

GLOBALIZATION

Spanish multinationals are **conquering** the **world**.
Discover how they do it!



PIRACY

Brazilian companies are **fighting** to protect their brands **around** the world

ETHANOL

After the crisis, Brazil's **biofuel** gets a boost from the '**green debate**' and new investments

ENDURING PASSION

It's 'French Year' in Brazil. The two countries are rekindling an old love affair and signing billionaire strategic military and civilian deals

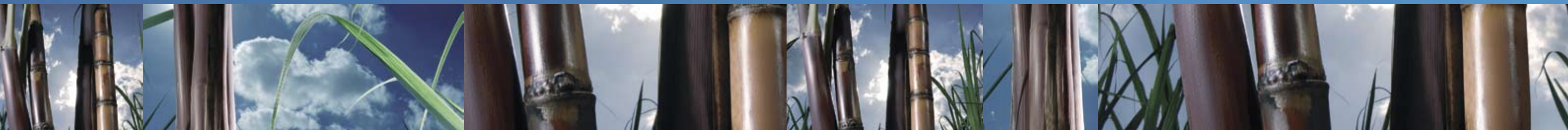
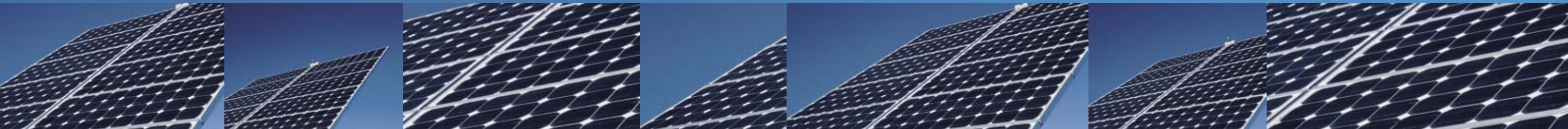
GLOBE-TROTTER
A quick guide to Lisbon,
by Fernando Pinto of TAP



Oil or gas? Biodiesel or ethanol? Solar or wind power?



How about having them all?

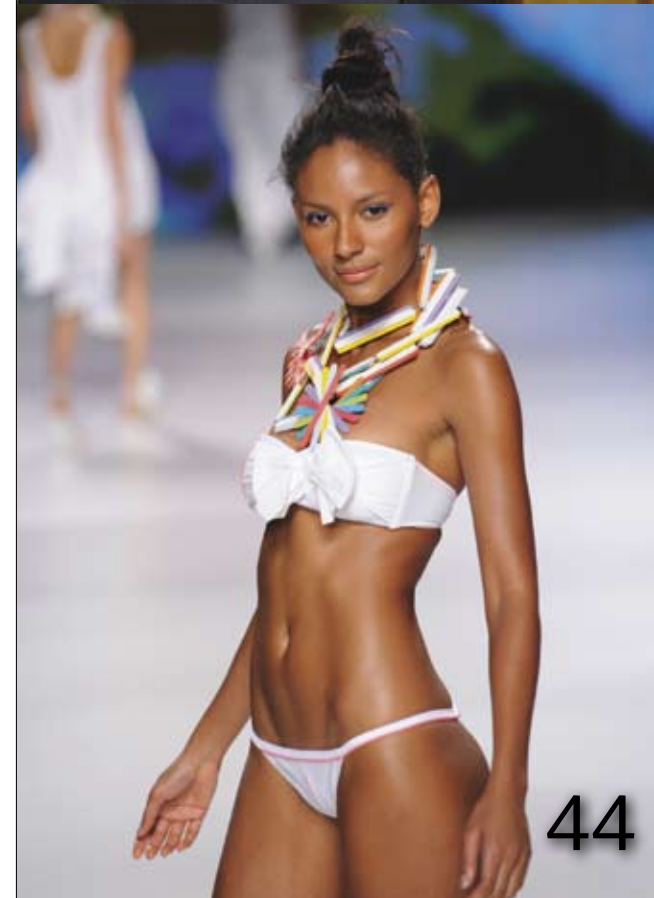


The world's energy demand is constantly growing and one of the roles of Petrobras is to develop new ways to produce this energy. In order to attain further diversification, it makes continuous investments in

natural gas, plus biofuels and other alternative, renewable energy sources like solar and wind power. If the future is a challenge, Petrobras is ready.



COVER
32 During 'French Year' in Brazil, a longstanding relationship blossoms with billionaire military and civilian deals
ARMANDO MENDES, WITH ANDRÉA FLORES, IN PARIS



44

- 10** **ANTENA**
The real India, not the soap opera version
JOSÉ RUY GANDRA
- 20** **COMPANIES**
How Brazilian multinationals are standing up to the crisis
- 22** **INTERVIEW: KARL P. SAUVANT**
For Columbia University professor, Brazilian multinationals can gain ground in the crisis
NELY CAIXETA
- 26** **BRAZIL-USA**
There's more than just good feeling in the relationship between Lula and Obama
PAULO SOTERO, IN WASHINGTON
- 28** **INVESTMENTS**
Learn how Spain became an exporter of globalized companies
ARNALDO COMIN, IN MADRI
- 42** **FASHION**
Daniella Helayel, the Brazilian whose London-based Issa label attracts royal clients
JOSÉ RUY GANDRA



68

- 44** **BRANDS**
How to protect your good name from the global pirates
ANTONIO CARLOS SANTOMAURO
- 48** **INTERNATIONALIZATION**
Yet another crisis gives Localiza car rental more scope for overseas growth
JOSÉ MARIA FURTADO
- 52** **BIOENERGY**
The crisis has been a shock, but Brazilian ethanol is still receiving major foreign investments
MARCO REZENDE E ELIANA SIMONETTI
- 60** **ANALYSIS**
American think tanks assess what could (or should) change with Brazil's new weight in the world
FLÁVIA CARBONARI, IN WASHINGTON
- 62** **INTERNET**
Meet Nelson Mattos, the Brazilian who is Google VP in Europe
SUZANA CAMARGO, IN ZURIQUE



52

80



- 66** **MARKETS**
Ireland could be an excellent Brazilian gateway into the rich European market
AMBASSADOR MICHAEL HOEY
- 72** **TECHNOLOGY**
Tecsis, the all-Brazilian company that produces wind turbine blades – and exports every last one of them
VICENTE VILARDAGA
- 76** **CORPORATE LIFE**
Pack a bag, or hold a virtual meeting? Deciding what's worth while
FÁBIO STEINBERG
- 78** **PERSONAL MANAGEMENT**
How to evaluate the time and energy that you dedicate to internationalization
CYRIL BOUQUET
- 80** **GLOBE-TROTTER**
Executive Travel: Two new direct flights between Brazil and Asia
Express Tourism: Fernando Pinto offers insider tips on Lisbon
In Transit: How Roberto Filippelli took Isaura to China

Two Way Street

Over the last couple of years, PIB has documented Brazil's growing presence in the global business arena as Brazilian companies establish or expand operations in other countries to gain international market share.

In this edition, we turn our attention to the mirror image of this trend: the ever-greater interest that Brazil is arousing in other countries, be they traditional trading partners or not. And in recent years, few countries have shown more interest than France in improving relations with Brazil, at both the political and economic levels.

Our cover story goes backstage with various key players to bring you the details of what one diplomat closely involved in the negotiations called this new "courtship". Throughout the 19th and first half of the 20th centuries, after all, France was a social and cultural beacon for many countries, including Brazil. We reveal the background to

the technology transfer deal that will allow Brazil to build state-of-the-art French-designed submarines and helicopters for its Armed Forces, and look at the flood of French companies now seeking business at Brazil's major trade fairs – everything from aerospace, trains and ships to wine and fashion.

We also turn the spotlight on clean, renewable energy from sugarcane ethanol, with a story describing how major foreign investors are betting on the success of Brazilian bioenergy, despite the crisis. One such investor – not the largest, but certainly the best known – is former US President Bill Clinton.

Brazil's attraction for companies and investors from around the world is also affecting the internationalization of the Brazilian economy, a subject that PIB covers in breadth and depth. We discuss how the global

crisis is impacting this process with former Unctad Investment Director Karl P. Sauvart, now a professor at New York's Columbia University and director of the Vale Columbia Center on Sustainable International Investment. Sauvart, who will be in Brazil in August for a seminar the Vale Colombia Center will promote in partnership with the Dom Cabral Foundation in Minas Gerais, is a specialist in international investment flows. A new book he co-wrote is being published in the United States with the eminently relevant title of *The Rise of Transnational Corporations from Emerging Markets: Threat or Opportunity?* (Edward Elgar). For Brazil – and for this magazine – there's certainly no doubt that it's an opportunity! Finally, we are delighted to announce that Suzana Camargo, a reporter based in Zurich, is making her debut in PIB this edition with a fascinating interview with Nelson Mattos, the Brazilian executive who is vice-president of Google in Europe.

The editors.



Suzana Camargo makes her PIB debut from Zurich

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TOTUM
EXCELÊNCIA EDITORIAL
Nely Caixeta

PIB

**PIB
BRAZILIAN COMPANIES
GO INTERNATIONAL**

A TWO-MONTHLY MAGAZINE FOCUSING ON
INTERNATIONAL BUSINESS AND ECONOMICS

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(55-11) 3097.0849
publicidade@revistapib.com.br
Av. Brigadeiro Faria Lima, 1903, cj. 33
Jardim Paulistano - 01452-911 - São Paulo - SP

PRINTING
Editora Parma

DISTRIBUTION IN BRAZIL
Door to Door – São Paulo
Portugal: Malta distribuição – Rua Antonio Carlos, 582
– 5º andar – cj. B – São Paulo
www.maltainternacional.com.br
Where to buy: bookstore chains in
Brazil or direct from the publisher

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Signed articles do not necessarily represent
the opinion of the editors. Totum reserves
the right to edit or summarize letters.

LEGALLY RESPONSIBLE JOURNALIST
Nely Caixeta (MTb 11.409)

PIB – Brazilian Companies go International
is published by Totum Excelência Editorial
Av. Brigadeiro Faria Lima, 1903, cj. 33
CEP 05426-100 – São Paulo - SP
(55-11) 3097.0849 - contato@totumex.com.br

PRINT RUN FOR THIS EDITION
Portuguese – 14.000
English – 6.000
Print run audited by

PRICEWATERHOUSECOOPERS

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I am a teacher and academic coordinator for the International Taxation, Fiscal Policy and Business Law courses at FGV, and I am currently writing my post-doctoral docent's thesis on the theme of the process of internationalization of Brazilian companies. PIB magazine has proven to be an important source for my students and I to consult, because it highlights Brazil's growing presence abroad.

ROBERTO VASCONCELLOS
EAESP - FUNDAÇÃO GETULIO VARGAS
SÃO PAULO – SP

I read the last issue of PIB and thought it was much more enjoyable, with a variety of news and, I believe, more in tune with what its target audience wants. Congratulations!

ARY KUFLIK BENCLOWICZ - EDITORA NOBEL
SÃO PAULO – SP

I would like to congratulate you and your team for PIB magazine, an excellent publication. I discovered its English language edition in the AMEX VIP lounge at Congonhas Airport. The business community really needed a magazine like this. How can I sign up to receive it regularly?

JORGE STRASSBURGER
PORTO ALEGRE – RS

I'm writing to congratulate you for Nara Vidal's story 'Yesterday Guarani, Today the World!' in your last edition – really enjoyable and sincere. It gave a very clear idea of the welcoming atmosphere in the region. It's good to see that Brazil continues exporting friendliness and creativity to the world.

MARCELO LUDOVICE
RIO DE JANEIRO – RJ

In your last edition I read a story by Nara Vidal about her home town and I loved it. Really well written and fluent. A great read. Made me eager to get to know Guarani and more of its stories.

ALESSANDRA CEROT
RIO DE JANEIRO – RJ



I have used texts from your magazine with bachelor's and post-graduate students in disciplines connected with international relations and business. I'd like to suggest that you publish economic and financial data relating to the international activities of Brazilian companies and create a section dedicated to dealing with the specific cultural characteristics of different countries.

RAIMUNDO DE VASCONCELOS – SÃO PAULO
IBIRAPUERA UNIVERSITY AND THE
NATIONAL POST-GRADUATE INSTITUTE

Congratulations for an excellent magazine that I only saw for the first time in April, when I received a copy during a Business Round-table promoted by Apex-Brasil in São Paulo. PIB will be an important tool to help us disseminate an exporting culture in our region.

MÁRCIO MARCASSA JR.
THE RIO PORT GROUP AND THE COMMERCIAL AND
INDUSTRIAL ASSOCIATION OF RIO PRETO - ACIRP
SÃO JOSÉ DO RIO PRETO – SP

Congratulations to the PIB team for helping us make sense of the facts and numbers that drive the economy and the businesses of Brazilian companies. Here's hoping this independent and timely magazine can prosper and enlighten more and more readers around the world.

ANNA ELVIRA ZAULI
INDÚSTRIA DO TEXTO
SÃO PAULO – SP

We received a copy of PIB magazine during the 28th National Meeting of Exporters (ENAE) in Rio de Janeiro. We'd like to join with other readers in commenting on the excellent work that the magazine's team is doing.

JORGE CARNEIRO AND MARCELLO MOREIRA DA SILVA,
EXECUTIVE DIRECTORATE OF THE BRAZILIAN
ASSOCIATION FOR SOCIAL RESPONSIBILITY

If you had 600 years to improve your craft, you would certainly achieve a masterpiece, too.



THE HISTORY OF STELLA ARTOIS BEGAN OVER 600 YEARS AGO IN A SMALL BREWERY IN THE SMALL COUNTRY SIDE TOWN OF LEUVEN, BELGIUM. TODAY, THIS BEER CAN BE APPRECIATED IN OVER 80 COUNTRIES AS A TRUE SYMBOL OF TRADITION AND PERFECTION.

STELLA ARTOIS.

THIS PRODUCT IS DESTINED FOR ADULTS.

A soap opera about India - but is it really like this?

India: Fact and Fiction

An Indian consultant reveals what's true and what's myth in a new Brazilian soap opera **BY JOSÉ RUY GANDRA**

RAKESH VAIDYANATHAN, PARTNER of the Jay Group, a consulting firm specializing in Bric (Brazil, Russia, India and China) markets follows the soap opera *Caminho das Índias* ("Path of the Indias") with avid attention. Sometimes he is pleased by the accuracy with which his native country is portrayed on the screen. Sometimes he is not. Read Rakesh's comments on the degree of realism among the themes covered in the plot.

:: GLOBALIZATION :: Unlike Opash (Tony Ramos), a traditional merchant against expanding his business, modern Indians have lots of respect for money and status – and the social mobility needed to obtain

them. Indians have adopted and respect all Western practices that prove to be effective. Notwithstanding, this liberalization has not penetrated the caste system, which is still deeply rooted in Indian society.

:: FAMILIES :: In a comparison with the corporate world, the Indian family is a type of limited partnership, without shares on a stock exchange or corporate governance but with a very solid, long-term view aimed at perpetuating its values and activities for many generations. Laksmi (actress Laura Cardoso), Opash's mother, personifies this spirit very well. Families in the West are more like limited liability companies. They respect minority shareholders and are more transparent, but live focused on the short term because have to generate a quick return for the shareholders.

:: MARRIAGE :: Until a few decades ago, the reality was very similar to what is portrayed in the

soap opera. Today, however, people have much more personal weight and power of veto. But the family still has a lot of influence on the choice of a wife or husband than in the West. Therefore, freedom exists, although family approval is still a very important psychological factor. Opash is a great portrait, but somewhat comical. He reminds me of India 50 years ago.

:: WOMEN :: First, Indian women are not so spoiled. Nor do they dance around the house all day. Many of them work. It is more difficult for an Indian woman to enter the job market than in the West; but once she enters, she is well respected in the corporate

environment. The number of women in top positions in India is, comparing populations, much higher than in Brazil. Today they have an important presence in the financial, IT, consumer goods and biotechnology sectors.

:: CASTES :: Actually, there are not four castes in India, but about 7,000. A caste is a hereditary quota for exercising a certain profession – not unlike, keeping in mind due proportion, the hereditary trade guilds of old Europe. With globalization, castes have lost a lot of their importance. In large Indian cities like New Delhi, for example, they are no longer very relevant. Nevertheless, marriages are still predominantly made between people of the same caste.

:: DALITS :: Dalit in Hindu means "crushed." Gandhi combated this inequality, treating dalits as "God's special children." The Indian constitution promotes the democratic principle of equality before the law and while it does not differentiate among castes, it does, however, set aside educational quotas for Dalits. Today citizenship is the axis for social relations in the country, although prejudice still exists and the path to overcoming it will be arduous. In rural areas, for example, dalits are still killed if they enter a temple.

:: OMENS :: Astrology is very present in Indian society. There are many astrologers in India. It is a passion equivalent to soccer in Brazil. Even large corporations consult astrologers to discover the most favorable moment for closing a large deal.

The Arabian horizon

IN TERMS OF BRAZILIAN eexports, the 22 Arabic-speaking countries are becoming what the Internet is today for many companies: still accounting for a modest part of the total business volume, but growing quickly and with enormous potential.

An executive summary prepared by the Arab-Brazilian Chamber of Commerce shows that in the last five years the trade chain between the two sides has grown about 150%, catapulting from US\$ 8 billion in 2004 to almost US\$ 20 billion last year.

Moreover, the study also reveals the entry of new players into the game. The countries whose imports of Brazilian products expanded the most over the period were Qatar, Kuwait, Jordan, Bahrain and Libya. The fastest-growing items include live animals (especially thoroughbred horses), iron and tobacco.

Nevertheless, Saudi Arabia, Egypt, the United Arab Emirates, Algeria and Morocco still import the largest volumes of Brazilian goods. Food, ore, cars and aircraft top the list of exports, which has been diversifying rapidly. Brazil is responsible for only 1.3% of the total imported by Arabic-speaking countries. On the other hand, a mere 0.9% of these countries' exports arrive in Brazil.

Much more is yet to come and go.



BRAZIL

Stability, sustainability, opportunities.

