreement with the Brazilian Association of Zebu Breeders (ABCZ) for technology transfer that was signed in 2005. The group visited farms and insemination centers to collect information that can speed up the bilateral negotiations.

The Chinese want to import semen and embryos of Zebu beef and dairy breeds. They face the challenge of increasing the supply of beef and milk in the Chinese domestic market, where milk consumption is just eight liters per year, or 10% of the world average, and there is strong pressure on demand. "Zebu genetics are ideal for us to improve the quality of the herds in the South of China, where the climate is tropical," said Gerson Simão. A green light for trade in bovine genetic material could pave the way for studies and projects launched three years ago by ABCZ and the Yunnan Research Institute to set up an experimental dairy farm in China for breeding Gir cattle, a type of Zebu.



processing center is an ultra-clean environment with rigorous quality control

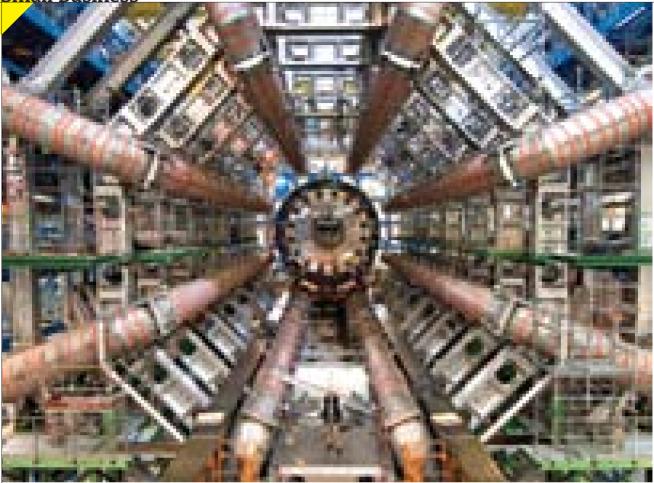
for breeding. In 2006, just 1,213 topquality bulls and cows were shipped abroad. "The international market is today buying Brazilian genetics," said Luis Alfredo D'Aragon, general manger of the Alta Genetics semen processing center in Uberaba. "But the non-tariff barriers are still high, and they curb our potential."

International shipments of semen and embryos frequently face phytosanitary barriers that are greater than those facing beef. D'Aragon explained that Latin American countries for example could buy much more Brazilian genetic material, and exports have the potential to double in a short time. Europe, however, does not allow importation of Brazilian genetic material because of the country's record on foot and mouth disease.

Cloning

Despite the production technologies now being mastered, there is still no real market for bovine clones. There is no regulation, and in practice the clones are like ghosts - there is no legal way to register them. So far, the only purchasers of this kind of service are the owners of elite animals, interested in multiplying their source of genetic material. Another restriction on cloning is that it does not result in any effective improvement to the breed, but simply provides a copy of a high-quality animal. Either way, the service is currently available in the Brazilian market for around R\$50,000 - some US\$30,000. Cenatte is negotiating a contract that would boost production to an average of two clones per month. The In Vitro Brasil genetics center in Mogi Mirim (SP) announced in May of this year the birth of a hornless Nelore clone called Diago TN. The original Diago is a breed record-holder with 160,000 doses of semen sold.

Small Business



The Large Hadron Collider: Brazilian entrepreneurs helped build the world's largest machine

The Map of the World

Brazil's small business agency prepares a program to promote internationalization

BY FLÁVIO DE CARVALHO SERPA

razil's smaller companies will soon gain a powerful ally in the fight to win overseas markets. Starting October, the Brazilian Support Service for Micro and Small Companies (Sebrae) will launch its Internationalization Program. The federal agency conducted extensive research to identify all the problems faced by small-scale exporters and compiled

a list of the best solutions for each type of business. "We don't want to offer generic answers," said Raissa Rossiter, market access manager of Sebrae. "The program will address the individual needs of businessmen who have already made at least one export sale."

The program starts with a selfevaluation by the company. "The idea is to ascertain just how ready it is to face the international market," said Rossiter. Based on this, Sebrae will offer the most appropriate tools for each case. "The greatest obstacle to survival in the external market is the lack of strategy and preparation. Sebrae will fill this gap."