Trusting Brazil is an excellent investment.

A continental country, with the 10th largest economy in the world, renewable and clean energy matrices, agribusiness that supplies food to a large share of the planet, huge consumer market that increases steadily with the social advances, stable democracy, fiscal and economic balance, abundance of natural and technological resources. This is Brazil. A country that has renewed and strengthened itself to face the challenges of a globalized economy. A country that is based on stability, sustainability and innovations to generate opportunities. And investing in such a country brings excellent results. Trust us.



ISTOCKPHOTO

Chocolate and pepper

IN FEBRUARY, a small but high-powered team from Dogherie & Alimentari, the Italian spice and seasoning giant, traveled for the second time to Belém, in Pará state. The reason: to choose a location for the new chocolate factory the company intends to build there.

The Italians seem to have discovered in Amazonian cacao the raw material for which they

had searched the world over. “Due to its flavor and more accentuated aroma, not to mention nutritious properties, our cacao offers exactly the difference they want,” explains Fátima Gonçalves, director of foreign trade support for the Pará State Development, Science and Technology Secretariat. “They want quality, not quantity.”

D&A confirms the project,

although according to the company’s spokesperson, Mauro Falcioni, it has not yet decided whether the unit will produce finished bonbons or just cocoa paste in bars. Also according to Falcioni, the exact place of the plant, its construction schedule and the total value of the investment have still not been defined. Another detail: the Italians, who visited plantations, research centers and communities in the area, were also impressed with the black pepper produced at Tomé Açu.

Enterprise, Brazil!

RELEASED IN MID MARCH, THE 2008 Global Entrepreneurship Bulletin (GEM) – which monitors and analyzes entrepreneurial capacity in 43 countries – contains both good and bad news. The good news is that with an index of 12.09, Brazilians are today the third most enterprising population among the G-20. The country only loses to Argentina, with a handsome 16.5, and Mexico (13.1). The index measures the number of people who have their own businesses per 100 economically active persons. More good news? For the first time since 2000, when the survey began, the number of people in Brazil who opted to open a new business exceeded those that did so out of necessity. The bad news: we are not very innovative. Only 3% of Brazilian entrepreneurs use technologies that have been available for less than a year. A final curiosity: Belgium was last-placed among the 43 surveyed countries.

ISTOCKPHOTO

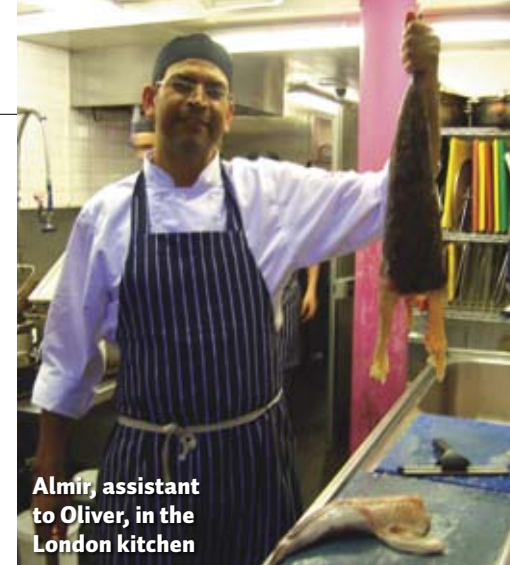


Oliver’s Brazilian sidekick

FEIJOADA? CHURRASCO? “Your wish is my order,” declares the boss – in this case, English celebrity chef Jamie Oliver.

For more than a decade, Brazilian Almir Feitosa Santos has cultivated friendship and culinary intimacy with Oliver, Britain’s young, creative and frenetic “Minister of Food.” “He’s very enlightened,” praises Santos, kitchen manager of the London restaurant Fifteen, an icon in the city and also an NGO with its own life and mission: to employ underprivileged youth in the food sector.

Heralding from São Paulo and residing in England for the last 19 years, 46-year-old Santos met Jamie at London’s River Café, where the chef – responsible for serving dinner to heads of states and governments present at the recent G-20 encounter in London – began his career. Santos, who until then worked for a cleaning company, was referred by another Brazilian



Almir, assistant to Oliver, in the London kitchen



HANDOUT

(“our kitchen mafia!” he jokes) to work at the River Café. Seven years ago he began helping Jamie in the kitchen. Today he manages it.

Besides monitoring the quality of the dishes that the restaurant is famous

for, Santos teaches classes to two candidate chefs a week. “Jamie is a great person, as sweet as he is on TV,” says Santos, who says he does well in the kitchen because of his “ability with the knife.” On his TV programs, Jamie refers to Santos as “my mate.” In one program, the Brazilian chef shows how to make a feijoada, with all the pork and beans to spare. Santos attributes his predilection for the dish to the pigs his father raised, and the fact that he is crack in cutting. “Northeastern family... you know how it is.” Married to a Bahian and the father of three children, Santos says that while his adopted country can be cold, its friendships are not.

Brazil? Only for vacations. Next year I intend to drag Jamie along with me: “He’s crazy to go – and says that if he comes with me, he’ll enjoy our delicacies even more.”

Brazilian Momento

THE US CAPITAL has just gained a gallery dedicated to contemporary Brazilian art. Located in Georgetown, one of the most sophisticated areas of Washington, Momento Art Gallery opened its doors in February as a mini cultural center. “I want to show to a public as international as Washington’s that our culture is much more than samba, carnival and soccer,” explains Rio de Janeiro artist Patrícia Secco, owner of Momento. The gallery will sell her works and those of other artists, with a new exposition every month. “Our agenda is already full until mid 2010,” she says. Other artists already contracted include Angelo de Aquino and Juarez Machado. The space will also host Portuguese classes, workshops and lectures. (By Flavia Carbonari, in Washington)



Patrícia in her gallery: Brazilian art in Washington

HANDOUT

The global executive

DURING THE CRISIS, OR PERHAPS because of it, global executive talent management leader Korn/Ferry International reported 31% growth in demand for projects related to Brazilian companies' investments abroad. Most of the demand is aimed at managing expatriate talent or searching for appropriate professionals in the target country. "What matters most right now is an executive's capacity to make decisions amid growing levels of complexity, ambiguity and uncertainty," explains Sérgio Averbach, president of Korn/Ferry South America. Listed below are, according to Averbach, the five most highly valued competencies for managers with goals of operating globally.

:: UNDERSTAND YOUR OWN BUSINESS The executive needs to understand his or her sector very well, closely following all major changes and their impacts.

:: ABILITY TO MAKE COMPLEX DECISIONS Executives' decisions need to be faster and more dynamic to face the multiple pressures their business constantly receives from stakeholders (consumers, regulatory agencies, etc.), and which can vary significantly from country to country.

:: HABIT OF CREATING A DIFFERENCE It is desirable that the executive be proactive and always prepared to work with change. Most CEOs already incorporate change management into their agendas.

:: MULTI-PUBLIC MANAGER The manager should have good relationship skills with different publics and in culturally diverse environments, given how myriad demands can significantly impact the business. The executive needs to assume management of these relations, building lasting ties with each stakeholder.

:: INSPIRING NEW PERSPECTIVES The executive should be capable of creating a vision and inspiring a different outlook among collaborators, helping them to work with the innumerable effects of the crisis, as well as questions internal to the companies.



Visual Esperanto

A YEAR AFTER ASSOCIATING WITH TBWA, one of the giants in the advertising world, Brazilian agency Lew Lara is undergoing a baptism of fire. Six of its professionals were among 20 recruited worldwide to produce Visa's Go campaign, whose concept and format will be replicated in each country. What is the secret for effectiveness of a single commercial in so many different markets? "The general rule for global campaigns is to transmit the message mostly visually," explains André Laurentino, vice-president of creation for LewLara TBWA. "In the case of Visa, there is a conceptual matrix and the word Go, which is filled out in each country with visual elements containing strong local appeal: sushi in Japan, tulips in Holland, etc." The strategy, quips Laurentino, has already gained a nickname among professionals in the group: "Visual Esperanto."

No benchmark, please!

AFTER A HEATED meeting last April, England's Local Government Association (LGA), a type of association of municipalities, decided to banish from its communications and legal documents 200 words whose meaning it considers distorted due to improper or imprecise use. Among them are some marketing favorites like 'benchmark' and 'best practices,' expressions adored by British managers and politicians alike. "Why would you say, as former prime-minister Tony Blair did, stakeholders, if you can simply say taxpayers?" asks LGA director Margaret Eaton.



Hitoshi (right) with partners and friends: quality wine in a long-life box

Wine with Long life

MORE GOOD NEWS for those who, literally, just drink one or two glasses of good wine a day. Wine Society, Brazilian import representative of Constellation, responsible for distributing 20%

of all the wine consumed on the planet, recently launched "bag-in-box" packaging in Brazil, which conserves the original flavor of the beverage in the refrigerator for up to two months. "It will



take off," bets Banco Fator director Carlos Hitoshi, one of 17 partners in the enterprise, two of them Australian. "With this packaging, in many cases the price of a wine drops by half." Although some critics snub their nose at the idea, bag-in-box packaging has been steadily gaining ground. In the United States and England, for example, it already accounts for 25% of the market. New to the Brazilian market, Wine Society is betting on the so-called "new world wines" (from Australia, the US and New Zealand). Its initial wine list includes 60 labels, nine of them in two, three and four-liter boxes. The company's new store, inaugurated at the end of April in the São Paulo neighborhood of Moema, let's just say, is just the cork of the iceberg. "We plan to actively pursue retail and mid-sized restaurants," says Hitoshi. "With this crisis, who would not want their wine to cost less and last longer?"

A new outpost

MORE OR LESS coinciding with China becoming Brazil's leading trading partner, May saw the inauguration in Beijing of an Apex-Brasil Business Center. It's a well-equipped office with 340 m2 of space in the heart of the Chinese capital's business district, dedicated to receiving and giving guidance to Brazilian businessmen in the country and to researching opportunities for the products and investments of Brazilian companies that export or want to establish an international presence. It's the largest such center yet opened by Apex-Brasil. Others are in Miami, Dubai, Havana and Warsaw, with Moscow opening by the end of this year. "The world cannot keep on growing economically without the presence of China," said Apex-Brasil President Alessandro Teixeira. "Increasing investments and commercial cooperation is in line with the common interests of companies from both countries."



Ivan Ramalho, foreign trade secretary at Brazil's Ministry of Development, Industry and Trade, and Alessandro Teixeira of Apex-Brasil, inaugurating the new office in Beijing.



Chieko in Chile: hotels in Patagonia (above) and in Santiago



Do not disturb!

DESPITE THE CRISIS, the Blue Tree hotel group, led by Chieko Aoki, has just embarked into the Chilean market. The chain has leased two hotels in the country: the aristocratic Fundador, in Santiago, and the celebrated Remota hotel in Puerto Natales, Patagonia. The company’s US\$ 15 million expansion plan includes the launch of 30 establishments in Brazil and 10 in other areas of Latin America by 2010. In addition, Blue Tree plans to launch a new chain called Spotlight. “They will be economical and highly functional hotels, but replete with charming details,” says Chieko.



Lending to Uncle Sam

IN JANUARY BRAZIL increased its position in US Treasury bonds from US\$ 127 billion at the end of December 2008 to US\$ 135.5 billion. With this the country rose to fifth place in the global ranking of treasuries holders, edging past the United Kingdom, whose inventory fell from US\$ 130.9 billion to US\$ 124.2 billion. China continues the absolute leader, with an impressive US\$ 739.6 billion, followed by Japan, with US\$ 634.8 billion (see table). The higher stake signals the Brazilian government’s confidence in the American economy’s capacity to recover – a sentiment the Chinese, the biggest lenders, do not share. “We have lent an enormous amount of money to the United States and are a little concerned about the safety of our assets,” said the Chinese prime minister, Wen Jiabao, in March. “Treasuries are historically known for their solidity,” said Brazilian Central Bank President Henrique Meirelles, around the same time. Who is right? Only time – and the crisis – will tell.



OWNERS OF US DEBT

(*) in billions of dollars

CHINA	739.6
JAPAN	634.8
OIL EXPORTING COUNTRIES	186.3
CARIBBEAN BANKS	176.6
BRAZIL	133.5
UNITED KINGDOM	124.2
RUSSIA	116.4
LUXEMBOURG	97.4
HONG KONG	77.2
TAIWAN	71.8
SWITZERLAND	62.3
GERMANY	56.1
IRELAND	54.3
SINGAPORE	40.8
MEXICO	34.8



Lights in the design

EVEN WITHOUT A strong tradition in the area, Brazil has been holding more than its own at the iF Product Design Award, a leading European design festival held annually in the German city of Hannover. At the 2009 event, held in March, 19 Brazilian products were included among 802 winners in 16 different categories. In all, almost 3,000 products from 39 countries were submitted. Among the winners were items from categories as distinct as jewelry, furniture, locks, GPS trackers for cattle, bus chassis and ATM terminals.

The big highlight, however, was the Super Bossa lamp created by São Paulo designer Fernando Prado for Lumini, which won the Gold trophy, granted annually to only 50 participants. The Lumini/Prado duo, in fact, is now a three-time champion, having already received Gold awards at two previous events (2005 and 2007) with the Luna and Bossa lamps. The Super Bossa model is an evolution of the last, being smaller and more flexible. “iF is a very important award because it opens doors to various markets, especially Europe, where design is much more prevalent and valued.” Super Bossa



Prize winners: Centopéia fruit bowl (above) and the Super Bossa lightshade

delighted the judges. “Its great merit is the possibility of interaction by the user, who can change and control the lighting effects, thereby personalizing the lamp and making it more versatile and less static,” says Fernando, who had another lamp – Led It Be – listed among the winning works in the 2009 edition.

About 100 Brazilian companies enrolled in the iF Product Design Awards through Design & Excellence Brazil (DEBrazil), a program of the Development, Industry and Foreign Trade Ministry (MDIC) and the Export and Investment Promotion Agency (Apex-Brazil), which has promoted Brazilian participation in the festival since 2003. Submissions are coordinated by the NGO Centro de Design Paraná (CDP). “Our objective is to increase international recognition of Brazilian design and to encourage a culture in the country of exporting value-aggregated products,” says projects director Leticia Gaziri.

The winning products will be exhibited in Hannover from March to August at an exposition timed to coincide with CeBIT, the largest technology fair in the world. The award’s organizers estimate that during this period about 300,000 people will visit the exposition. DEBrazill’s site (www.designbrasil.org.br/debrazil/premiados_2009) includes a gallery with photos and technical information on the 19 winning creations.

Iberian introduction

AFTER ONE AND a half decades of investing heavily in developing countries, above all Latin America, Spain now wants to do business with emerging countries inside its own borders. Brazil is one of the main targets. Invest in Spain, a development agency linked to the Spanish Ministry of Foreign Affairs, has opened an office in São Paulo, and began prospecting business projects in April. The idea is to strengthen the economic ties the two countries have developed in recent years.

“We have the potential to attract companies in practically any segment, although we are paying special attention to emerging Brazilian multinationals in sectors like IT, communications, biotechnology, renewable energy and the environment,” says Invest in Spain representative Javier Saenz. Spain attracted € 27 billion in net direct foreign investment in 2007, the eighth highest in the world and slightly ahead of Brazil. However, the lion’s share of these investments involved a small number of mergers and acquisitions operations with other developed markets. The share of countries like Brazil, and even China, is still miniscule.

Invest in Spain has set aside € 24 million in support capital for international investors by 2013. The agency’s strategic priority is currently projects involving IT, and which seems to be on target: one in three greenfield projects arriving in the country involves technology. (By Arnaldo Comin, from Madrid).



Secches, of Perdigão, and Furlan, of Sadia, united as BR Brasil Foods: picture of consolidation that couldn't wait

Time to Trim the Sails

How the crisis has hit Brazilian multinationals

WITH THE CRISIS' first shocks and its slew of victims behind us, a clearer picture has emerged that shows how various Brazilian multinationals have been affected. The foods industry consolidated: in May, giants Sadia and Perdigão merged to form Brasil Foods. Some companies like Petrobras have postponed or reduced investments, but are generally weathering the storm well. Others, like Vale and Embraer, face a sharp retraction of the world market. Below is a list of some Brazilian multinationals: how they've been affected and how they are recovering.

EMBRAER

THE IMPACT

Due to the crisis, which strongly affected the aviation industry, Embraer cut 4,270 employees (20% of its total workforce), and has reduced production estimates by 30%.

INVESTMENTS

The company has not announced any new investment and/or any acquired new assets abroad.

THE STRATEGY

Cost containment aligned with fall in worldwide demand.

RANDON

THE IMPACT

Closed 2008 with 400 fewer employees it had at its peak that year, a number considered within normal turnover range. At Randon Argentina, however, production was reduced by 60%.

INVESTMENTS

Remained unaltered. Plans include installation of a unit in Pinghu, China, and the acquisition of a friction material company in the United States.

THE STRATEGY

Aligning operations with the new international reality, vigilant maintenance of healthy liquidity, and more aggressive action in marketing and innovation.

ODEBRECHT

THE IMPACT

From October 2008 to March 2009, the company hired 16,530 workers in Brazil and laid off 13,049. Abroad, 18,952 were hired and 17,895 were laid off. There was no negative impact on projects since, according to company, funding for the implementation of its backlog (contracts in portfolio) is fully guaranteed.

INVESTMENTS

In the last four years, Odebrecht invested about U.S. \$ 900 million in machinery, vehicles and construction equipment, sufficient to execute contracted projects of \$ 18 billion, in Brazil and abroad. The company recently sealed major international contracts, such as the Miami Metromover (\$ 260 million) and Vale's coal mine Moatize, Mozambique (U.S. \$ 750 million).

THE STRATEGY

More detailed monitoring of clients' investment capacity and review of its own investment program.

PETROBRAS

THE IMPACT

From October to December, international production was above average in 2008. By March 2009, there was a slight decrease, but estimates its peak production at 175 thousand barrels / day, expected to be reached by the fourth quarter. By March of 2009, 1,070 employees were hired and 29 layoffs. There were no layoffs due to the financial crisis.

INVESTMENTS

The international business plan has been maintained, with investments of U.S. \$ 15.9 billion between 2009 and 2013. The countries that will receive the most investment will be: United States (28%), Argentina (16%), Angola and Nigeria (12% and 5% respectively). It purchased for \$ 400 million ExxonMobil's assets in Chile, Esso Chile Petrolera, and in the United States negotiated a 50% stake in Pasadena Refining System Inc. (PRSI) for \$ 466 million.

THE STRATEGY

Besides optimizing costs and establishing contracts with long-term suppliers, the company negotiated a U.S. \$ 10 billion loan with the China Development Bank.

VALE

THE IMPACT

Given the drop in world demand for steel, estimated at about 20% in the first quarter of 2009, the company reduced iron ore production by volume equivalent to 30 million metric tons annually (37% vs. the same period of 2008). Production at some Brazilian mines, with higher product cost and lower quality minerals, has halted. The same occurred with iron alloy plants in Dunkerque, France, and Mo I Rana, in Norway. Operations in manganese, copper, nickel and kaolin were also resized.

INVESTMENTS

The company acquired from competitor Rio Tinto active iron assets (mines in Corumbá) and potassium assets (Argentina and Canada) valued at \$ 1.6 billion. It also acquired thermal coal export assets of Colombian Cementos Argos S.A. (U.S. \$ 305.8 million) and South African TEAL Exploration & Mining Incorporated, a copper producer.

THE STRATEGY

Continue to manage production under the conditions of the prevailing market in the short term, while keeping in its sights acquisition opportunities for new assets generated by the crisis.

VOTORANTIM

THE IMPACT

Layoffs in specific places totaling 600 workers. Production at some plants, mainly metals, was adjusted to the new economic reality. Votorantim Cimentos experienced two very different situations in 2008: it broke records in the Brazilian market, with cement production up 15% on the year before at 20.8 million tonnes, while in North America sales fell 10%.

INVESTMENTS

All investment projects were revised and adapted to the new reality of the international market. Total group investments in 2008 were R\$7.7 billion, 64% up on 2007. The projection for 2009 is to invest R\$5 billion. No overseas assets were acquired between October 2008 and March 2009. In March the group inaugurated the world's largest single-line pulp plant at Três Lagoas in Mato Grosso do Sul State in Western Brazil. Annual production capacity is 1.3 million tonnes.

THE STRATEGY

Adjust operations to strengthen competitiveness; also adjust scale and costs.

Sauvant: "Nobody should buy a company abroad just because it's cheap"

Learning from the Crisis

For Karl P. Sauvant, professor at Columbia University, Brazilian companies need to think internationally if they are to take advantage of the current situation

NELY CAIXETA

During the three decades that he worked for the United Nations, before retiring in 2005 as Investment Director of the UN Conference on Trade and Development (Unctad), Professor Karl P. Sauvant gave special attention to matters related to developing countries. Sauvant, who is German, knows Brazil very well – and not just because of his work. As well as following the Brazilian market and companies for many years, he worked under Ambassador Rubens Ricupero when the Brazilian diplomat was Unctad's Secretary-General. And Sauvant's wife, Silvana, is from Belo Horizonte in Minas Gerais State – they met at the UN.

Sauvant is the father of the World Investment Report, an annual report produced by Unctad which has, since 1991, offered a detailed annual x-ray of foreign direct investment flows around the world, and he has dedicated the past three years to the same subject at Columbia University in New York. As well as lecturing there, he created and runs the Vale Columbia Center on Sustainable International Investment (www.vcc.columbia.edu), a joint study center of Columbia Law School and The Earth Institute, supported by the Brazilian mining giant Vale, formerly known as CVRD.

In this interview with PIB – whose first six editions he swears he read cover to cover! – Sauvant

discusses the impact of the crisis on emerging markets, predicts a period of low growth for Brazil and offers a warning to Brazilian companies that have set off on the road to internationalization. In the wake of the financial crisis and recession, he says, there might be some good opportunities to acquire companies abroad. "But you have to be aware that it's very difficult to make an international merger and acquisition work well," he said in a phone interview with PIB. "There's a real need for professionals who are trained and experienced in international markets."

Many analysts have said that the financial crisis could serve as a short cut to help companies from emerging markets establish themselves in global markets more quickly. Do you agree with that, or is it still too soon to know?

In principle, yes. But during a financial crisis and recession, it's difficult to implement major expansion plans, including for firms from emerging markets. To be sure, for

The relevant market is no longer just Brazil, it's the world. The option of staying home doesn't exist any more

a short time it appeared that developing countries could disconnect or decouple from the rest of the world. Today, everyone knows that emerging markets, too, are suffering considerably from the effects of the crisis and recession. In Brazil's case, the IMF just estimated the country's GDP to decline by -1.3% in 2009 (the same decline as for the world as a whole), but I wouldn't be surprised if this percentage, like the others released by the IMF during the past few months, is revised downwards again. All the forecasts of the last semester have been revised downwards, every two months or so.

These IMF forecasts have irritated President Luiz Inácio Lula da Silva enormously.

His job, like that of politicians in all countries, is to be optimistic and do whatever is possible to avoid a deeper recession. I keep my fingers crossed and hope he's right. We all hope the scenario doesn't become worse. On the macro level, the crisis doesn't differentiate between developed and developing countries. However, on the micro level of foreign direct investment, I could imagine that some companies might be able to expand internationally with great success in the present circumstances – the opportunities are there. In a certain sense, it's a good time to grow your international presence. However, companies from developing countries need capital to un-

dertake cross-border mergers and acquisitions or to set up operations outside their home countries. But given the shortage of credit, many might find it difficult to find the required resources to do so.

Which companies are managing to take advantage of the crisis to expand their international footprint?

Chinese companies, for sure, are taking advantage of their capacity to go international, of their financial strength and of the opportunities to buy cheap assets in other countries. China's foreign direct investment reached US\$26 billion in 2007. Last year, with the crisis already well entrenched, the country's outward FDI doubled to US\$52 billion, at a time when global FDI flows fell by some 20%. It's important to note, however, that between 80% and 90% of all Chinese outward FDI is undertaken by state-owned enterprises, in other words, firms that don't have financial problems. For Brazil and India, the situation is different.

How do you see Brazilian companies doing after the crisis?

It's very difficult to undertake a precise assessment at this moment, but I fear they are having difficulties getting the funding to finance their international expansion. Also, many have seen their profitability fall sharply. I'm talking especially about companies that supply raw materials, whose prices have suffered very badly in international markets. A tonne of iron ore, for example, was quoted in May this year at roughly US\$60, compared with US\$200 in March of 2008. That's less than a third of the price of a year ago. Obviously, such a drop affects the capacity of companies to finance their international expansion.

In times of great turbulence abroad, companies based in countries with large home markets like Brazil tend to concentrate on domestic opportunities. Are they wrong, doing that?

Well, it's a fact that Brazil has a large market. But the relevant market is no longer just Brazil, it's the world. The option simply to stay at home doesn't exist any more in a globalized world economy. Companies need to establish an international presence if they want to remain competitive – in fact, a network of foreign affiliates becomes an important source of the international competitiveness of firms. But Brazilian companies have a competitive disadvantage, which is the lack of a clear policy of internationalization on the part of the government. It would be good for the government to take a long, hard, systematic look at what other countries are doing in terms of offering support to their companies to expand internationally.

Which examples should Brazil look to?

All developed countries have an arsenal of tools in place to promote foreign direct investment by their firms. The same applies to a (small) number of developing countries. China, for example, has a government policy to train highly qualified international managers so that they can competently run companies established or acquired abroad. The country also supports outward FDI by its companies through various

means, including by helping them to identify good business opportunities abroad. China also has more than 100 bilateral investment treaties to protect its investors. Compare that with Brazil. At the start of his first term in office, President Lula said he would like to see a dozen well-known Brazilian multinationals. But the country still doesn't have a consistent policy to support (and perhaps even encourage) the international expansion of its companies.

Do you think the failure of so many financial institutions could represent an opportunity for Brazilian banks to assume a more important role in world finance?

Brazilian banks are renowned for their efficiency, their capacity to overcome challenges and their ability to grow in times of high inflation. They will have good opportunities to expand their international operations, provided they manage adequately to evaluate the assets of the financial institution they plan to purchase. At this moment, however, it's difficult to know how much banks like Citibank, Bank of America or any other financial institutions are really worth. According to IMF estimates, a significant amount of toxic assets still have to come to light. It's very difficult to predict how much time is necessary for this situation to become clearer.

Does this mean we shouldn't expect major international deals by Brazilian banks in the near future?

I would be surprised if major deals happen just now. The atmosphere is still very uncertain. I believe that many investors will remain very cautious about investing in financial institutions just now – unless, of course, a company has a special target and is reasonably certain that it is heal-

thy and without problems. But here I would like to point out one aspect that demands great consideration and applies to companies in all sectors: no one should acquire an asset abroad just because it's cheap.

What should a company consider when evaluating such assets?

Above all, they must fit into the company's strategy. The asset being acquired must make sense for the company in the long term, in terms of where it wants to be and what market segments it wants to serve. Companies also need to understand that it's very difficult making mergers and acquisitions work out well, in particular when they involve two major organizations. This is the biggest challenge for companies from emerging markets, including Brazil.

What precisely is the challenge?

Many companies lack sufficient experience to operate in international markets via the creation of integrated international production networks of foreign affiliates. To do that successfully, they need a pool of talent with experience in international markets. Many Brazilian multinationals still have difficulty in internationalizing their boards and senior management positions. This is a serious matter, and firms should pay much more attention to it.

Even large multinational enterprises from developed countries, companies that have lots of experience, have problems in doing this. The acquisition of Chrysler by Mercedes Benz-Daimler, for example, was a disaster. An operation of this size involves questions such as the adaptation of different cultures, the meshing of different production systems and the creation of a company that is

Brazilian banks will be able to buy overseas assets, provided they can evaluate them properly

geared to integrated international production. Most Brazilian companies don't have the experience of doing that, and this means that they will have to make even bigger efforts to be successful in international mergers or acquisitions.

Brazilian banker André Esteves, who recently bought back the Pactual bank from UBS, said that his ambition is to make Pactual into the Goldman Sachs of emerging markets. Is that feasible?

There's no reason, at least in principle, why any bank or company should limit its activities to its country of origin – on the contrary. In a globalized world economy, everything is possible. If Esteves really wants to be ambitious, he shouldn't limit his goals like that: he should aim to make his bank the Goldman Sachs of the globalized world market. The key to doing this successfully will, naturally, be attracting talent from all over the world, and not just Brazil. He must construct the image of an investment bank that really does know what it is doing, one that is trustworthy and able to help both individuals and companies to be successful.

What do Brazilian companies need to do to make consumers in rich countries want to buy their brands?

Establishing a brand is a tough business, but it can be done. Just look at the Japanese multinationals. Forty years ago they were known as manu-

facturers of shoddy products. They were not seen as serious companies. Today they are global market leaders in various segments and have brands that are well established and respected. Companies from other countries can do the same thing, but it takes time and effort. The most essential thing is to have products that offer genuinely superior quality at reasonable prices.

Some parts of Brazil's society object to internationalization because they argue that Brazilian companies are exporting jobs...

That doesn't happen just in Brazil. We heard the same arguments in the United States at the end of the 1960s and even today, when people speak about offshoring. The same happens in Western Europe, where people speak about delocalization, the shifting of production facilities to other countries. Governments complain that companies move their factories to Eastern Europe and the Far East. The President of France, Nicolas Sarkozy, recently even encouraged a major automobile maker to bring some of its factories back to France in a move to create local jobs. However, as long as we have an open world economy, companies need to produce wherever they can do so most efficiently. If they don't do that, they will end up being less competitive and even go under. A national company isn't much use to Brazil or any other country if it goes bankrupt.

When do you see the world economy starting to grow again?

If I could answer that question, I might win the Nobel Prize, or at least I would make a fabulous play in the market. But it wouldn't surprise me if we don't see recovery until the second half of next year. ■

Brazil lacks a consistent policy to support the international expansion of its companies

A new relation



The global crisis could not obscure the symbolic meaning of the warm encounters between Obama and Lula, which reflected a recognition of Brazil's growing regional and global influence and a complex hemispheric agenda

PAULO SOTERO*, FROM WASHINGTON

The conversation of little more than an hour Presidents Luiz Inácio Lula da Silva and Barack Obama held at the White House in March, and their subsequent encounters at the G-20 Summit in London and the Summit of the Americas in Port-of-Spain in April, brought together two leaders who share rare and important political assets. Lula and Obama preside over democratic regimes in the two largest nations in the Americas. Both enjoy high levels of popular approval.

More importantly, they share personal trajectories exemplary of a virtue common to their countries: the capacity to change and incorporate into their governing elites people born in social groups that were excluded until a few decades ago. The symbolic meaning of the two leaders' inaugural meeting was clearly noted by both and was recorded, if not in words, in the satisfaction that they endeavored to convey to each other and, afterwards, to the journalists who interviewed them.

That, however, is not enough to justify predictions of great advances in the relationship between Brazil and the United States in the less than two years that remain of President Lula's government. The historic crisis that derailed the US

economy and irradiated across the planet in the final year of George W. Bush's calamitous administration severely limited Obama's maneuvering room to explore understandings on key questions with Brasília. The most important example is the conclusion of a new round of international trade liberalization talks.

As Obama said to Lula and later revealed to the press, the best that Brazil or any other country can ex-

The new American administration wants Brazilian support in the search for solutions to global problems, among them the economic crisis and global warming

pect from the United States in this area is and effort to block new protectionist setbacks.

"Moving forward, however, will be difficult," Obama admitted.

Keeping expectations low and under control is not, however, bad news. It could even be healthy for bilateral relations if the new American administration understands

that Brazil is part of the solution to the economic crisis that currently threatens international stability – and if it acts in concert, focusing on themes in which the two countries have common interests. For Brazil, the challenge is to understand that Obama's need to contain the internal catastrophe, which is obviously also in the interest of Brazilians, and to rethink US involvement in urgent foreign questions – the conflicts in Afghanistan/Pakistan, Iraq and the Middle East and relations with China – has introduced a new element of realism in the way Washington perceives and organizes its interests in relation to its neighbors in the hemisphere.

For the new administration in Washington it is important to find in Brasília receptivity and willingness to engage in the search for solutions to concrete problems and common interests, beginning with the reconstruction of the international financial system and the reform of the institutions of global governance, as Brazil has correctly advanced. Included in this agenda is also the negotiation a global agreement to reduce carbon emissions and contain global warming at a United Nations meeting on climate change at the end of the year in Copenhagen. It is a theme for which Brazil has solutions to offer (efficient ethanol production and a diversified and clean energy grid), can and should lead. Other subjects of common interest include maintaining political stability in the Americas (impossible without the example and contribution of Brazil), combating drug traffic and protecting the so-



Washington, March of 2009: Lula becomes the first Latin American leader to be received by President Obama

cial progress achieved during the recent period of prosperity.

In that sense it is instructive to note the conspicuous absence of grand hemispherical proposals in the studies and reports on the region conducted by the Washington think tanks, which organize task forces during transition periods to offer recommendations to the incoming administration.

Several ambitious proposals have punctuated the debate on US regional policy in recent decades, with little or no result. The present crisis has reduced the appetite for grandiose visions. A report released in November 2008 by a com-

mission of experts brought together by the Brookings Institution to rethink regional relations, for example, begins with the caveat that it does not intend to offer "a grand outline for reinventing hemispherical relations."

This realism also guided the ten-point agenda that the Inter-American Dialogue suggested to the Obama administration in mid-March. The report emphasizes that containing the economic crisis and managing its social and political consequences will be the highest priority in the immediate future for the United States and its neighbors in the Americas. The other important

themes listed by Inter-American Dialogue in terms of Washington's relations with the region are all negative in content – deterioration of public security in Mexico and other countries, problematic relations between the US and Cuba, troubles to reform US immigration laws, destabilizing policies of Venezuela and a US-Colombia trade accord, currently paralyzed in Congress. The report points out one positive exception: Brazil's growing regional and global influence. ■

* Paulo Sotero is director of the Brazil Institute at the Woodrow Wilson International Center for Scholars in Washington, D.C.

Globalization Spanish style

How the closed Iberian economic model transformed into a powerhouse of modern multinationals in just 20 years **BY ARNALDO COMIN, FROM MADRID**

Between 1940 and 1952, Spaniards were forced to swallow the Cuban model of rationing cards, widespread lack of products and the reverse migration of the urban population to the countryside in search of food. During the repressive Franco regime (1939-1975), Spain became one of most closed states in the world, based on a simple model of import substitution.

Until the 1950s, when the country still exported workers, it was common to drink coffee made of roasted peanut shells and to see rabbits taking the place of chickens on farms. Some even succeeded in making classic Spanish tortillas without potatoes – or eggs.

In the last 20 years, however, few countries have experienced such a fast and deep economic turnaround, leading Spain to become one of the most open markets in the West and an unexpected incubator of large multinationals. Companies that were nonexistent or ignored abroad then are now transnational powerhouses, including telecom giant Telefónica, banks Santander and BBVA, Inditex (controller of the Zara clothing chain), insurance

company Mapfre, OHL (the largest owner of highway concessions in Brazil, among them Autovías, Vianorte, Autopista Fernão Dias and Autopistas Régis Bittencourt) and oil and energy conglomerates Repsol YPF, Gas Natural, Endesa, Iberdrola and Unión Fenosa.

Various factors explain the success of the so-called “Spanish miracle” and can serve as an example for developing economies with declared international vocations, including Brazil. The most important of these factors, it should be noted, came from an opportunity that no

emerging country will receive on a silver platter: entry into the European Union (EU). Admitted to the club in 1986, Spain has received the largest volume of “cohesion funds” from the bloc, most of it destined for infrastructure and economic development. No less than € 186 billion has been spent to construct highways, ports and railroads.