Although Brazil's micro and small companies have been growing rapidly in recent years, they still represent an insignificant share of exports. What's worse is that this share is dropping, above all because of the unfavorable exchange rate, down from 2.3% of all Brazilian exports in 1999 to 1.4% in 2007. Sebrae predicts that the new program will help achieve the government goal

of increasing the number of small exporting companies by some 10% through 2010.

Good examples

The goal is for more and more entrepreneurs to follow the example of Titã Eletrocomerciais, a company in Araraquara in São Paulo State. Created in 1995 to make food display cabinets, Titã now exports almost 25% of its output and has clients such as the Starbucks coffee-shop chain and large US convenience store chains. The company sells to 11 countries and is constantly gaining new international markets. Last year, exports grew 33% in dollar terms. For 2008 the goal was to grow another 30%, but this was close to being achieved by the middle of the year.

Titã has no magical solution to handle the unfavorable exchange rate. "We are cutting costs, making agreements and expanding our business with new clients, but it's not possible to pass all the increases onto the price," said Ednael Carlos Magal-

hães, commercial director and a partner at the company.

Rio de Janeiro physicist Fernando Marroquim offers another success story. Marroquim designed and built items of equipment for the

Large Hadron Collider (LHC) which has just been completed by the European Organization for Nuclear Research (CERN) on the frontier of France and Switzerland. Often described as the largest machine ever built by man, the



Rossiter, of Sebrae: "Lack of strategy is an obstacle"

LHC is a 27-km underground circle that can simulate atomic collisions similar to the Big Bang.

Two small São Paulo companies called Megaflex and Griffus helped Marroquim to build his equipment. Taking part in something

Innovation is

essential for

small companies

to advance

internationally

like the CERN project means receiving the most rigorous quality certification imaginable. Regular household electronic equipment could be vaporized inside the LHC, because of the radiation it emits.

Marroquim's work has taken him so far because it embodies something that is fundamental to the survival of small and mid-sized companies: innovation. According to a study by Sebrae in São Paulo, just 53% of companies surveyed said they had made any kind of improvement or introduced anything new in their business recently. Those that had made an investment said it was worthwhile: 46% of this category said they increased their turnover, 39% saw productivity go up and 24% hired more staff.

Another Sebrae report showed similar findings. It found that small and medium sized companies classed as highintensity users of technology – ones that invest significantly in research and development – enjoyed much greater than average progress in conquering foreign markets. Micro companies in this group exported 18.8%

more from 2005 to 2006, while small companies saw exports grow 14.8% in the same period. At the other end of the innovation spectrum are the companies classed as low-intensity users of technology, and the difference was startling: micro companies in this group exported 6.4% less in 2006, compared with 2005, and small companies saw their international presence shrink by 0.3% in the same period.

Life was even better for the small companies that sought help from government agencies. For example, the 4,160 companies that participated in projects run by the Brazilian Export and Investment Promotion Agency, Apex-Brasil, exported 27.5% more between January and May of 2008 than they did in the same period last year. A clear demonstration of the value of courage and innovation.

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The Stamina of a Veteran

With 36 years of overseas experience and now present in 11 countries, the Randon Group is leveraging its accumulated know-how to gain a foothold in the United States and China BY ARLETE LORINI, IN CAXIAS DO SUL

External

market already

generates 20%

of the group's

revenue

he Randon Group is market leader in all the segments where it operates in Brazil, from truck trailers, semi-trailers and bus bodies to autoparts, with billings tipped to exceed US\$2.5 billion this vear. But it's not complacent. On the contrary, the nine-company conglomerate which operates in 11 countries worldwide from its base in Caxias do Sul in the southern state of Rio Grande do Sul is always on the lookout for new global opportunities. In recent months Randon's Fras-le subsidiary which produces brakes for the vehicle industry has been taking two more important steps in the group's process

of internationalization. In addition to acquiring the brake pad production unit of a company in the United States, Fras-le also announced the construction of a factory in China (see box). "Randon believes that the only way to

guarantee the survival of the company is to establish a global presence," said Alexandre Randon, the 46-year-old engineer who is vice-president of the group and the son of Raul Anselmo Randon, one of the founders. "It's no good being global just as an exporter, we have to invest abroad as well." The Fras-le investment in the sought-after Chinese market will be modest to start with, but it could open the door to a future expansion by the group. "We are going one step at a time to acquire the experience and get to know the Chinese market," Randon said.