“It would have been hard for Spain to have grown so much in recent years were it not for European funds, especially German,” said the executive secretary of the Economic Commission for Latin America and the Caribbean (Cepal), Alicia Bárcena Ibarra. “This allowed the country to strengthen its position abroad.” The injection of new money allied with new directives to modernize and align its economy with that of the EU created the conditions for Spain to internationalize.

The new Eldorado	
Spanish investments in Latin America over 15 years* (in € billion)	
ARGENTINA	32.01
BOLIVIA	0.23
BRAZIL	39.08
CHILE	11.57
COLOMBIA	3.91
MEXICO	18.93
PERU	3.92
VENEZUELA	2.63
URUGUAY	1.56*
TOTAL LATIN AMERICA	118.90

Source: Spanish Ministry of Foreign Affairs
*1993 to June 2008



Zara and other Spanish companies have discovered the world – including Fifth Avenue

In the 1980s the country struggled under various economic restraints well known to Brazilians: excessive foreign debt, a devalued exchange rate and high domestic interest rates. The privatization of the country’s telephone, energy and transportation infrastructure monopolies quickly created a new class of entrepreneurs who benefited from a captive internal market and a strong currency.

Another important factor that influenced the expansion of companies on the peninsula was access to cheap financing. Greater availability of funds and the modernization of Spain’s financial system gave a tremendous boost to the Madrid Stock Exchange. Even though the Spanish bourse has since suffered with the world crisis, leading many investors to migrate to fixed-income portfolios, investing in stocks is

still widely practiced by the general population.

“More than 90% of the investments made by Spanish companies in recent years, be they with open or closed capital, are private in nature,” notes Julio Alcántara Lera, general director of AIAF, the agency that regulates the Spanish fixed-income market. “This was only possible thanks to the restructuring of our capital markets.”

Rediscovering Latin-America

With the economy restructured, strengthened and boasting the capacity to invest, Spain was forced to expand its business borders under the threat of seeing its companies absorbed by larger European multinationals. Once again, the answer led the country to the other side of the Atlantic. “The debt crisis of the 1980s required Latin America

to adopt measures extolled by the Washington Consensus and to open itself to the world through privatization,” explains economist Ramón Casilda Béjar, author of the book *The Great Gamble: Globalization and Spanish Multinationals in Latin America*. “Aided by a strong currency, Spanish entrepreneurs realized that big opportunities lay in the region. That is when the film begins.”

The gamble, in fact, was not modest: with almost € 120 billion sunk into Latin America in the last 15 years, Spain has become the second largest investor in the region only after the United States. Just in Brazil, the country’s investment borders on € 40 billion. It is difficult to imagine Spain today without the role represented by the Latin-American market. Of all the net revenue obtained on the Ibex35, which tracks the largest companies



Harvest of plenty	
Share of LA in the revenues of the largest Spanish companies in 2008	
COMPANY	% OF REVENUE
OHL	45
BBVA	40
IBÉRIA	40
REPSOL YPF	40
SANTANDER	40
UNIÓN FENOSA	40
TELEFÓNICA	34
ENDESA	25
ACERINOX	20
GAS NATURAL	20
IBERDROLA	20
CINTRA	15
INDITEX	15
INDRA	15
MAPFRE	14
TOTAL IBEX35	25

Source: Ibox 35

listed on the Madrid exchange, roughly a quarter comes from business in the region.

International trade already represents 60% of Spain’s GDP – twice as much as ten years ago. The success of Spanish companies serves as a model for everyone. Inditex, which started as a small fashion network in Galicia in the 1970s, today has more than 4,000 stores in 73 countries and boasts an annual turnover in the neighborhood of € 10 billion. The company owns nine important brands, among them

Zara. Inditex’s success is based on an innovative model that mixes production flexibility (with manufacturers dispersed across Europe and Asia) and a micromarketing strategy in which each store possesses its own visual identity and product lines. All this is under the coordination of an army of designers that work in the company’s headquarters in La Coruña.

Less known to the public, the Gamesa group operates in Brazil as a supplier of components for airplane wings manufactured by Embraer,

although it also provides important parts for Boeing in Seattle and Airbus in Toulouse.

The company has also become a giant in wind turbine production. Today Spain is a world leader in alternative energy, being – after Germany – the nation that most invests in the sector, from solar and wind farms to experimental power generation from waves in the Cantabrian Sea.

Small and midsize enterprises
While Spain has become renowned for its large corporations, little is

to developing nations like Cyprus, Slovenia and Estonia. While the average EU country invests 1.8% of its GDP in technological development, Spain spends only 1.1%.

We need to increase our investments in education, innovation and infrastructure, besides creating more lines of credit for the productive sector,” says Alfredo Bonet Baiget, General Secretary of Foreign Trade, linked to the Ministry of Foreign Affairs and Cooperation. To accelerate



said about the role of the legion of small and midsize companies – known as “pymes” – in the internationalization of the country’s economy in recent years. According to estimates by the Spanish Foreign Trade Institute (Icex), headquartered in Madrid, roughly 40,000 companies export regularly and 3,000 have affiliates abroad, especially in Europe and Latin America. In Mexico alone there are approximately 1,500 companies of mixed capital or commanded by small Spanish investors.

In this field there is a little of everything, from producers of traditional goods like wine, olive oil and sausages to developers of software and high-tech equipment. Among their differentials, Spanish companies stand out for good management, internationally recognized design and cultural assimilation, especially in the case of Latin America. In the words of Casilda, pymes are a stain of olive oil that spreads slowly, without any noise.
He believes the time has come for Spain to go in the opposite direc-

tion, however, as much the large corporations as smaller companies. “The challenge now is to bring Latin America to Europe through so-called ‘multilatin,’ which are growing but do not leave the region,” he affirms. “Given the high level of integration that we have already obtained, I believe Spain could be the bridge they lack to enter Europe.”

Besides the macroeconomic adjustments, and bolstered by the European Community, Spanish companies also benefit from strong support from state agencies and infrastructure development policies. This combination of public and private strategies is seen as one of the secrets to the country’s international success

In this respect, the Cepal executive secretary praises the Brazilian government’s efforts in recent years to support transnational companies and economic integration with neighboring countries through infrastructure projects. “Within its possibilities, Brazil is beginning to play the same role in South America that Germany had in Spain’s recovery,” affirms Alicia Ibarra. ■

INNOVATION AND MARKETS IN THE EAST – THE NEW PRIORITIES

IN CAFÉS, RESTAURANTS e and on television programs, the subject in Spain is always the same: the world crisis and mass layoffs. The prospect of a recessionary nosedive after a long cycle of prosperity has forced the entire country to stop and confess its collective sins, as dictates good Catholic tradition. The search for

innovation and competitiveness has become both a need and an obsession in recent months.

Highly dependent on the construction, tourism and food services industries, Spain is still a bad student in terms of technology classes. The country occupies 17th place in the European IT innovation ranking, losing

the country’s internationalization process, the Spanish Institute of Foreign Trade (Icex) – the equivalent of the Brazilian Export and Investment Promotion Agency (Apex Brazil) – has prepared an ambitious public-private investment package for 2008-2012 on the order of € 239 million. The objective is to aggregate more than 5,000 companies to the current 40,000 already on the country’s export roster, and to promote the “Spain” brand.

Another priority is to expand business beyond Latin America and Spain’s European neighbors, which today account for 70% of exports. Among the most promising markets are China, India and the Middle East, besides emerging economies in Eastern Europe. “Our intention is to not only promote products that are ‘made in Spain,’ but also the ‘made by Spain’ concept in areas like fashion and design,” affirms the vice-president of Icex, Angel Martín Acebes.

A Rich Dowry

It's 'French Year' in Brazil. The two countries are rekindling an old love affair and signing billionaire strategic military and civilian deals

POR ARMANDO MENDES*

O Brazil has borders to the south with Uruguay and Argentina, to the west with Paraguay and Bolivia, to the Northeast with Peru and Colombia, and to the North with Venezuela, Guyana, Suriname and... France? Yes, France, because all you have to do is cross over the Oiapoque River in Amapá State to set foot in a land where people speak French and use the Euro as currency, just like they do 7,500 km away on the other side of the Atlantic in metropolitan France. French Guiana is an integral part of the country of Napoleon and Charles de Gaulle, of Carla Bruni and Nicolas Sarkozy, which is divided into departments, some of which are 'overseas departments'. This unlikely Brazilian frontier with a piece of the European Union has been disputed since colonial times. It was only in 1900 that the young Brazilian republic and France agreed a final line, running 730 km along the Oiapoque and the Tumucumaque mountains. Today it is France's longest land border.

It was on the French bank of the Oiapoque in January of 2008 that presidents Sarkozy and Luiz Inácio Lula da Silva launched an ambitious political and strategic plan for closer ties between the two countries. This new alliance – with echoes of the diplomatic, cultural and military intimacy that bonded the two countries at the start of the last century – includes French help for Brazil's claim to a permanent seat on the UN Security Council and recognition by France of Brazil as its prio-

rity South American partner for discussing major global questions. Although Sarkozy has been in the Elysée Palace just two years, he and Lula have already met eight times, including the United Nations and the Beijing Olympics. The two presidents exchanged views more than once before the recent G-20 meeting in London which dealt with the international financial crisis.

Above all, this strategic partnership has produced a billionaire deal for Brazil to build French submarines and helicopters under license for the Brazilian Armed

Forces. The military side of the new bilateral friendship was agreed in December of 2008 when the two presidents met in Rio de Janeiro. Using French technology and finance, Brazil will build four conventional Scorpène Class submarines and then one nuclear-powered sub, for which France will supply the non-nuclear technology. Estimates are that the defense program will generate business of some €10 billion (around R\$28 billion) through the next 15 years.

A French Scorpène, similar to the ones that will be built in Brazil: next step will be a nuclear-powered submarine

**Reporting by Andrea Flores*

It's a courtship full of possibilities for both sides. This year, a thousand French companies – most of them small and midsized – that are interested in doing business with Brazil will receive help from the 'Economic Missions', the business promotion arm of the French diplomatic service that has offices in São Paulo, Rio and Brasília. Five years ago the annual demand was less than 350 companies. In 2008, the bilateral trade flow reached an all-time record of €7.5 billion, with a surplus in Brazil's favor of almost €450 million. Recent months have seen a constant stream of French authorities visiting Brazil to make progress on things agreed during the presidential meetings. The end of 2008 and the first months of 2009 saw visits by French Finance Minister Christine Lagarde, Trade Minister Anne-Marie Idrac and Paris Deputy Mayor Christian Sautter, who is also president of a development agency for Paris and the surrounding region. There's an openly recognized reason for so much interest: France has

French Year kicked off with parties and fireworks, but the real meat lies in trade fairs

a list of 25 priority markets around the world, and Brazil places top amongst emerging countries. "Brazil is a priority country for France," said Sautter, while Idrac said that "there is no other country where we have such an intensity of resources," referring to the commercial promotion apparatus that France maintains in Brazil. In all there are almost 40 staffers, and they achieved the second best performance in the world, behind only China, amongst the missions that France has in 120 countries. Ranked by cities, the São Paulo mission came first out of 157. To 'seal the courtship' – as Idrac put it, when she spent a week in Brazil in May – 2009 is officially French Year in Brazil, repaying the hospitality of the 2005 Brazil Year in France. Follow a suggestion from Paris, the program for the French Year goes way beyond the dozens of cultural events that kicked off April 21st with fireworks in Rio de Janeiro. An intense economic agenda has been moving ahead since the end of last year. It's called



French Year' in Brazil blends business and beauty: a show by designer Yves Saint Laurent in Rio de Janeiro

French Economic Year in Brazil and is under the command of Ubifrance, the French export promotion and foreign business agency. One example: this year France will participate in 20 different sector trade fairs in Brazil, and at each one the country will have its own stand, a "French Space" that groups together various French companies interested in the Brazilian market. The sectors covered range through the Ribeirão Preto Agrishow held April/May and focusing on agribusiness, the São José dos Campos ExpoAero show for the aeronautics sector in July, and the São Paulo Fashion Week in June. "The world economic crisis is no



On the banks of the Diapoque River: Lula and Sarkozy improve ties between Brazil and France

obstacle to our businesses," said Dominique Mauppin, head of the French Mission in São Paulo for the last three years. Rather, he said, the contraction of the more mature markets is driving European companies, or at least those that have strategic vision, to target the emerging markets that grow with or without crisis. Putting it another way, Mauppin said: "A few years ago Brazil had 50 million consumers; now it has 90 million." Is this what helps explain the renewed interest, after decades during which France lost its place as the leading beacon for cultural and political ideas and was supplanted by the overwhelming weight of the United States? French Ambassador to Brazil Antoine Pouillieute said he believes there is more to it than just markets. For Pouillieute, France is convinced that Brazil is one of the great countries of the 21st century. "And if France thinks that, then France should help Brazil to have all the instruments needed by a great country," he said. "This is true in terms of politics and defense, it is true with respect to the economy, university education and technology. It is global." The ambassador noted that Brazil is perhaps "a little bit too lonely" in South America, where it is a fac-

1555/1567

Nicolas de Villegagnon creates the 'French Antarctic' on an island in Guanabara Bay, as a refuge for French Protestant Huguenots.

1816

The French Artistic Mission, including painters Debret and Taunay and architect Grandjean de Montigny, arrives in Rio invited by King João VI.

1900

The France-Brazil Chamber of Commerce is created in Rio de Janeiro.



1919

The Societé Chimique des Usines du Rhône, later Rhodia, comes to Brazil.



1934

São Paulo University is created, with the participation of a group of French professors including Fernand Braudel, Claude Lévi-Strauss and Roger Bastide.



1973

The Brazilian Air Force starts operating Mirage III EBR fighters made by French company Dassault Aviation. Between 1920 and 1940, French weaponry and military thinking reigned supreme in Brazil.



1976

An Air France Concorde make its first commercial flight from Paris to Rio de Janeiro, inaugurating an era of supersonic travel.



2001

Following the return of Renault (1998), PSA Peugeot Citroën started building cars at Porto Real, in Rio de Janeiro State.



tor for stability and security. France, therefore, offers two types of help: its political weight in world forums; and its “technological sovereignty”, by which Pouillieute means that France independently dominates various cutting-edge technologies, both civilian and military, and can transfer them to other countries as it sees fit, without depending on the decisions of any third country. This is the case, for example, with nuclear reactors for civilian power generation, like the ones that provide 80% of all electricity in France. Another example is the high speed train, the TGV, which reaches 300 kph in commercial operation. It’s no coincidence that both Alstom and Areva, the two French companies that produce, respectively, the TGV and nuclear reactors, are gearing up to battle for Brazilian projects in these areas: Brazil’s resurgent nuclear power program calls for construction of five stations through 2030, and the high-speed rail link between Rio de Janeiro, São Paulo and Campinas is in its final planning stages. A French

‘high-speed committee’ accompanied Idrac to Brazil to promote rail technology. Among the members: Alstom, French rail operator SNCF, banks and engineering companies. On the Brazilian side, Defense Minister Nelson Jobim also stressed technological sovereignty: Brazil wants to build submarines, and of various countries consulted the one that agreed to transfer technology was France. Jobin recalled a conversation he had with Sarkozy in January of last year, in Paris. “I told him that we wanted to develop our own strategic project, a nuclear submarine, that that this would depend on it being built in Brazil. We didn’t want to simply buy one.” Sarkozy answered that he was open to a partnership, Jobin said. “After that, things moved very quickly.” The courtship with France led Brazil to abandon Germany, which was the Brazilian Navy’s partner in the construction of five conventional submarines starting in the 1980s. But Germany, Jobin said, does not have the more complex technology for

a vessel with nuclear propulsion. France has; it was developed by the state-owned DCNS shipyard which supplies the French Navy. Since last year DCNS has visited, assessed and qualified Brazilian companies that are candidates to participate in the project and to receive technology from the original suppliers of parts and equipment, be they French or of other origin. Of 200 local companies initially identified as potential participants, over 30 have been qualified. One is Saturnia, located in Sorocaba, 80 km from São Paulo, which will produce the batteries to power the

HEAVYWEIGHT

FOR 30 YEARS, Helibras has been assembling French-made light helicopters at its factory in Itajubá, Minas Gerais State. But this year the company must take a technological great leap forward to supply the Brazilian military with 50 much larger craft. It’s one of the contracts agreed under the strategic partnership between Brazil and France. There’s a world of difference between the tiny Esquilo (‘Squirrel’) chopper Helibras currently assembles, and the beefy twin-turbine EC-725 chosen by Brazil’s armed forces.

The Esquilo weighs around two tonnes at take-off and carries a pilot plus five passengers. “The EC-725, in comparison, weighs 11 tonnes, has two pilots and carries 29 soldiers with full gear and weapons,” said Helibras president Jean-Noel Hardy, a French aeronautical engineer who speaks Portuguese with a fluency and slang acquired during more than 15 years in Brazil.

To make the leap, Helibras must go beyond simply making and assembling helicopters. The company has started building an engineering center in Itajubá, initially to work on the EC-725 program. But Hardy sees other possibilities in the future. The idea, he says, is to gain experience in the project and in integrating complex systems so that in the medium to long term Helibras acquires the skills needed to take part in designing



Jean-Noël Hardy of Helibrás and the EC-725 helicopter: a massive advance in quality, technology and firepower

a new helicopter. This would probably happen in partnership with Eurocopter, a company formed by the merger of French and German helicopter makers and which holds a majority stake in Helibras. Minority owners are the Minas Gerais State Government and a private group.

The EC-725 program will double the Helibras payroll, to 600 from just over 300 people, and the estimated investment of US\$350 to US\$400 million includes the installation in Brazil of Latin America’s first helicopter flight simulator, for crew training. At least a dozen local companies have been selected to supply parts and systems for the program, but that could increase. Local content in the EC-725 should reach 50% within six years, Hardy said, compared with around 40% for the Esquilo.