The foreign market today represents 20% of Randon's total billing and the goal is to hike this to 30% within two or three years. "We started going international when we decided we wanted to grow," said Erino Tonon, Randon's director of operations. "We had achieved a level of market share in Brazil that would have been very expensive to increase, and so it was

better to sell abroad." Randon products have already established a leadership position in various foreign markets. The company is leader in Chile, Argentina, Angola and Algeria in the segment of semi-trailers, while in

the area of friction materials, Fras-le is leader in Argentina, Chile and the United States (for brake pads).

Randon's foreign growth could come through greater exports or through overseas manufacturing operations. "We know in which re-





gions of the world we want to establish partnerships to assemble our products, and in which we want to have a complete industrial operation," Tonon said. "Even with the low value of the (US) dollar, we are still competitive exporting to some countries." The rhythm of Randon's foreign expansion has been held back only by the excellent performance of the Brazilian domestic market. "Randon has never ceased looking for business opportunities abroad, but the strong demand in Brazil has restrained the company," said Rafael Weber, an analyst at Geração Futuro. "The moment the domestic market ceases to be so favorable, Randon is set to embark on a more aggressive strategy of internationalization."

Creative irresponsibility

Selling to foreign markets is nothing new for Randon, which started exporting in 1972, to Uruguay. Foreign sales have grown rapidly in recent vears and should reach US\$275 million in 2008. Rather than being part of a strategic plan, however, the first international ventures were much more a question of seizing opportunities as they arose. In 1977, for example, Randon won a tender to sell over 1,000 semi-trailers to Algeria - this at a time when the company's total production wasn't more than 750 units a year. "It was an act of creative irresponsibility by Randon, but we managed to fulfill the contract in one and a half years," said Tonon. In addition to the volume to be delivered, the company had to adapt its products for use with tractor trucks that cross the Sahara Desert.

In fact, the Middle East has been very important in Randon's export history, so much so that the company had to set up a specific unit at head office just to deal with foreign clients. This was in 1978. "It was at the time of the second petroleum shock



FRAS-LE SPEARHEADS GLOBAL EXPANSION

SINCE THE RANDON Group acquired Fras-le in 1996, exports by this maker of automotive friction materials have soared from US\$9 million to US\$80 million a year. The overseas market already absorbs half of production and generates 40% of the company's billing, making it the most internationally-oriented member of the Randon conglomerate. The trend is for this position to be consolidated with two new operations in the United States and China. "Even with the Brazilian domestic market so strong, the best growth opportunities for Fras-le are abroad," said 32-year-old Daniel Raul Randon, youngest member of the founding family who is Fras-le director-superintendent and director for investor relations. "The weak US dollar has made it easier for the company to invest abroad."

The United States is Fras-le's largest export market, taking half of the company's exports, and Fras-le is US leader in brake pads. With the recent acquisition of assets and clients of Haldex, a US company, Fras-le will boost its US billing by around US\$30 million a year, increase its share of the market for brake pads and enjoy a closer relationship with vehicle builders.

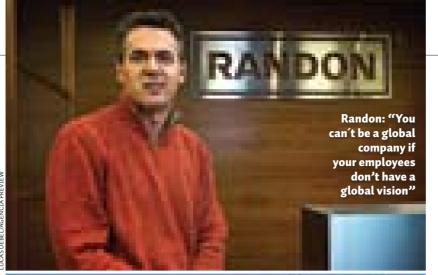
The Asian market represents just 5% of Fras-le's exports but is seen as the company's best growth area for the coming years. Plans call for the Chinese factory in Zhejiang Province to start operating in mid-2009 to supply the internal and regional Asian markets. The strategy is for the Chinese factory to focus on production of items with lower added value where the company cannot be competitive out of Brazil.

The aim is to gain in labor cost and also in logistics, by being closer to the clients. The Chinese operation also gets around the problem of Brazil's strong real currency. Investments in China are US\$3.5 million, which the company sees as small but potentially just the start. "We shall increase our investment as demand requires, and as we feel we have the muscle to take on the challenges of the country," said Randon. "You can't just walk into China." (AL)

and there was a lot of wealth in the region, where everything had to be built," recalled Tonon. However, the region was torn by intense conflicts. This frightened off European suppliers. "Randon was willing to run the risks – I think our courage came from our ignorance," said Tonon.

At some moments in the 1970s and 1980s, exports represented half of Randon's total billings. And in 1983, when the company was going through the Brazilian equivalent, roughly speaking, of US "Chapter 11" reorganization, it was helped out of its most serious crisis by a massive order from Algeria. Group exports picked up strongly again in 1996, thanks to the acquisition of Frasle which already had offices in the United States and Argentina. Another export boost came from 2002 onwards with the opening of offices in countries such as Dubai, South Africa and Morocco. In addition to representing the company commercially, these subsidiaries have the mission of identifying local partners to set up local assembly operations using CKD exports from Brazil. Since 2005 Randon has operated this way in Morocco, Algeria, Kenya and Cuba. Local CKD assembly means that products can be placed in these markets at prices that are at least 30% below an imported alternative, by avoiding local tariff barriers and freight costs. "We would not be competitive in these countries if we exported finished products from Brazil," Tonon observed. However, the company said it has delayed implementing this model in South Africa because of the devaluation of the local currency.

Randon has acquired other types of foreign experience, in addition to exports and CKD assembly operations. Some experiences have been less pleasant. In 1992 the company set up a semi-trailer assembly operation





in Portugal, taking advantage of the common language. The idea was to be closer to African clients and to launch a manufacturing operation aimed at the European market. The project lasted six years but the results were below expectations. "It was a learning process," said Tonon. Two years later, the group set up a factory in Argentina which went through some tough times during the economic crisis that swept that country at the start

of the current decade. "We lost a lot of money with the devaluation of the peso, but today the operation is profitable," Tonon said. Production in that country is still small, representing less than 2% of the group's total billings, but now the operation has ac-

quired a new dimension. "We want to make Argentina a small benchmark factory that can be replicated by Randon in other countries," he said.

Similar to the days when it started exporting and conquered the Middle East, Randon now has its sights set on developing the market for its semi-trailers in countries as little-known as Azerbaijan and Turkmenistan. "These are countries with great potential," Tonon said. "As markets

they interest us more than India or Russia." Fras-le exports friction material to Russia, but Tonon said he couldn't see any possibility of breaking into these markets with semi-trailers. Logistics costs rule out exporting finished products and local production would not be worthwhile, given the low technological level of the competition.

Irrespective of type or location, Randon policy is that all foreign operations must be run by Brazilians. The only exceptions are the CKD operations, where the Brazilian company just provides initial training. This pattern will hold good for the new operations in China and the United States. "Our strategy is to implement our management model via people who share the company's culture and values, and additionally it makes communication with head office much easier," said Alexandre Randon. "The challenge will be greater in China, given the huge distance and enormous cultural gap."

The company currently has 200 employees working outside of Brazil, 28 of them Brazilian expatriates. To develop the global culture within the group, the company operates a kind of rotation with employees generally spending two or three years abroad and then returning to Brazil. More than 120 employees have worked abroad. There is no formal preparation for expatriates within the group, but those selected are normally drawn from a talent data-base that lists professionals who have the potential to rise up the management ladder. One requirement is fluency in a foreign language.

Since 1994 the company has offered support to employees who seek to learn a second language. Initially there wasn't much interest, but as the international operations have grown so has the number of employees opting to use this benefit. Normally, employees who work abroad for a spell end up being promoted within the company. "It's no good trying to be a global company if your employees don't have a global vision," said Randon.

Countries like Azerbaijan and Turkmenistan are in the company's sights

In the Footsteps of Asterix

Starting a business in France requires a lot of patience to handle the bureaucracy but the results can make it worthwhile

BY ANDREA FLORES, IN PARIS

ainted blue and vellow, the building at number 95 on Rue Cléry, in Paris, can hardly go unnoticed by pedestrians more used to the grevs and browns of city architecture. The three-story building has been home since September of 2007 to the Brazilian CVC group, one of Latin America's largest tour operators that has outlets in Argentina, Chile and Uruguay and is now making a major bid to conquer the French market. In addition to investing almost €1 million to open its first European subsidiary, CVC had to battle the fearful French bureaucracy for almost 15 months. But for Silvia Helena Cerqueira, the Brazilian director of the Parisian branch, the suffering was not in vain. "The investment has been substantial, but the return has as well," she said. "The most difficult thing was having to go almost a whole year without billing anything." Now she's looking to recover the initial capital in three years.