One of the selected companies is Aeroeletrônica of Rio Grande do Sul State, which will supply monitors for the helicopter instrument panels. Another advance is that the 2,400 HP turbines powering the EC-725 will be assembled in Brazil by the local subsidiary of French engine maker Turbomeca, located in Xerém,



Rio de Janeiro State. And Helibras itself will make some critical parts and structural components in Brazil. One example is the gear box, the assembly of gear wheels that transmits the rotation of the turbine axis to the rotors that spin to give the helicopter lift. Another example is a structural part that links the helicopter tail to the fuselage. It is made of a composite material containing very light but strong plastic fibers and resin.

“That’s an extremely critical piece, it has to withstand great mechanical force,” Hardy said. Helibras, which imports the equivalent parts for the Esquilo, has the option of making it in-house or ordering it from a local supplier. The first Helibras engineers are already in southern France to initiate the process of technology transfer. Counting engineers and technicians, a total of 50 Helibras employees will be trained at Marignane, near Marseilles, where the European factory of the EC-725 is located.

Brazil’s contract specifies 16 of the new helicopters for each of the Army and Navy, plus 18 for the Air Force, with the first rolling off the assembly line by the end of 2010 and the last in 2016. However, Hardy sees good prospects for additional orders, both for the military and civilian versions of the helicopter. The latter is a favorite for servicing offshore oil platforms, he said, with an eye on the massive sub-salt petroleum fields that Petrobras and its partners will be developing in the Santos Basin in the coming decades.

The Brazilian Scorpène

LENGTH	72 M
HULL DIAMETER	6.2 M
SUBMERGED DISPLACEMENT	BETWEEN 1,800 AND 2,000 TONNES
PROPULSION	CONVENTIONAL (DIESEL-ELECTRIC)
MAX. SPEED, SUBMERGED	20 KNOTS (37 KM/H)
ENDURANCE, PATROL	UP TO 70 DAYS
ARMAMENT	LONG RANGE TORPEDOES AND EXOCET ANTI-SHIP MISSILES

The hull of each of the four submarines will be built in four separate sections

■ The first section of the first submarine will be built in Cherbourg, France, with the participation of technicians from the Brazilian Naval Arsenal.

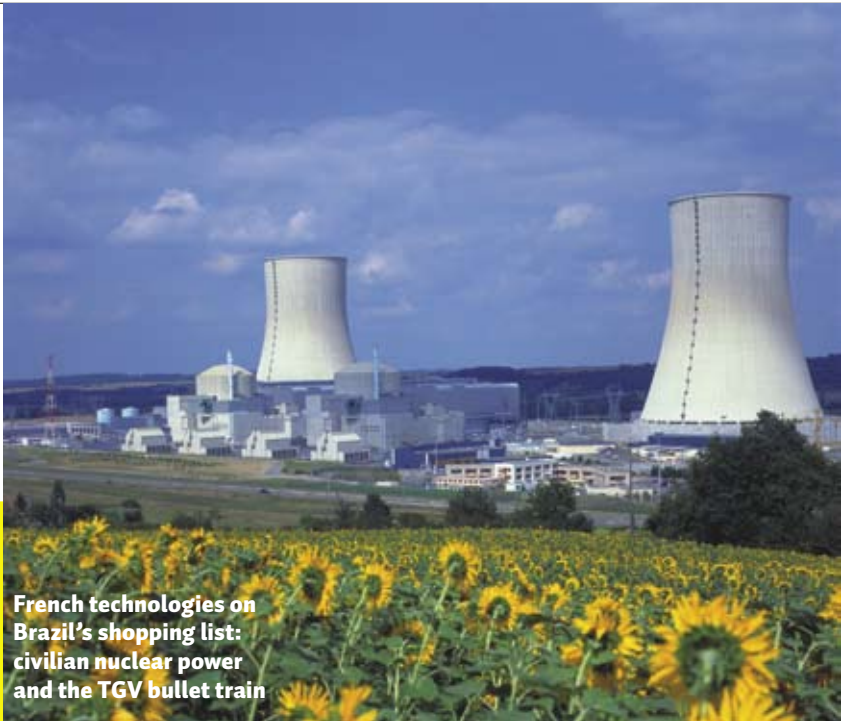
■ Once back in Brazil, this group will transfer the technology to a company formed jointly by DCNS and Odebrecht.

Sources: DCNS and Brazilian Navy

conventional submarines when they are submerged (see page 39).

The Brazilian Navy estimates that 36,000 parts will be made in Brazil, representing 20% of the total material. The lead partner for DCNS will be Odebrecht, a major Brazilian heavy construction company. DCNS and Odebrecht will form a company to handle the project and will build a shipyard at Itaguaí in Rio de Janeiro where the vessels will be assembled. The Brazilian version of the Scorpène, currently known as S-BR, will be 72 meters long, five meters more than the basic model, so that it can carry more fuel and thus increase its range for long cruises in the South Atlantic. Detailing and adapting the project to the needs of the Brazilian Navy will be the first job for a group of Brazilian naval designers who will go to France, probably by the end of this year, to start absorbing the technology.

All this refers to the S-BR conventional submarines. The nuclear-powered vessel is another story. It's a long-term project that will require major investments and more time to mature. France will contribute non-nuclear technology for the hull and electronics systems, while the Brazilian Navy will develop the propulsion system. The design for the nuclear reactor, the heart of the vessel, is ready; the next step is building and testing it. This, the Navy will do at its Aramar Experimental Center at Iperó, upstate São Paulo. "We're going to test a nuclear reactor on land, but built as if it was for a submarine," said Admiral Carlos Bezerril, director of the Navy's Technology Center in São Paulo (CTMSP), which has its headquarters inside the campus of São Paulo University. Only once the reactor program



French technologies on Brazil's shopping list: civilian nuclear power and the TGV bullet train

HANDOUT

and the enriched uranium nuclear fuel cycle have been concluded will it be possible to move ahead with construction of the first submarine. The Navy hopes to completed construction early in the 2020s.

Partnership in aeronautics should produce faster results. The French-Brazilian agreement foresees construction of 50 French-designed EC-725 helicopters by Helibras, a Brazilian company controlled by European company Eurocopter. The first craft should roll off the assembly line at Itajubá in Minas Gerais State by the end of 2010. The EC-725 is a large military helicopter, but Helibras President Jean-Noel Hardy said he sees a market in Brazil for the civilian version of the same helicopter (see page 36). Additionally, France is a candidate to supply the Brazilian Air Force's new

fighter plane, currently dubbed 'FX-2'. French company Dassault has already sold Brazil two generations of the legendary Mirage fighter and is competing for the FX-2 program with its supersonic fighter Rafale against Boeing of the United States and Saab of Sweden. The results should be announced by the end of 2009.

At the other extreme of the economic scale, Mathieu Guibert and José da Costa are small French businessmen who came to Brazil looking for commercial partners and buyers for their products: respectively electric tools for civil construction and software for interior architectural design. The two were in a group of 13 businessmen using

THE HEART OF THE SUBMARINE

THE ORIGIN OF Brazil's submarines will change, but not the origin of their batteries. Saturnia, a battery manufacturer founded in 1931 in Sorocaba in the interior of São Paulo State has long made battery sets for the Brazilian Navy's five German-designed IKL Class submarines.

It's the only company in Brazil that has this technology. Now, it will also supply batteries for the four new French-designed Scorpène submarines. Far from being just an 'extra' to start the diesel engine, on a conventional (non-nuclear) submarine the batteries are the heart of the vessel.

"These submarines run on electricity; their performance depends on their batteries, which take up a third of the submarine's internal space and represent a fifth of its displacement," said Luis Baptista, president of Saturnia, a

company which is controlled by the ALTM group.

To qualify for this contract the Brazilian company underwent six months of visits by French specialists to the factory in Sorocaba. And half a dozen Brazilian engineers will spend some two months with the original European supplier – the German factory of an American multinational – to complete the technology transfer.

Submarine batteries represent just 10% of Saturnia's R\$100 million-per-year business. Most of their products supply energy for telecommunications stations, banks and the small electric carts used on golf courses and inside large buildings. The company has already produced 23 battery sets for IKL Class submarines – 20 for Brazil and three for Peru, which also uses the German vessel. Each set comprises 490 elements of 600 kg each, takes six months to produce and costs around 3 million Euros, or almost R\$10 million.



Luis Baptista, of Saturnia, in Sorocaba: batteries fully charged

CELISA BERALDO

Production of batteries for the Brazilian Scorpène is set to start in a year's time. Baptista doesn't rule out exporting them – Chile, for example, has two vessels of the same type – but this is a small market, and the potential is still unclear. Saturnia is talking to the owners of the technology about the right to sell these batteries, in the future, to clients other than the Brazilian Navy.



HANDOUT

the “French Space” at Feicom Bati-mat, a construction trade fair held April in São Paulo. “I learned that Brazil wants to build a million houses,” said da Costa, director of Ma-qbar-Maqsys, a company with just eight employees, explaining his interest in Brazil. Guibert’s FarGroup Europe has 65 employees, exports to 25 countries and billed €25 million last year. Europe is in crisis, he explained, speaking the Spanish he learned from selling to that country. “If we don’t try to grow in markets that are developing, like Brazil and India, then...” he said, leaving his obvious, ominous conclusion hanging.

Around 420 French companies have a presence in Brazil, but traffic the other way is meager. Just 15 Brazilian companies have set up in France. One is Natura, which opened a store in Paris. Another is Embraer, which installed its European center for sales and maintenance just outside the capital. Parisian Deputy Mayor Sautter was in Brazil in April, seeking to redress this imbalance. France is the third largest recipient in the world of foreign direct investment, he said, with most coming from rich nations. “This is welcome, but we need to open the door wider and be a better host to FDI from emerging economies” (see interview on this page).

This, without doubt, is what speaks most eloquently to the difference in this new phase of the bilateral relationship – investments and technology can flow in both directions, and not just from North to South. “I think we’re at the start of a very strong relationship and that the movement of French companies to Brazil will progressively be balanced by a movement of Brazilian companies to France and Europe, via Paris,” said Sautter. “It’s a major change from the time when Brazil sold farm products and raw materials.” Here’s hoping! ■

THE OTHER
ATTRACTIONS
OF PARIS

MONSIEUR CHRISTIAN SAUTTER directs Paris Developpement, an agency for attracting investment to the French capital and its surrounding region, and is also deputy mayor of Paris. He says he will be happy, during French Year in Brazil, if he can start to redress the balance between the number of multinational companies that cross the ocean in each direction between the two countries. Currently there are 418 French companies in Brazil, but not more than 15 Brazilian ones in France.

In addition to its legendary attractions, Sautter said, Paris should also be seen as a great business center, an excellent place for the European headquarters of Brazilian companies. In some key sectors such as IT, biotechnology, fashion and cosmetics there are good opportunities in Paris for Brazilian companies to do business and exchange knowledge with French partners. Sautter spoke with PIB in São Paulo.

Why Paris?

The first great advantage of Paris can be seen just by looking at the map. It lies at the economic heart of the European Union. From Paris, you can reach 500 million consumers and return the same day. So Paris is very central.

The second reason is technology – Paris has seven technology clusters. There is software for defense, telecommunications, videogames, digital education and cinema animation – Hollywood works with French specialists to make cartoons. We also have important centers in biotechnology and finance. Brazil has comparative advantages in new energies, cosmetics, design, fashion and software, so there’s the possibility for access to the European market on both sides. In the field of new technologies, São Paulo and Campinas are very important technological centers. So there are probably areas of real and beneficial cooperation to be organized.

Can Brazilian fashion and cosmetics really compete in the world capital of fashion and cosmetics?

There are good specialists in Brazil, and people can do business with others who do the same things well. We sell cars to the Germans and the Germans sell cars to us. We shall move gradually from a vertical division of work between Brazil and France – raw materials on one side and manufactured goods on the other – to a horizontal division. Let’s exchange technologies, know-how, and whatever we do best. It is no longer like the relationship of 30 years ago, when we all spoke of North-South cooperation, which meant that the North offered its technologies to the South. That’s over. My impression, after a week in Brazil, is that in the sectors I mentioned, we can learn from Brazil.



Natura shop in Paris: the French want more Brazilian companies there

What incentives does Paris offer?

Paris is like the rest of France, in that we have very favorable fiscal arrangements for research laboratories. Microsoft decided to locate its European laboratory near Paris because it found not just good mathematicians and research staff, but also important fiscal advantages. And to all this, we add quality of life and all the rest that the world already knows! But Paris is not just a pleasant city in which to spend a weekend, it is also a city for business. Brazilians should come to Paris not just for some moments of leisure, because Paris needs Brazilian companies, just as it also needs Indian and Chinese companies.

And the crisis?

Investing abroad is a logical consequence of the progress of the

Brazilian economy and Brazilian companies. There might be a slowdown, but the long term trend is that Brazilian companies will seek a world market. Just a few of them are present in Paris right now; we

want to have twice as many in three years’ time. We also want medium sized companies: Brazilian companies with 100 or 200 employees that are strong in certain market niches are very welcome.

How France plans to attract foreign investors

- Special new residence visas for foreigners who wish to start up businesses in industry and commerce.
- Fiscal exemptions and temporary residence visas for expatriate employees who are transferred to France by a multinational company.
- Changes to the labor law that allow employers and employees to mutually agree an extension of the 35-hour working week, up to the limit allowed by the European Union.
- Legal changes offer expanded fiscal facilities and credits for companies that invest in research and development.
- Greater freedom of negotiation between suppliers and distributors and more flexible commercial rules are promoting competition.

Dressing London

Brazilian fashion designer Daniella Helayel of Issa gains fame in the English market **JOSÉ RUY GANDRA**

Without much fanfare but with a knack for business, a Brazilian designer has started to conquer the exclusive London fashion circuit. Daniella Helayel stepped into the spotlight when Madonna publicly appeared in late 2006 wearing clothes from her brand, IssaLondon. It was the turning point of her career. Soon afterwards, Daniella's creations began adorning the bodies of other celebrities like Scarlett Johansson and Jennifer Lopez, heiresses Paris Hilton and Camilla Al-Fayed and other prominent members of nobility. The latter group includes the enchanting Kate Middleton, engaged to Prince William and seen as a new breed of "Lady Di" in the British imagination, who has most recently and effectively showcased the brand.

Daniella, who left Brazil 18 years ago and divides her time equally between New York and London, today exports to 35 countries, especially the Middle East, responsible for more than a third of her company's annual revenue, estimated at about US\$ 20 million. "We even produce abayas," she says, referring to the austere cloaks that cover the entire body and head of many Muslim

women. However, that is the exception. The hallmarks of Issa's collections are silk jersey dresses, often in lively and delicate prints. Today, the dresses adorn shop windows of 380 stores, among them icons of English retail chic: Harrods, Selfridges, Browns and Harvey Nichols. The pieces are designed at Issa's London studio and then shipped to China, where they are produced. The company currently has 18 employees.

The story of Daniella Helayel's life is that of a self-made woman, with certain chapters verging on fairy tale. From a middle class family,

born and raised in Niterói (Rio de Janeiro State) and with a background in law, Daniella had everything she needed to succeed in Rio, just on the other side of Guanabara Bay. However, she heard the siren call of New York, and with US\$ 6,000 in her pocket, she arrived in city to study fashion at the Fashion Institute of Technology. It was the right move. Soon she was working as a researcher, tracking down trends in Manhattan shop windows and sending samples to large Brazilian apparel companies. In a short time she was already closing much larger deals as a trader, acquiring industrial volumes of fabrics and exporting them to customers in Brazil. "I made a lot of money then," notes Daniella.

Years later, with solid savings and after a breakup with an American boyfriend, Daniella decided to set up shop in London and, from there, venture gradually into Europe, especially the more popular islands in the Mediterranean. Ibiza, epicenter of the European jet set, became her second home. There, between dips in the sea and countless parties, Daniella was unwittingly sowing the seeds of her future. "I met a lot of people at that time," she recalls. "Dancing in the sand, everyone is the same, but when I went back to London I noticed that many of the women who were

Jennifer Lopez (facing page) shows a design by Daniella Helayel: after-dark glamour for a queen of pop



enchanted with the clothes I used at the beach were quite powerful." It did not take long for Daniella to begin catering to this privileged and wealthy group.

In London she skillfully cultivated her network and her life began to unfold like a dream. "My friends liked the vintage clothes I wore and asked me to make copies for them," explains Daniella, who now lives in the elegant neighborhood of Chelsea in the same five-floor building on the Thames that until recently also housed her studio. "At first I did it for free, but over time emerged the idea of creating a collection." With

After success in England, Daniella Helayel's next target is Brazil

so many influential friends, it did not take long for her pieces to adorn the pages of fashion magazines and begin filling the wardrobes of celebrities and aristocrats. "Dressing the right people is a major trump," affirms Daniella. Madonna was the watershed. "Due to a mistake by the producer, she ended up giving an interview on TV in my dress, which I had already used five or six times."

Little known among Brazilians, the Rio de Janeiro native is preparing two new ventures. The first is the launch of a bikini collection produced in Brazil. "Bikinis have to be made here in Brazil," she insists. "Imagine: people will ask 'wow, is it a Brazilian bikini?' I cannot answer: 'No, made in China, can I?'" The second initiative is her own retail chain. "I plan to begin opening stores," asserts Daniella. "Even in Brazil. And soon!" ■

Price of fame

The growing globalization of Brazilian business brings with it a new and complicated problem: how to defend names and products against piracy **ANTONIO CARLOS SANTOMAURO**

With the march of national companies abroad, the number of copyright requests for Brazilian brands in the European Union tripled in only five years, jumping from 122 in 2000 to 327 in 2006. Over the same period in the United States the annual average was 453. Nevertheless, despite all the precaution – de rigueur when placing products in the international market –, Brazilian companies of all sizes are still struggling to defend their names and brands abroad. The biggest and, perhaps, best known around the world, Petrobras is a common target. In Colombia, a lubricant company registered a brand

similar to Petrobras’ Lubrax brand of motor oil, and has been trying to block entry of the Brazilian product. And if that were not enough, the brand name has also been registered by companies not even in the fuels business. The BR logo identifying Petrobras’ gas stations was once used in Japan by a car dealer, and in the US, by an auto repair shop and a gas station. All without authorization, of course. “Problems over improper use of our brands abroad are common,” reveals Eduardo Felberg, Petrobras’ corporate image and brand manager. “And frequently there are Brazilians involved.”