CVC was founded 36 years ago by businessman Guilherme Paulus. Today the company's European venture is part of an expansion plan that has carried it from 36 to 350 agencies in Brazil between 2000 and 2007. The choice of Paris as the beach-head for entry into the European market was no accident: of the 58,000 travelers that CVC takes to the Old Continent each year, 38,000 go via the French capital. "Our clients want to find the same service here that we give them in Porto Se-



Long job: led by Paulus (center), CVC has opened a Paris office – but it was a tough process

guro or Fortaleza," Cerqueira said. Another important point is the increase in the flow of European passengers to Latin America. "Today CVC feels ready to receive them. Fifteen years ago this wasn't the case, because our priority was still the Brazilian market."

Opening a multinational subsidiary in France is a long process, Cerqueira says. "In our case, as I already had a French visa, we didn't have to bother about the paperwork to send a Brazilian staffer here. But for anyone who needs it, just getting the visa can take three to six months."

TO PARIS, STEP BY STEP

RESULT, AN INTERNATIONAL

consultancy, spells out the steps to go through if you want to do business in France:

- :: Take part in French trade fairs that specialize in your sector
- :: Study the market carefully
- :: Look for partners and support organizations in Brazil and the European Union
- Protect your brand in Brazil by registering it with INPI (the patent office)
- :: Draw up your business plan very carefully
- Be patient the process of opening a company can take up to two years in France
- :: Prepare well to minimize the cultural and language barriers

The first steps in the process, started in January of 2006, were to obtain a cabis – an official document that certifies to the judicial existence of a company – and a license to operate in tourism. The extreme French bureaucracy can also be seen in more prosaic situations. CVC took over a month just to get a license to install a simple garbage can in its office.

The time difference in relation to Brazil is three to five hours, depending on the season of the year. This can be another problem for a company planning to establish a foothold in France. "When we have to close a contract, there's nothing for it but to work overtime," said Cerqueira. Lawyer Maria Isabel Neves Garcia, a partner in the Paris office of the Gouvêa Vieira law firm, which opened 14 years ago, was forced to hire an additional receptionist to



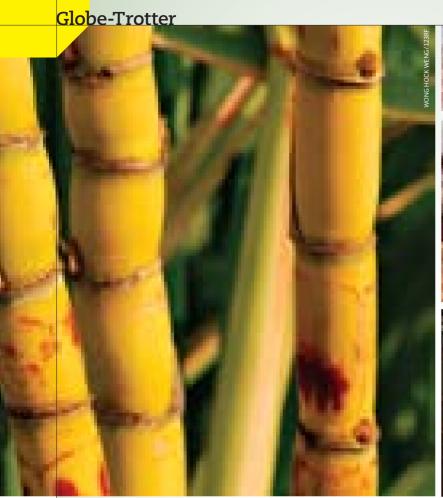
cover the difference in time zones. "When it's lunchtime here, the day is just starting in our Brazilian offices," said Garcia. "That's the time when we exchange information with the head office."

Companies like CVC and offices like Gouvêa Vieira have chosen to send Brazilian professionals to tackle the French market, but that's not always the rule. Frequently, to simplify the process and save the time it takes to get an expatriate used to the new country, the best option is to hire a local person. That's what Perdigão, Brazil's largest meat products company, did when it hired Frenchman Michel Pineau to set up its first subsidiary in the country, opened two and a half years ago in the city of Quimper in Brittany. "The company's main goal was to facilitate the relationship with local clients, but there's no denying that French people prefer doing business in their own language and with someone of their own culture," said Pineau. He worked for 14 years in Doux, the company that controls Frangosul, a competitor of Perdigão in Brazil. The French subsidiary is producing good results for Perdigão. With an operational cost of €500,000 a year, the subsidiary generated business worth €50 million in 2007.

Partnerships

According to lawyer Charles Henry Chenut, a specialist in commercial and international law, it's often virtually inevitable that companies look for a French partner. Partnership with a local company or professionals can facilitate the successful conclusion of some business deals, in addition to eliminating or reducing the costs involved for a company to set up its own operation. "With a French partner, there are better chances of winning a tender, for example," said Chenut. And he was speaking from personal experience. Last May, his law firm merged with two Brazilian offices interested in operating in the City of Light.

Chenut recognized that a merger such as his is less common, because it implies a permanent relationship. The best solution, he said, is one that is still little known to Brazilian businessmen - the contract of international consortium. The agreement is based on temporary cooperation for specific projects. There are several advantages. "The consortium can easily be ended, it costs less and is simpler," said Chenut. Later this year he will be publishing his book "International Consortium Contracts" in Brazil. ■







Masdar City, in the United Arab Emirates: project for a sustainable city in a desert flowing with petroleum

Let's Hear It for Ethanol!

THE RECENT RUNAWAY spiral in the price of petroleum, the leading fuel in the global energy matrix, has sparked a world-wide rush for alternative energy sources. So dominant has the theme become that the world's leading suppliers, investors and specialists came together in January in Abu Dhabi, in the United Arab Emirates, to hold the first-ever World Future Energy Summit. Brazil, however, was not represented in a manner that fully reflected its potential as a supplier of renewable energy. But that could change next year.

Interaction Times, a São Paulo-based international relations consultancy, is helping organize the 2009 Summit and is determined that ethanol gain more space on the agenda. The company is selecting top speakers such as Brazil's Minister for Long-Term Strategic Planning Roberto Mangabeira Unger to really explain ethanol to the world. "We have to put forward our point of view in these wider discussions," said Marcus Peçanha, executive director of the consultancy.

The Abu Dhabi forum is an essential political arena for discussion about the transition of the world energy matrix, Peçanha said. It's also where the money is. And the investors. And the know-how. Interaction Times said it hopes to take a delegation of at least 200 Brazilians to the next Forum, scheduled for January.

One curious detail is that the staggering wealth of Abu Dhabi is built on petroleum, which of course is a major villain in the current discussion. In addition to hosting the World Future Energy Summit, the Arab state has given other signs that it's alive to 21st century concerns. The beginning of 2008 saw work start on the enormous Masdar City project, which when it's finished in 2012 will be the world's first completely self-sustaining city, with zero carbon emissions. (Andressa Rovani)

More information:

www.interactiontimes.com www.worldfutureenergysummit.com



Olympic Success

BRAZILIAN ATHLETES were a bit disappointed with their medals haul at the Beijing Olympics, but the Games were an undeniable success for some Brazilian companies that invested in the event. Sports apparel maker Olympikus, part of the Vulcabras group, enjoyed great visibility during the competitions. Not only was the company the official uniform supplier to the Brazilian delegation; it also dressed athletes from Uruguay, Haiti, Nicaragua, the Dominican Republic and other Latin American and Caribbean nations. Olympikus has been official supplier to the Brazilian Olympic Committee (COB) since

1999 and exports to 25 countries. The company invested some R\$30 million – roughly US\$18 million – in the Games, counting sponsorship of TV broadcasts and supplying over 60,000 uniform items.

"It was another opportunity to show the world our products," said Márcio Callage, Olympikus marketing manager. In addition to branding athletes' uniforms, Olympikus displayed its wares in the Casa Brasil, or Brazil House, a special area set up by the COB at the Jianguo Garden Hotel. The space became a kind of informal embassy for Brazil during the Games, hosting interviews with Brazilian medal winners and acting as a

showroom for Brazilian companies. It was also headquarters for the campaign to bring the 2016 Games to Rio de Janeiro.

Another company gaining an Olympic boost was Café Machado. "In addition to supplying coffee to all the visitors at Casa Brasil, we could sit down with local businessmen to start talking about coffee exports," said Christian Santiago e Silva of the Brazilian Coffee Industry Association. Café Machado went to Beijing with the help of the Association and opened its first shop in China this year, in Nanjing. Two more will be opened in 2009. (Mariana Canedo, in Beijing)



Emerging Packaging

PACKAGING BRANDS, a Rio de Janeiro company, is leveraging its 14 years of experience managing brands in the Brazilian market to win new clients in emerging markets. SC Johnson of the United States, for example, has entrusted the Rio company with developing packaging for the Glade brand of hygiene and cleaning products sold in 34 developing markets.

The challenge of internationalization has prompted Packaging to adopt an on-line system that allows overseas clients to accompany in real time what is being done in Brazil, without worrying about international time differences. "We wake up in the morning and we can already access comments that clients have made during the night," said company president Maria Luz Schneider. (AR)



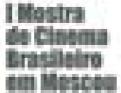
Beto Brant: the Brazilian director (left) is one of the attractions of the Brazilian Film Festival in Moscow

Brazilian October

RUSSIANS ARE KEEN MOVIE-GOERS, and now they have a chance to see a bit more of the Brazilian cinema. Working in partnership with the Brazilian Ministry of External Affairs and the Brazilian Embassy in Russia, the São Paulo company Linhas e Laudas Comunicação is promoting the First Brazilian Film Festival in Moscow, October 21-26, the moment when the two countries celebrate 180 years of diplomatic relations. Festival curator Ederaldo Kosa, one of the partners in Linhas e Laudas, says the idea is to disseminate Brazilian culture among the Russian population. "Cinema makes it possible to show other peoples a little of the Brazilian soul," he said.