Until a few years ago, with the economy closed and production essentially focused on the domestic market, Brazilians considered these kinds of headaches to be the exclusive domain of foreign multinationals. Genuine imported products, including brand-name watches and perfumes, had to compete in Brazil with pirated objects using the same label. The luxury brand Hermès, founded in Paris in 1837, is preparing to finally open its first Brazilian store in the Cidade Jardim Shopping Center in São Paulo. But not without

suspense: the company is currently appealing a court decision favorable to a Rio de Janeiro company that has used the same name since 1942 to sell personal and household products via catalog (and now the internet). Detail: the latter does not have an accent, as it does in French, and the pronunciation is Brazilian (“Hermes”). Nor is the omnipresent McDonald’s trademark immune to this risk. At the beginning of the year, the

company’s lawyers asked a Brazilian court to change the name of a snack bar on the outskirts of São Paulo – McFavela –, also written in the colors and style of the famous logo. The dive was subsequently rebaptized Minha Favela Lanches (“My Favela Snacks”), but too late: it had already inspired a troop of McFavelas copycats in other needy neighborhoods. This story raises the question: should the fast food giant

go to court, or consider the episode just another bizarre homage? And what if a franchisee wants to open an authentic McDonald’s in the same neighborhood? According to branding specialist Ronald Kapaz, “a brand built over time with clear values and investments is a sophisticated form of capital, because we live in a society of symbolic exchanges; defending it means preserving its integrity and relevance,” he says.

The sad fact is that the international patent and copyright protection system has yet to adapt to the globalized economy, and does not offer absolute guarantees. While the European Union recognizes brands in all 27 nations of the bloc, it only allows them to be registered in some countries. Accords like the Madrid Protocol (see box on the following page) have simplified the registration process across a larger number of markets. As such, they represent an advance in the intricate legal framework that regulates international rights over brands. Even in a globalized era, most laws are still based on the principle of territoriality, which restricts national rights to each country. In practice, the process requires a meticulous, country-to-country effort so that requests can be adapted to different local legislations.

Close enemy
Local agents with which companies associate at the beginning of their internationalization process can become a future source of problems. Azaléia, for example, had its brand registered in Thailand by a former distributor that represented it in Bangkok. “In such cases the defense is easier, because there is plenty of documentation showing bad faith,” notes Azaléia’s attorney, Claudia Maria Zeraik, of the Rio de Janeiro law firm Vieira de Mello, which won the case.

Foreigners can also file suits in Brazil: a dispute involving Converse (creator of the All-Star brand) and All Star Artigos Esportivos (which distributed the company’s products in Brazil in the 1970s) has already lasted almost 20 years. Last year the Superior Court of Justice issued a ruling in favor of Converse, although the Brazilian company still has an appeal working its way through the Federal Supreme Court.



A well defined brand: Grazi Massafera in an advert for Rosa Chá

The War Against Piracy		
Growth of Brazilian trademark registration requests		
YEAR	IN THE EUROPEAN UNION*	IN THE UNITED STATES**
2000	122	472
2001	147	400
2002	126	453
2004	227	495
2006	327	445

*Processes in the Office for Harmonization in the Internal Market, the European Union agency that handles trademarks. **Processes in the United States. Source: INPI

AGREEING TO
MAKE LIFE SIMPLER

A global trademarks agreement has been in force since 1996, reducing costs and bureaucracy, but Brazil hasn't signed up yet

THE WORLD ALREADY has a wide-ranging system for the international registry of trademarks. It's called the Madrid Protocol, and was created in 1989 to update and simplify the 1891 Madrid Agreement Concerning the International Registration of Marks. Under the Protocol, a single registration request is considered valid in the almost 80 signatory countries, including major world markets like the European Union, the United States, Russia and China. The Protocol doesn't eliminate the need to comply with individual country requirements, but the option for central registry, with subsequent follow-up of the processes, can significantly reduce cost. Registering a trademark separately in 50 countries can cost around US\$100,000. Under the Madrid Protocol, this can fall by over 90%. Brazil is considering signing up, something the government's own Foreign Trade Chamber (Camex) requested over two years ago, and a presidential message to Congress, requesting such authorization, is under study in the presidency. "We are trying to organize a centralized regional registry with other countries in South America," said Jorge Ávila, president of INPI, the Brazilian patents office. "The international registration of Brazilian trademarks is growing more slowly than the growth of Brazilian exports," Ávila said.

The decision favorable to Converse is already valid, but until the end of 2008 products manufactured by the old distributor could still be found in many stores.

Register
your brand:
protection
against damage
and losses

Mundial versus Mandial
Brazilian companies operating abroad have to be increasingly more attentive. "Six years ago, we registered an average of one Brazilian brand abroad a month; today, it is twenty," says Luiz Edgard Montauray Pimenta, an attorney specializing in intellectual property. The headaches, however, have risen by the same proportion. According to Montauray, international jurisprudence considers registrations made with the sole objective of extracting financial benefits from the true holders of a brand to be illicit. "But until bad faith is proven, a lot of time and money goes down the drain."

There is no shortage of examples. A few years ago, Rio Grande do Sul state scissors manufacturer Mundial needed to appeal to the Chinese justice system to block exports to other Asian countries by a former distributor in that market of products manufactured under the Mandial brand. A similar case involved brake producer Fras-Le, also from Rio Grande do Sul state. In 2006, an Iranian company registered a brand dubbed Fres-Le, and whose logo was identical to the Brazilian company's. The Vieira de Mello law firm also defended this case, eventually succeeding in having the original brand registered. In Japan, a local entrepreneur registered the name Azaléia after seeing the company's products at a trade fair. The process of reclaiming its rights over the brand lasted four years, only ending in 2008. The Brazilian footwear company's defense

was assisted by the fact that the Japanese entrepreneur had sent it e-mails requesting samples of genuine Azaléia products. The correspondence was used as proof of bad faith.

The difficulties are greater for smaller companies. According to Jorge Ávila, president of the Brazilian patent office (INPI), textile and footwear industries are among the biggest victims. Beachwear icon Rosa Chá has been fighting for four years to wrestle back control of its brand in Mexico, where it was registered by a local entrepreneur.

The company only found out when it tried to register its own name. Amir Slama, founder of Rosa Chá, does not lament the loss of revenue in the Mexican market as much as the drawbacks in the company's internationalization strategy. Rosa Chá is duly registered and protected in fifty countries, and ships 20% of its production abroad. "The irony is that our name is very Brazilian," remarks Slama.

Salinas, another Brazilian beachwear brand, is also fighting on Mexican terrain. "Mexico is a very important country, due to its size and proximity to the North American market," notes Salinas sales director Rosana Lara. The company was hardly able to celebrate

victory in the Mexican dispute before embarking on a new fray in Korea. A local entrepreneur had registered the Salinas brand there, stitching his bikinis with the same logo. "We know how this can be negative for companies seeking international recognition," affirms Rosana.

Given the potential for brand damage and the high cost of lawsuits, two simple defensive measures are suggested. The first, almost obvious, is to try to come to an agreement with whoever stole the name. In some cases, a simple letter communicating to the holder of an improper trademark of its true owners' intention to recover ownership can solve the problem. "The of-

fender knows that if he loses, he will have court expenses to pay and his image damaged in his own market," notes Ms. Zeraik. An accord also eliminates the need for hefty expenses on court proceedings. The other measure is dictated by common sense: try to register brands in all potential markets, and consider this an investment cost.

The average international price to register a brand is around US\$ 1,200 per country, ranging from US\$ 300 in Paraguay to US\$ 2,000 in Japan. Itaú, the largest financial institution in the Southern Hemisphere, has registered its main brands in 44 countries. "Our biggest difficulty was untangling the legislation and norms of each country, especially in Asia," admitted former marketing vice-president Antonio Matias, before leaving the bank. In Singapore, for example, it is necessary to squeeze in the meaning of the words composing the brand, a requirement not made in Brazil or in most other countries.

Virtual buccaneers

With the advent of the Internet, the question of trademarks has opened up on a new front. Countless consecrated companies have had their brands registered as virtual domains by third parties, many interested in later selling them to the owners of the names in the real world. Famous brands like Azaléia, Petrobras, the steakhouse chain Plataforma, label manufacturer Pimaco and newsmagazine Veja, among others, have had to resort to the World Intellectual Property Organization to win back their .com names. Montauray defended Brazilian media giant Globo in a suit over the www.globo.com domain. "For a brand that targets the international market, it is essential to own the domain on the web," says the attorney. And with good reason. After all, the digital world has become as important as the real one. ■



HANDOUT

Delighting in the Crisis

Faithful to its reputation for growing in turbulent times, Localiza prepares to advance in South America, where it has already raised its flag in nine countries

JOSÉ MARIA FURTADO, BELO HORIZONTE

Like any good “mineira,” Localiza was founded and has grown on Minas Gerais state’s celebrated penchant for discretion and hard work. Created a little more than 30 years ago, the car-rental company’s growth trajectory has become a practical example of the corporate cliché that crises represent opportunity. In 1973, during the first global oil crisis and with the developed world rediscovering the charm of (or need for) bicycles, Minas Gerais entrepreneur Salim Mattar – then 23 years old – opened his first operation in Belo Horizonte with a fleet of six used Volkswagen beetles, bought on credit. During the second oil shock, in 1979, the company embarked on an aggressive strategy to acquire competitors in 11 Brazilian capitals, above all in the Northeast. With the foreign debt crisis of 1983, in which credit became scarce and expensive, Localiza began to grow through franchises. In a short time the company’s logo was flying practically everywhere in Brazil.

The next step – it goes without mentioning – came at another dramatic moment. In 1992, amid the shocks and paralysis triggered by Fernando Collor’s fleeting presidency, Localiza thought it was time to look beyond the nation’s borders. Focusing on Latin America, today the company has 76 agencies outsi-

de Brazil, all franchised. Now, once again, the world is beset by a crisis of great proportions. What will Localiza do? “Simple,” says franchising director Aristides Newton. “It will be less accelerated, but our goal is still growth,” affirms.

The first big opportunity should come from the multi-year, US \$5 billion expansion of the Panama Canal, as Localiza will partner with the Renting Colombia group (its franchise in Bogota) to establish a rental

company at the Panama City airport, where intense traffic currently passes. Among the large contractors that may be hired to execute the project are Brazilian companies, traditional users of the company’s services. Contacts should be further leveraged by the nonstop almost-daily flights between Belo Horizonte, where the headquarters of Localiza and important civil construction companies are located, and Panama City.

Knocking at the door

The sixth largest car rental company in the world in terms of fleet size and the most profitable among the big international brands, Localiza plans to position itself well in the globalized economy. The drive that began in Mercosur and has already reached Central America could be headed further north. Theoretically, the company is already able to (and some say should) operate in the United States. In fact, it once knocked at the door, setting up shop in Mexico, but had to retreat after an unsuccessful experience that lasted less than three years. It is still too early to say what will come after Panama. Will Localiza finally enter the United States? “Maybe not in our generation,” admits Newton. “Only if a very strong new fact occurred that encouraged us to expand our focus beyond Central America.”

With the company’s reputation for riding out

LOCALIZA IN NUMBERS

WITH 422 AGENCIES in nine countries, Localiza is the largest car rental company in Latin America

- ❑ **Agencies in Brazil:** 346, of which 147 are franchised
- ❑ **Foreign agencies (only franchised):** 76
- ❑ **Countries with operations:** Argentina, Bolivia, Chile, Colombia, Ecuador, Paraguay, Peru and Uruguay. Soon: Panama
- ❑ **Largest fleet operator in Brazil:** 39,112 cars
- ❑ **Largest rental operation in Brazil:** 23,583 cars
- ❑ **Foreign fleet:** 2,581 cars
- ❑ **Revenue in Brazil (2008):** R\$ 1.8 billion
- ❑ **Net profit:** R\$ 127.4 million
- ❑ **Sales Growth:** 21.2%



Aristides Newton,
Franchising VP of
Localiza: the strategy
is to grow in the crisis

the company owned 21.8% of the Brazilian car rental market. From then until 2008, its share leapt to a solid 38%. With more than a third of the industry, Localiza enjoys the enviable satisfaction of being – by far – the absolute leader in Brazil and, quite possibly, South America (there is no official ranking for the region). The six used Volkswagen beetles in 1973 became 72,041 vehicles at the beginning of 2009, including franchises and units belonging to Total Fleet, the company’s fleet-leasing division. Moreover, of these, 2,581 are in other countries.

Roller coaster

In venturing beyond Brazil’s borders, Localiza first settled in Argentina and, almost simultaneously, Uruguay and Paraguay. At the time Argentina was riding its own political and economic roller coaster. Many Argentines were already familiar with the rental company, having spent vacations in Brazil and, frequently, rented Localiza cars. It was also a propitious moment for another reason: the Brazilian economy was stagnated; there was an excess of cars and a lack in Argentina.

It is not uncommon for companies interested in internationalizing to begin their expansion in the so-called first world, a wealthy market by definition. “We considered opportunities in Europe, but decided for Mercosur after analyzing the flow of customers that would have demand for us,” explains Newton. The company strongly believed that Mercosur would expand, as it has. And in this process Localiza found itself positioned to become the premium rental company in the region.

Focus on neighbors has been a way to gain turf consistently. Among the economically relevant cities in Paraguay, only Encarnación

difficult times, could the current world crisis be such a new fact? Indeed, it has created a series of opportunities for well-capitalized and profitable companies through buyouts, mergers and even international expansion. Certainly new business opportunities will emerge in the vehicle-leasing sector, including in the United States. Nevertheless, that is already a very mature and consolidated market, which hinders the entry of new players. The four

largest American rental companies account for 92% of a US\$ 20 billion annual market (in Europe, 74% is in the hands of six operators).

Localiza has already opened four new agencies in South America since the onset of the financial crisis. However, venturing into the US market is an entirely different beast altogether. The company’s reasoning is simple: why run unnecessary risks if the market situation today is more than comfortable? In 2004

lacks a Localiza agency. In Peru the company is implementing a growth project that has already “kicked into 5th gear,” in the words of Newton, because of the increasing stability of that nation. Besides serving as an example to its neighbors by placing a harsh and corrupt dictator in jail, Peru is currently in vogue for its gastronomy and tourist destinations. More important, however, is the positive outlook for the economy: Peru received investment grade status in April 2008, weeks before Brazil was anointed to the same category by international credit rating agencies.

In terms of growth perspectives, Chile is the most promising market at the moment, among other reasons because it has enjoyed the longest period of stability and economic growth on the continent. There Localiza has a stronger fleet-leasing operation, with only four daily rental agencies. Even so, Chile rents more Localiza cars than Argentina, where the company has largest number of points outside Brazil.

Good and bad roads

In choosing South America, Localiza understood that the similarities between Brazil and its immediate neighbors would count as a plus, beginning with the proximity of the Portuguese and Spanish languages and the complementarities of their economies. Even the traffic conditions on the highways are similar. Just like Brazil, neighboring countries have good-quality highways worthy of the first world, although the vast majority oscillates between average and terrible. After learning how to handle the effects of potholes

on its Brazilian fleet of cars, Localiza has been able to transfer that experience to its operations on the rest of the continent.

One of the company’s challenges is dealing with the physical and geographical differences in such a vast region. “We have all types of soil on the continent, including a desert, not to mention the Andes,” recalls

Newton. To adapt to the conditions of each country, the company decided to ‘tropicalize’ its services. Vehicles rented in the Andean region of Santa Cruz de La Sierra, the main economic center of Bolivia, are

equipped for mountainous terrain, with 4x4 traction and running on diesel. Quite different from those it rents in Buenos Aires, where the asphalt is good. The company also offers accessories to meet specific needs, such as ski racks in Chile and Patagonia and 4x4 cars to face the snow and mud of the Andes.

In some countries with an intense international tourist flow, attending to customers requires trained personnel and knowledge of foreign languages. In Argentinean Patagonia, for example, a haven for European tourists, the company’s front-desk personnel need to understand both English and French. The adaptation process also includes observing the laws, habits and customs of each country. Because of the Latin habit of siesta, the attendance hours (which for a rental company should be continuous) suffered certain alterations. In some countries agencies shut around 1pm and reopen at 4pm, closing later than in Brazil. Exceptions are at airports, where Localiza agencies remain open from the first to the last flight of the day.

Franchising is the key to winning markets in neighboring countries

MARCELO SEVITZ



Buenos Aires (above) and Asuncion, Paraguay : Localiza is in nine countries

The company has endeavored to standardize its operations as much as possible, from the visual identity – background panels, signs, furniture and stationery – to the ubiquitous green uniforms of the attendants. A crucial detail is in customer attention, defined by the company’s founder as a strategic differential since all rental companies rent the same cars.

“People make the difference,” affirms Newton. “And, as Mattar says, they need to be smiling at the customer with all their teeth.”

Partnerships

The decision to associate with local groups – who understand the market and rules of where they operate – helped facilitate Localiza’s expansion throughout South America. In Colombia, for example, the company’s



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franchise is run by the Antioqueño group, an importer of Mitsubishi cars and with interests in the foods, information technology, cement, mining and financial sectors, besides owning Bancolombia. The company’s partner in Chile is Coseche, operating for more than 80 years and linked to the Catholic Church – 45% of its capital belongs to the Santiago Metropolitan Archdiocese. In Paraguay and Uruguay Localiza is affiliated with General Motors dealerships. And in Ecuador, where the company dominated the market with a 48% share, the marriage with its local franchisee, the Marese group, an assembler of Mazda cars and with holdings in the oil area, was annulled in January. “Four groups are interested in the franchise. We will go with whoever delivers the best offer,” notes the Localiza franchising director.

¿Hablas castellano?

To control its Latin American franchise network, Localiza operates integrated information and data traffic systems coordinated by the head office. In the company’s relatively small international department in Belo Horizonte, everyone is fluent in Spanish. In fact, on Fridays only Spanish is spoken, so that all are attuned to the dominant language in South America. According to the director, even though international franchises are not producing strong results in terms of money, they are nonetheless profitable.