Films will be shown in Portuguese with Russian subtitles. There will be debates with director Beto Brant (whose films include Dog Without an Owner and The Invader (Cão sem Dono and O Invasor) and actress Debora Falabella (whose films include Lisbela and The Prisoner (Lisbela and o Prisioneiro). "Russia has produced some of the world's most influential

movie makers such as Eisenstein, Tarkovsky and more recently Sokurov," said Brazilian Ambassador to Russia Carlos Antonio da Rocha Paranhos. The festival will be held in the Great Room of the



M. I. Rudomino Foreign Literature Library, famous for hosting some of the most important cultural events in Moscow. (Glaucy Vulcano)

CIRCUIT

Check out some calendar highlights in Brazil and around the world

■ RTO SUMMER

November 5 to 9, Rio de Janeiro (RJ), Brazil. First edition of a beachwear fashion event. www riosummer com hr

■ PACE PRIME GLOBAL LEADERS October 16 and 17, Belo Horizonte (MG), Brazil. Developing managers with a global outlook. www.amcham.com.br

■ APEX-BRASIL AWARD FOR **EXCELLENCE IN EXPORTING**

October 22, São Paulo (SP), Brazil. Recognizes this year's sector highlights. www.premioapexbrasil.com.br

■ INTERNATIONAL FOOD FAIR October 19 to 23, Paris, France. The world's largest food fair. www.sial.fr

■ VIII INTERNATIONAL **DATAGRO CONFERENCE ON SUGAR AND ETHANOL**

October 27 and 28, São Paulo, Brazil. One of the most traditional events of the sugar and ethanol sector in Brazil. www.datagro.com.br

How is your English?

THE EDITORA ADUANEIRAS

publishing house has just launched the 8th edition of Terminglês, by businessman and marketing professor E.P.Luna - a 266page glossary of the

English expressions most commonly used in foreign trade, plus an ample list of websites related to the topic. Recommended bookshop price R\$65.





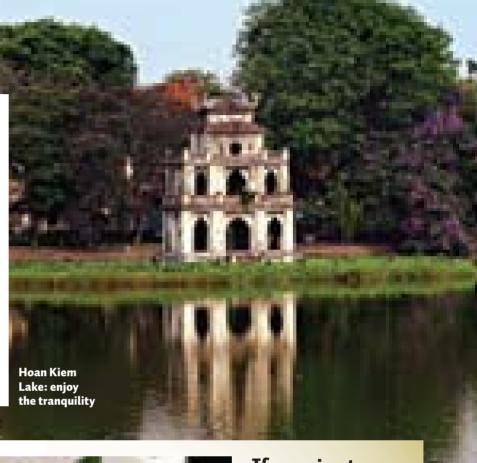
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Express Tourism

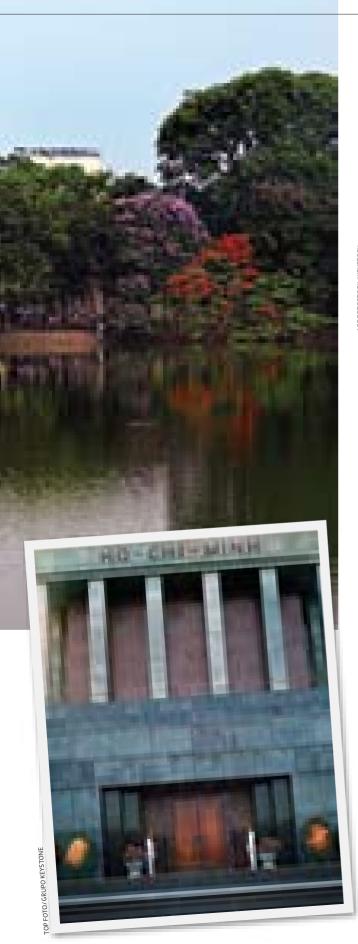
JOÃO DE MENDONÇA Lima Neto, Brazil's ambassador to Vietnam, isn't the slightest bit bothered by the crazy traffic of thousands of motorbikes weaving thorough the streets of Hanoi, where he has lived since the start of this year. Any gridlock is more than compensated by the exotic Asian atmosphere – the temples, pagodas and historic monuments - that blends with the visible influence of colonial architecture in the shape of treelined streets and flower-filled public squares. Check out Lima Neto's tips for a quick visit to a city that has almost a thousand years of history.



Pho soup: a delicacy of local cuisine

If you just have a few hours...

...YOUR BEST BET is a xich lo (tricycle) trip from the Hotel Metropole through the Old Quarter of downtown Hanoi, where 36 narrow streets are packed with a rich selection of local craftwork. That's where you'll find the best choices in silk and linen cloth, embroidery, clothing in general, lacquer-work, painting and porcelain. And don't forget to try Pho soup, the best-loved item of popular Vietnamese cuisine.



If you have a whole weekend...

...IN ADDITION to the above tips, consider going to Ha Long Bay (102 km from Hanoi). Tourist agencies offer various packages that include transport, boat trips and meals. The bay has more than 3,000 cliffs, giant rocks and tiny islands in a sea of total tranquility – absolutely unforgettable. If you like mountains go to Sa Pa, 1,600 meters up, where there are wonderful views of terraced rice plantations. Get there by train – the carriage of the Victoria Hotel will knock you out!



If you have a full day...

...START WITH Ho Chi Minh's house, just behind his Mausoleum. Then don't miss the exceptional collection of paintings in lacquer and on silk at the Fine Arts Museum, and drop by the Military History Museum to get a feel for what the Vietnamese people went through in their fight for independence. Afterwards, enjoy the peace of Hoan Kiem Lake. The Club Opera is a great place for lunch, before taking a trip through the Old Quarter. And if you've

Ho Chi Minh Mausoleum: venerated memory still some energy left, check out the puppets water theater. For dinner, choose between local menus at the Wild Rice or Wild Lotus restaurants or international fare at Bobby Chinn or Vertical.

Honduran Adventures

After a journey full of hassles, businessman Marcelo Lins finally "landed" by bus in Tegucigalpa, a city he knew only from the geography books

I PROBABLY NEVER imagined that one day I would end up in a city called Tegucigalpa, a place I remembered vaguely from my schoolbooks so many years ago. But in fact, my professional career has led me to travel to the capital of Honduras quite frequently over the last couple of years. And on one of these journeys, thanks to some appalling weather, my flight from Miami made two attempts to touch down at Toncontín Airport. After each failed landing it diverted to San Pedro Sula, the country's second largest city. Before it took off for a third attempt I decided to get off and head for

the capital by bus, a brutal journey of over four hours along a dangerous, snaking highway.

Finally the bus "landed" in Tegucigalpa, and I quickly saw that the excitement wasn't over. The country doesn't have any special regional dish, for example like the Brazilian feijoada bean stew, and as I make a point of avoiding anything too exotic, principally whenever I'm close to Mexico with its infamous "Montezuma's revenge", I went to the Bodeguita Italiana, tucked away in the charming Las Minitas neighborhood. The tables are in the middle of what is virtually an emporium, surrounded by shelves packed with olives, wines and sauces. I asked for pasta and grilled meat, a common dish in those parts. "Sorry, we don't do that," replied Averardo Orazzini, the friendly owner. I was a bit taken aback, but accepted his suggestion of a fine spaghetti carbonara.

I experienced more picturesque moments in the same city in a famous barbecue restaurant called Ni Fu Ni Fa. Accustomed as I am to the somewhat elastic hours of Brazilian restaurants, I arrived with friends for dinner at 10 at night. But at the door, a bouncer with a 12-gauge shotgun told us the place was closed. Just then the door opened to let out the last of the guests and the Argentine manager came and asked us if he could help. "Yes, we were hoping to have dinner," we explained. With great kindness he took us in and sat chatting until the last drop of a second bottle of fine Spanish wine.

The Honduran people are very friendly, but if you're doing business there you have to be rather careful, in particular in terms of personal safety. My biggest scare was in the city of Santa Rosa de Copan. I was spending the night in the Elvir hotel, the best in town, and decided to take

a stroll before dinner. At the door was a guard with a shotgun just like the guy outside the restaurant in Tegucigalpa. "If you're going out, don't go further than I can see," he warned me. I reckoned it was probably wiser to eat in the hotel and go to bed without my walk.

* Marcelo Lins directing partner of ML&A Communications, in São Paulo

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