The international operation provides Localiza with less than 1% of the turnover it makes in Brazil. So why is Localiza in that business? Newton asks. “Because it brings value to the brand, expands our distribution network and gives us greater visibility,” is his reply. “Having an international presence helps us to continue growing 15% a year.” ■

THE NEW STRENGTH OF ETHANOL

Brazilian sugarcane ethanol is gaining ground in global markets. Driving this success are major foreign investments, compulsory targets for biofuel use in the European Union, Asia and the United States, environmental sustainability and the construction of good logistics.

BY MARCO REZENDE AND ELIANA SIMONETTI

SUGARCANE IS FAST BECOMING just as much a symbol of Brazil as, say, Carnival and the Christ Redeemer statue. Back in colonial times – before Brazil gained independence from Portugal in 1822 – sugar was the first organized economic activity. Its riches sustained the local population and the Lisbon court for almost two centuries.

Brazil's National Ethanol Program was born out of the 1973 oil crisis and quickly grew from being somewhat of a curiosity into a successful experiment to substitute a significant proportion of petroleum derivatives. Today, with the world once again gripped by crisis, ethanol and the electrical energy generated from sugarcane biomass are being recast as a central theme in Brazil's brand new environmental and economic debate with the world. What used to be essentially a typical Brazilian farming activity is fast going global, with the continual entry of foreign investors betting on the success of the country's bioenergy. Today it has become a business based on productivity and robust investments in technology, logistics and innovation.

An ethanol plant: soon there'll be 400



Ethanol boosts the economy and helps rural areas

The importance of ethanol can be seen on the streets in Brazil. In a couple of years from now, virtually the entire light vehicle fleet will have flex-fuel engines that accept any mix of gasoline and ethanol. In 2008, Brazilian cars consumed R\$40 billion – some US\$22 billion – of fuel ethanol. According to estimates by the Brazilian Sugarcane Industry Association (Unica), which represents mills in the Southeast of the country, mainly São Paulo, Brazil's ethanol production will grow by almost 150% in the next six years, from 27 billion liters in 2009 to 65.3 billion liters in 2015.

The global importance of ethanol can be judged by a conference scheduled for the first three days of June in São Paulo. It's the next Ethanol Summit, a mega-event organized by

Unica. One attraction will be a plenary session produced and moderated by a team from The Economist magazine. Another, called the Brazil Ethanol Trade Show, is dedicated to new biofuels technologies and innovation. Ninety speakers from five continents will include Brazilian President Luiz Inácio Lula da Silva and former US President Bill Clinton, whose foundation seeks to enhance people's capacity in the United States and around the world to meet the challenges of global interdependence.

Clinton is one of various Americans who have taken a personal stake in the Bra-

zilian ethanol industry. He has shares in an investment fund that participates in the Brazilian Renewable Energy Company (Brenco). Other founder-investors include AOL creator Stephen Case; former World Bank President James Wolfensohn; Indian-American investor, Sun Microsystems founder and biofuels believer Vinod Khosla; retailer Ron Burbkle and Hollywood producer Steve Bing. Brenco is presided by its founder, former Petrobras President Henri-Phillippe Reichstul.

At Brenco's brand new headquarters in São Paulo, hundreds of executives work in bright airy offi-

Brazilian bioenergy is attracting major investments from international groups



Brenco's Manso (with ID tag) and team: target is sustainability

ces amidst the smell of carpet glue and wall-mounted plasma monitors that show real-time quotations and economic data for various countries around the globe. The company is growing so fast it's just moved into its fifth office location. Expansion is driven by an ambitious business plan that calls for investing R\$5.5 billion – some US\$2.75 at current rates – to build 12 bioenergy plants by 2015, at which point it hopes to have 10% of the Brazilian ethanol market, not to mention 5% of the world market.

Brenco doesn't produce any sugar, just bioenergy in the form of fuel ethanol and 600 MW of electric power from cane bagasse. The schedule for the first ethanol plant was pushed back some months because of the global crisis; it will come on stream

in the second half of this year. But already, Brenco has pre-sold R\$2.1 billion (roughly US\$1 billion at current rates) of power over 15 years in an auction held by ANEEL, the Brazilian Electricity Regulatory Agency, not to mention 230,000 cubic meters of ethanol. Purchaser LyondellBasel Industries will use this to make Ethyl Tertiary Butyl Ether (ETBE), a gasoline additive, for export to Japan.

Other international groups are investing in pursuit of similar opportunities, almost always with Brazilian partners. Food commodities giant Archer Daniels Midland (ADM), a producer of corn ethanol back home in the United States, has formed a joint venture with Brazil's Cabrera Group, headed by former Agriculture Minister Antonio Cabrera, to build two

sugar-ethanol plants through 2014. Total crushing capacity will be six million tonnes of cane per harvest, producing 270 million liters of fuel ethanol, 417,000 tonnes of sugar and 474 MW hours of power. ADM is present in 50 countries and is a world leader in bioenergy.

Another group of investors, Clean Energy Brazil (CEB), raised US\$180 million on the London Stock Exchange in 2007. Headed by Marcelo Junqueira, the son and grandson of Brazilian sugar mill owners, CEB used this to buy 49% of the Usaciga Group which has five mills in operation and another starting building near Campo Grande in the western state of Mato Grosso do Sul, not to mention a stake in Paranaguá Port in Paraná State. Why Paranaguá? Well,



Research and innovation are part of the ethanol business

UNICA

Petrobras plans a major ethanol export pipeline to link it directly with Campo Grande. Other new investors in Brazilian ethanol include Dutch group Vital Planet; the Pantaleón Group, from Central America; the Noble Group, from Hong Kong; and US company Trueenergy. According to Unica estimates, foreign ownership in the sugar-ethanol sector will virtually double to 13% by 2012.

Internationalization could lend strategic support to the defense of Brazilian ethanol in markets where

it suffers from tariff barriers, local industry protection policies and even anti-ecological mystification generated by its adversaries. Brazilian Presidential Chief of Staff Dilma Rouseff encouraged sector businessmen to organize and fight back against attacks from the international petroleum industry. "You must prepare for war, and like in any battle, blood will be spilled," she said.

So far, skirmishing has been over things like customs tariffs and the mandatory use of ethanol. Brazilian

ethanol pays Euro 0.19 per liter, 40% of the product price, to enter the European Union. In the United States, a rule scheduled to last until 2010 imposes a tariff of US\$0.14 per liter. However, given the generalized conviction that sugarcane ethanol is one of the most efficient biofuels for reducing greenhouse gases, various important countries have set compulsory targets for adding ethanol to gasoline in the coming years. The European Union aims to add 5.75% of ethanol by 2015, by when Japan should have added 10% and the Americans – if they make their target – will be consuming an additional 57 billion liters of ethanol. Canada's target is 10% by 2010. In all, world consumption will double in six years, from 70 to 139 billion liters.

The US Government gave new hope for the future of ethanol at the beginning of May, when it announced targets for renewable fuels in the country and officially recognized that sugarcane ethanol is more efficient than corn ethanol in reducing pollutant emissions. In practice, this signals a veto on the expansion of corn ethanol production in the country. "The energy balance favors sugarcane," said Marcos Jank, president of Unica. "Corn produces two units of (renewable) energy for every one unit of fossil fuel (consumed in its production), while sugarcane produces nine." For Jank, the United States has an obsession with energy security and many sectors – in particular major corn consumers such as poultry and pig producers – are convinced that the US tariff on imported sugarcane ethanol and the subsidy for corn-based ethanol are a mistake. "Academics are also opposed to corn ethanol because it makes the American biofuels program expensive and does not guarantee energy security, while hampering the entry into the US market of more com-

petitive products from other places," he said.

With the global expansion of biofuels apparently ensured by consumer demand and pro-environment public policies, ethanol has also been attracting interest and investments from global companies that operate in quite distinct areas. Major companies with ethanol projects in Brazil include vehicle builders Toyota and Mitsubishi; petrochemical companies Dow Chemical, Braskem and Solvay; agribusiness giants Bunge, Cargill and Tereos; and even British Petroleum. In addition to the pipeline to Paranaguá, Brazilian oil company Petrobras has a stake in another major ethanol export pipeline from Senador Canedo in Goiás State to São Sebastião port in São Paulo. Costing over US\$1 billion, this 1,150 km logistics project will pass through key ethanol producing areas around Ribeirão Preto and the Paulínia oil refinery, both in São Paulo.

"Ethanol has become a globalized business, from the market point of view," said José Carlos Grubisch, president of ETH Bioenergia, a company in the Odebrecht heavy construction group. "The arrival of large American, European and Asian groups shows that Brazilian ethanol really is big business and that we were right to get involved." Winds of change blowing in from abroad are also impacting ETH Bioenergia, which has Japan's Sojitz Corpo-



Grubisch, of ETH Bioenergia: ethanol has become a global business

HANDOUT

ration, an international commodities trader, as a 33% minority partner.

Grubisch expects that within 10 years more than half of Brazilian ethanol production will be in the hands of just a dozen groups. ETH started by buying Usina Eldorado, an ethanol plant in Mato Grosso do Sul State, and hopes to bring its first three greenfield investments on stream this year. Plans call for a sharp ramp-up: crushing should reach 13 million tonnes this year; double by 2012 and approach 40 million tonnes in 2015. The

The sugar and ethanol sector is heading for concentration into a few groups

new plants being built by ETH and Brenco look like architect-designed space technology – a far cry from the old factories. But unlike Brenco, which will produce just ethanol and bioenergy, ETH will devote 20% to 30% of its capacity

at some plants to producing sugar. It's basically a hedge against volatility in price or demand. "We'll squeeze maximum value out of every tonne of cane, nothing gets wasted," said Grubisch.

Crisis and opportunity

The global crisis sidestepped the sugarcane sector. Lack of credit, falling prices for ethanol and difficulty in exporting have led some ethanol plants into receivership. Others have put off expansion projects. But by speeding up the process of consolidation in the sector, with a wave of mergers and acquisitions, the crisis created an opportunity for

at least one major international investor. French group Louis Dreyfus Commodities (LD), which has been investing in Brazil since 2004, in March bought Santelisa-Vale do Rosário, a company with liabilities of R\$2.8 billion. The acquisition meant that Louis Dreyfus has 63% of its total assets in Brazil, including 222,000 hectares planted with sugarcane. Plans call for 13.6 million tonnes of cane crushed in the current harvest, with investments 2008-10 reaching US\$1.1 billion. "We have changed our profile and scale of operation; Louis Dreyfus Commodities as a whole has become more Brazilian," local president Kenneth Geld told the Valor business newspaper. "Today, the group's focus is on Brazil."

The Cosan Group, owned by businessman Rubens Ometto, has also taken advantage of the crisis. In March this year the group took control of the traditional Nova America Agro-

nergia group which owns four sugar and ethanol plants but faced financial difficulties since 2008. Given that Cosan already owned 19 plants, this acquisition in all probability made it the world's largest ethanol and sugar producer. The expanded Cosan group now crushes 60 million tonnes of sugarcane per year and is Brazil's leading sugar retailer, with the traditional União brand amongst its portfolio. The deal gave the Rezende Barbosa holding company, former controller of Nova América, just over 10% of Cosan stock, making it one of the largest shareholders. "Cosan has always grown in a crisis," said company COO Pedro Isamu Mizutani, referring to other acquisitions the groups has made in difficult times.

Credit and renewed growth

Until the middle of 2008, much of the operation and expansion of sugar and ethanol companies was financed by long term debt, a favorable characteristic identified by researchers from the Economics and Administration Faculty at the University of São Paulo in a study into the capital structure of mills that process around 30% of all Brazilian sugarcane.

The crisis has affected the way the sugarcane sector finances itself, because producers used to rely on international funding to run their businesses and had little dependence on farm finance made available by local banks. "The crisis has changed this picture, international credit has vanished," Brenco President Henri-Phillippe Reichstul told PIB. Producers are now disputing the sparse credit available in the local market. After several months of crisis, many now face problems renewing their former financing sources.

Agriculture Minister Reinhold Stephanes spoke late April at the ope-

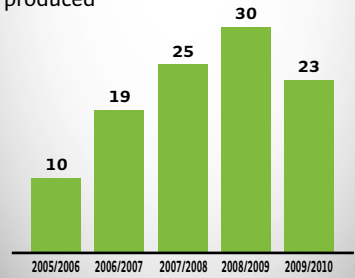
ning of the Ribeirão Preto Agrishow, a traditional event in the São Paulo State city that is widely regarded as the sugar and ethanol capital of the country. He painted a grim picture for the sector, saying it suffered from "excessive" growth. "We grew too fast in the expectation of future demand for ethanol, but this demand remains in the distant future following the drop in oil prices," Stephanes said.

The boom in ethanol plant construction involved some 100 new production units and coincided with oil at US\$150 per barrel, when the whole world was talking about clean energy. With the economic crisis and petroleum down around US\$40 – US\$50 per barrel, everything has changed. "Now the developed world is showing that it's not so ecologically minded and there's less talk of opening up the clean energy market," Stephanes said.

Marcelo Vieira, a partner and executive director in Brazil of Adecoagro, a company backed by Hungarian-American investor Georges Soros,

GROWTH IS THE ANSWER

There were 357 sugar and ethanol plants operating in Brazil at the end of 2008, half of them in São Paulo State, with 43 under construction and a further 86 due to come on stream by 2015. The graph shows the number of new plants added per harvest year in the Center-South of Brazil, where most ethanol is produced



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said that what really changed the biofuels business was the bursting of the investment bubble mentioned by Stephanes. However, Vieira sees a bright side: "It was good that this happened now, even though it's brought the sector some momentary difficulties," he said. "But it would have been far worse if this adjustment had happened in the future, because with the onset of the financial crisis and the end of easy leverage, many speculative projects – ones that weren't really solid – have been cancelled."

Like many big companies, for example Brenco and ETH, Adecoagro also put the brakes on when the crisis hit in October of 2008. And like the others, it's now resuming projects at full speed. Adecoagro started by buying the Monte Alegre plant at Monte Belo (MG) in 2006. It then inaugurated its first new production facility at Angélica (MS) four years

later. A third unit was put on ice for a while, but construction will now go ahead in the Ivinhema region of Mato Grosso do Sul State.

Petroleum and global warming

Brenco President Reichstul said environmental concerns were more or less ignored at the peak of the crisis, but will likely take center stage again thanks to US President Barack Obama. "The tough truth is that data on global warming is continuing to get worse," Reichstul said. "When Obama starts implementing his green agenda, it will be positive for the ethanol industry. It's already clear that sugarcane ethanol reduces greenhouse gas emissions by 90%, compared with gasoline."

Brenco Vice-President Rogério Manso said that environmental sustainability is one of the cornerstones

of the sector, and his company sees it as a strategic question. "We believe it will be an advantage if we can guarantee clients the traceability of our products, showing planting, harvesting, soil and labor conditions," he said. Sugarcane planting starts off with an advantage, he said, because it normally uses old and degraded farmland which has been producing little of value. "Investments for ethanol production generally happen in poor regions which don't enjoy the economic opportunities of industrial regions," he said. "They (investments) invariably bring improvements in logistics and energy infrastructure, plus better hospitals, schools and homes." In fact, even before opening its first ethanol plant last year, Adecoagro moved ahead with a training program for all public school teachers in Angélica and Ivinhema, the two cities in Mato Grosso do Sul

State where the company operates, using educational technology from the Bradesco Foundation. All students in public schools in these cities benefit from the program.

With such a positive track record in productivity, environmental sustainability and social impact, Brazilian ethanol is well placed to quickly become a global commodity. The biofuels targets adopted in various countries; the investments now under way; the greenhouse gas emissions targets and even the fact that sugarcane is grown in over 80 countries will all help shape the future of what was typically a Brazilian business but is now becoming more and more global. The inescapable fact is that using ethanol is one of the few strategies available that simultaneously resolves two major world problems: finding a substitute for petroleum and countering global warming. ■

The spread of sugarcane is helping to revitalize areas of old, degraded pastureland



A Promise Owed



Think tanks in Washington take issue with US protectionism and negligence towards Latin America, proposing changes to restore lost opportunities and prestige

FLÁVIA CARBONARI*, WASHINGTON D.C

The world is changing, and we need to change along with it.” With this phrase, Barack Obama inaugurated his mandate affirming what the international community had long waited to hear: that the United States recognizes a new world order and must readjust its policies to match the new reality. The self-analysis is especially appropriate in the con-

text of the country’s relations with its Latin American neighbors. Since the September 11 attacks nearly eight years ago, the US has been criticized for its “negligent” posture vis-à-vis its southern neighbors. These years of disregard opened room for the empowerment of figures like Venezuela’s Hugo Chávez and led to important lost opportunities for regional integration in various strategic sectors.

When Obama entered the White House this year, he brought with him promises and hopes of reversing this scenario, particularly the anti-Americanism provoked by George Bush. Of course, Latin America is not the only region frustrated with the former US government’s lack of attention, nor is it the only one excited about the possibility of change with the new administration. In recent months some influential think tanks (public affairs research and analysis institutions) in Washington, began publishing studies with a series of promising proposals for reengaging American cooperation in Latin America.

Among the recommended proposals are the end of import tariffs on ethanol, diplomatic overtures to Ve-

nezuela and the revision of practically every policy against Cuba. The analyses emphasize that the United States needs to recognize that Latin America has changed and that it must urgently reformulate its political strategy towards its neighbors. In U.S.-Latin American Relations: A New Direction for a New Reality, the Council on Foreign Relations (CFR) says that the United States’ greatest foreign policy failure toward the region was to have never looked at Latin America “on its own terms.” According to the study, in order to do so, the U.S. must develop and consolidate strategic partnerships in four main areas: combating poverty and inequality, public security, immigration and energy security.

Building on that, the study Re-Thinking U.S.-Latin American Relations: A Hemispheric Partnership for a Turbulent World by the Brookings Institution includes policy suggestions for developing renewable sources of energy and combating climate change, immigration, economic integration and, finally, for combating drug trafficking and organized crime. A third think tank, Inter-American Dialogue, recommends a pragmatic approach on its report A Second Chance: US Policy in the Americas published almost two months after Obama assumed office. The think tank lists an agenda with ten “challenges and opportunities” that should be considered by the US in regular consultation and cooperation with governments in the region, beginning with the world economic crisis.

According to the Inter-American Dialogue, the US government needs to reject protectionist measures that increase tariffs on imports, subsidize exports, reduce American investments abroad or impose controls on immigration and foreign exchange remittances. “Such measures — which would include the “buy Ameri-

can” provisions proposed for the U.S. stimulus package — would deepen Latin America’s economic woes and delay prospects for recovery,” warns the report. The Dialogue also proposes that the US use its influence on institutions like the IMF and World Bank to ensure that Latin America and other developing regions receive sufficient funds for their own economic stimulus packages.

The three studies highlight the importance of Latin America to the

Brazil is an example of how Latin America is diversifying its relations with the world and trusts in its ability to guide its own development

US economy. Countries in the region are responsible for 20% of all US imports and for another 20% of all American sales abroad. More than 30% of US oil imports come from Latin America. The documents also emphasize the US’ need to strengthen its relationship, specifically, with Brazil. Besides a recognized agricultural power and boasting advanced technology in the area of renewable energy, Brazil is increasingly being seen in Washington as a stabilizing force in the region and an influential actor in global trade talks. “Brazil has become an alternative pole of power in the hemisphere, with a steadily increasing regional and global profile,” states the Inter-American Dialogue report.

The Brookings Institution cites Brazil as the best example that Latin America is diversifying its diplomatic, political and economic relations with the world and as a country with

growing confidence in its capacity to command its own development and involvement within the global order. “If there was an era of US hegemony in Latin America, it is over,” concludes the CFR report. Among the policies suggested by the Brookings and CFR studies, some are of special interest to Brazil. The first proposes a reduction and gradual elimination of the US\$ 0.54 per gallon tariff on ethanol imports. The surcharge, created in 1980 as a provisional measure to encourage ethanol production in the United States, prevents American consumers from accessing Brazilian ethanol, the world’s most efficient and cheapest. The two think tanks also propose the elimination of subsidies for corn-based ethanol production in the United States.

Furthermore, the Brookings Institution report suggests that the US redouble its efforts to conclude the Doha Round of the WTO negotiations. According to the Institute, in the event that the Doha talks remain at a standstill, the US should adopt a “third way” between global trade discussions and bilateral agreements. This process would be based on a series of strategic accords with Brazil on subjects of interest to the two countries, such as biofuels and agriculture. Even though the more important think tanks in Washington contribute to the debate on American public policy as a type of “academic lobby,” it is difficult to determine to what extent their proposals will influence Congress. Only the coming months and years will tell if the much hoped-for “change” — Obama’s campaign slogan — also refers to US foreign policy toward Latin America. ■

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Lula among G-20 leaders in London: in the first division

RICARDO STUCKERT/PR / AGÊNCIA BRASIL



Nelson Mattos, Google
VP in Europe, at the
Zurich headquarters

The future is mobile

Nelson Mattos, the only Brazilian in the upper echelons of Google, the largest internet company on the planet, speaks of the growing importance of mobile handsets in network use and the professional attributes of globalized Brazilian executives

BY SUZANA CAMARGO, FROM ZURICH

It was not difficult to find him. A simple Google search on the Internet and there was his name: Nelson Mattos. Google's current vice-president of Engineering for Europe, Africa and the Middle East left Brazil in 1984 at the age of 25 to complete a doctorate in Computer Sciences at the University of Kaiserslautern, in Germany. He ended up becoming a professor at the same university and soon afterwards was invited to work for IBM in the United States, where he remained for 16 years.

Since 2007, from his post in Switzerland, he has he has commanded engineers working on new applications to make Google's services faster and more attractive. The office, located in Zurich, seems more like a large playground for young adults, with rooms for games, pool tables, a gym and a space for massages and relaxation.

It was there that Nelson Mattos spoke to PIB about the future of the internet, the differences between web users around the world and the fascination of working at the company that became synonymous with the internet. Main subjects from the interview:

>> Brazil, the computer and the importance of cellular telephones for the internet

The Brazilian market is important because a very large number of persons have access to the internet. And it is a country where cellular telephone use has skyrocketed in recent years. Mobile phones will be the new way to increase the number of users using internet applications. If you think about the amount of people who own telephones in Brazil and still do not have this technology, you can imagine the promising market opening up for the future. Why should people need a computer at home if they can simply use their cell phones to access the global network and its services? Should there be a rapid technological development of mobile technologies, I imagine that many people who already use mobile

handsets will not need to use a computer. For this to happen it will be necessary to develop cellular telephones with more efficient keyboards and better connections. I do not know if it will take one, two or five years, but I can foresee the day when there will not be any more advantage in using anything other than a mobile phone to access the internet.

>> The impact of internet diffusion via cellular

In a short period of time perhaps a keyboard will no longer be necessary, because a voice command will be enough to access menus on a mobile handset. You can then imagine that developing countries, which do not have a high level of education, will have access to much more information and the internet in general. Currently it is necessary to be able to read and write well to work with a computer. To get results, typing correctly is essential. A voice everybody has, and everyone knows how to speak.

>> The challenge of working in such different regions as Europe, Africa and the Middle East

These three markets have completely distinct characteristics. For me that is quite a full plate. I always had a lot of interest in using technology in places where the prerequisites are different. I visited Africa four times last year. We have ten large Google laboratories in five countries in this region – Switzerland, Ireland, England, Denmark and Israel. The Zurich office is the largest, with 50 employees from different nations.

We needed to have engineers that understand local needs and

“Internet over a mobile phone will help poor countries spread knowledge and information

restrictions. Consulting the internet via cellular telephone, for example, is extremely popular in developing countries like India, China and even Brazil, although it is not frequently used in developed

countries where most people have an excellent low-cost connection through a computer. Blogging is extremely popular in France and in Eastern European countries, where practically everyone has their own blog. In Scandinavia, people read more than one newspaper a day (on average two or three) and use the internet for complementary queries to what they have already read. In Switzerland, Austria and Germany, on the other hand, people read at most one newspaper a day; for this reason they tend to make broader searches and use the network to learn about what is happening around the world.

>> Which Google products can be improved, and how

All of them can be improved. When a consumer uses some product, he always thinks that something could make it better, more interesting or easier to use. Even if a product is perfect in the sense of running well, being efficient or quickly answering a query, users always have new ideas about how to improve it. The very search engine service still needs to be improved. Recently we created a tool that tries to instantly discover what the user is seeking. When you begin to type the first letters of a word, various options of names and subjects appear. We are already able to filter results per segment: videos, images, news and pages on a determined subject. One of the



Google in Europe: a playground-style office for creative types

big investments in the search area is to discover exactly what the user wants. If I type the word pizza, for example, I probably want to know the address of pizzerias closest to my home and not the origin of the word pizza. In the future we will have to understand what the user is looking for and to process the response in the most consistent and efficient way possible.

>> What is necessary to work at Google and what does it feel like to be part of an innovative company

Well, I was not born in the era of information technology nor do I pass the entire day in front of the computer. What is essential is to have a good understanding of users' behavior and the architecture of a computer. Google is fascinating for someone from the technical area, like me, due to all the technological challenges it has already resolved or is trying to resolve. From a business

point of view, the company tries to create an internal environment that encourages employees to be innovative and productive. Each management structure is completely different from traditional companies. I have to admit that after I started to work at Google I became the coolest guy in the world for my children and nephews.

>> The most valued professional attributes of Brazilian executives abroad

To be successful in an international company, and in particular multicultural and multimedia companies like Google, I think it is essential to have very solid technical knowledge, an excellent multicultural base, fluency in English, commitment and dynamism.

>> The future of Apple without Steve Jobs

Apple has always been an impressively innovative company. It revo-

lutionized the interface with users through the Macintosh and does the same today with the iPhone. There is no doubt that Jobs is brilliant, but Apple has also created a history and an internal environment that allows for collective results.

>> Some advice for a 22-year-old with US\$50,000 in his pocket who wants to begin an internet business

With the experience I have today, I would not begin with US\$50,000. I would go to California and talk to some investors to see if they could increase that investment. I think the area of applications and entertainment for the internet is enormous. Take YouTube, for example. And, as I said, anyone who wants to invest in mobile handsets and make them more adapted to the internet will be successful. The number of cellular telephones in the world is already three times larger than the number

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Ireland with a Brazilian Accent



More than 20,000 Brazilians are working in Ireland, and in Anápolis (GO) many houses are painted with the colors of the Irish flag. But Brazilian companies have yet to discover the facilities that the 'Irish Tiger' can offer as a gateway into the rich European Union

MICHAEL HOEY*

When I arrived in Brazil as Ambassador in August 2006, I was able to tell my Brazilian hosts of the dramatic economic development of Ireland over the past 10 years. The "Celtic Tiger", as the Irish economy was known was now one of the world's most dynamic, open and globalised economies, with extensive external trade and investment links. As a member of the European Union, Ireland is part of a single market of over 400 million people and shares a common currency, the Euro, with 15 other European Union (EU) Member states.

Ireland is now much better known to Brazilians because each year over 4000 Brazilians choose Ireland for further study and more than 20,000 Brazilians moved to Ireland, taking advantage of the growing economy. In the town of Gort in the West of Ireland almost 40% of the population is Brazilian. Many come from Anápolis, Goiás and some have painted their houses there in the colours of the Irish flag – green white and orange!

In the last year, Ireland like many other countries has been affected by the global economic crisis. GNP is expected to decline by 4.5% and unemployment

to rise to 9% in 2009. The Irish Government has been taking strong correctional measures and is already spending 5% of GDP on capital infrastructure. This is Ireland's equivalent of recently announced economic stimulus packages in other economies.

In January 2009, the credit rating agency Fitch affirmed Ireland's "AAA" credit rating. This was an important positive signal on the Irish Government's ability to manage and respond to the global economic downturn. Ireland now has the capacity to grow at an



Dublin gets a facelift: stimulus package to pump up the economy

annual rate of 3% up to 2015. Ireland has a well educated labour force and has an open developed economy which is flexible in allowing it to respond to adverse developments.

Innovation and dynamism which characterises so much of Brazilian industry is also found in Ireland. It is therefore disappointing that more Brazilian companies have not considered the possibilities that Ireland can offer. In contrast, a small number of Irish companies now have a presence in the Brazilian market, such as the Irish food company Kerry which has a factory in Campinas, Sao Paulo and employs over 600 people in their Brazilian facilities.

Brazilian companies should know that Ireland may be the best place to consider as a gateway to the European Market. Global corporations who have come to Ireland see it as a business location where the workforce, as well as being highly qualified, has a

A well-qualified workforce, innovation and low taxes: these have led a thousand foreign companies to choose Ireland as their gateway to Europe

unique capacity to improve, to innovate and to initiate new processes that can make business more dynamic, more efficient and ultimately more profitable. Strong working partnerships between academics and international firms are increasing day by day. That is why almost 1,000 overseas companies have made Ireland their location of choice.

Open Tax System

Of particular interest to investors are

the taxation regulations for inward investment and again Ireland has much that is attractive. Ireland's corporation tax rate is 12.5% on all trading profits, and is open to all enterprises both indigenous and multinational. The Irish tax system is open and transparent and the 12.5% rate is available to all investors. A tax rate of 25% applies to non trading income.

Brazilian companies interested in considering Ireland for investment can contact Ireland's inward investment promotion agency, IDA Ireland (Industrial Development Agency) which has the full support of the Government of Ireland. Companies that are already using Ireland as their European base are involved in sectors as diverse as e-Business, Engineering, Information Communications Technologies (ICT), Life Sciences, Financial and Globally Traded Business Services.

Let me give some examples: Intel chips for the European Middle East and African marketplace are made in Ireland. Leading global internet companies now have major operations in Ireland e.g. Google, Yahoo, Amazon, eBay, Facebook and PayPal to name but a few. Fourteen of the top fifteen pharmaceutical companies in the world have an operational presence in Ireland including Pfizer, Johnson & Johnson, GlaxoSmithKline, Schering Plough and Wyeth Medica. Ireland is also one of the largest exporters of software in the world. Companies like Intel and Wyeth carry out some of the most complex manufacturing operations in the world in Ireland.

I hope that Brazilian investors will see that Ireland offers them a stable, profitable, English speaking base to service world markets. ■

**Michael Hoey is Irish Ambassador to Brazil. The representative of IDA Ireland in Brazil is Renate Buzon, E-mail: rene.buzon@ida.ie*



Top global pharmaceutical companies use Ireland as their European base

HANDOUT

Betting on the wind

How Tecsis became one of the world's largest suppliers of wind turbine blades
VICENTE VILARDAGA, FROM SOROCABA

A 100% Brazilian company headquartered in Sorocaba (São Paulo state), Tecsis made a daring bet in the mid 1990s by deciding to invest in wind power, an insignificant market at the time that only attracted the attention of environmentalists interested in pushing sustainable sources of electric energy. The company focused on blades for wind turbines, taking advantage of a change in mentality in the market and the knowledge of spatial engineering and composite materials of its founders. Without any perspective of selling in Brazil – where the winds are still badly tapped –, in a short time the company signed its first contract with a German buyer, creating a new business model for the sector: production to order for the export market. Until 1995, the

only blade manufacturer in the world had been Denmark's LM Glasfiber, which made standardized blades for all its customers. To differentiate itself in this market, Tecsis introduced a series of product and production innovations, consolidating as one of the global leaders in less than ten years. "The world still had a simplistic approach to wind power generation at that time, and the blades were rudimentary," recalls Bento Koike, one of the founders of the company and its current president.

The force of the wind

World wind power generation (in GW*)

1	UNITED STATES	25.17
2	GERMANY	23.90
3	SPAIN	16.75
4	CHINA	12.21
5	INDIA	9.64
6	ITALY	3.73
7	FRANCE	3.40
8	ENGLAND	3.24
9	DENMARK	3.18
10	PORTUGAL	2.86
24	BRAZIL	0.34

* installed capacity/2008
Source: Global Wind Energy Council (GWEC)

"We brought experience with the aerospace sector to an incipient industry." Tecsis' differential can be summarized in two words: technological knowhow. The company was created by a group of professionals that had graduated from the Aeronautics Technological

Institute (ITA) in São José dos Campos (SP), the city that is also home to Embraer, the largest midsize commercial aircraft manufacturer in the world. By the time Tecsis was kicked into gear, the founders had already accumulated a good deal of experience constructing wind turbines, besides important business contacts in Germany. Around 1980, Koike, who worked at the Spatial Activities Institute (IAE) of the Aerospace Technological Center (CTA), brainstormed a scientific cooperation project with the German space institute DFVLR, based in Stuttgart.

The project, baptized Debra, involved production of a 100 KW wind turbine with blades measuring 25 meters in diameter. It was a very powerful windmill at the time, and the project introduced several new concepts that were later adopted for large turbines. "Germans are extremely technical in their approach, but we managed to demonstrate the evolution of our knowledge when we looked for business abroad many years later," explains Koike. In the race for the European market, Tecsis conquered its first contract in Germany, a small, almost experimental operation that

corresponded to 2% to 3% of the blades the customer needed. But the turbine manufacturer ended up preferring Tecsis' product and soon orders were growing. After two years, the Sorocaba plant was cranking out 80% of the manufacturer's blade needs. Koike believes the company gained market share so rapidly by demonstrating flexibility, the capacity to innovate and an excellent relation between cost and quality. "We apply the rigor and quality control of the aerospace sector to our projects," he says. Today Tecsis is the second-largest independent turbine blade

manufacturer in the world, with a global share of about 20% (it only loses to the Danish company it first challenged almost 15 years ago, LM Glasfiber). Demand for this type of equipment has been rising at an annual rate of about 30%, especially on the back of strong demand in the United States and China. In just a few years the United States was able to install the largest wind park in the world and reduce its dependence on polluting sources of energy. Tecsis quickly

A wind generator powered by Tecsis Brazilian-made blades, in Texas (US)



HANDOUT

saw an opportunity and today leads the North American market, where it has supplied half the blades in operation.

Selling internationally: Tecsis products ship through Santos Port

Tecsis only operates with three large customers: one in Spain and two in the United States, one of them General Electric. These customers are in fact integrators, buying blades and other components from third parties and then assembling turbines for the final customer, generally a power utility. Today Tecsis' blades are dispersed across the planet, from the United States and Europe to India and Australia.

The first wind farms appeared in Germany and other northern European countries a little more than 20 years ago, amid environmental pressure to increase use of sustainable sources and decrease dependence on nuclear energy. The first countries to invest heavily in windmills were Germany and Denmark. Spain and Portugal, both benefiting from strong winds, soon followed suit.

China accelerates

Even though it does not boast especially good wind conditions, Germany already obtains about 7.5% of its power from eolian sources. Among the countries with the largest share of wind power in their energy matrix, Denmark leads the pack, followed in second place by Spain and Portugal – the latter with several large projects underway, such as a wind farm near the port of Aveiro.

According to the Global Wind Energy Council (GWEC), total installed capacity on the planet rose to 120.8 GW in 2008 (see chart on page 68). While the United States still leads the ranking, it is China – again – that is growing the fastest.



Last year the Asian behemoth almost doubled its wind capacity and should become the second largest producer in the world by 2010, predicts the GWEC.

In such a fast-growing market, Tecsis has had to take great care in protecting its intellectual property and innovation rights. About four years ago the company began registering its patents, linked to materials engineering and production processes. Today the company owns more than 40 international patents. “Blades have the highest technological content among turbine components, and make all the difference in terms of performance,” explains Koike. Design can have an enormous influence on the aerodynamic efficiency of blades, which are made of plastic resin using structural fibers such as carbon. These materials combine lightness with complex and precise geometry.

When Tecsis first began producing, its longest wind blades measured 19 meters in length and weighed about 900 kilograms. Koike recalls that the company would produce around 20 to 30 blades a month for the German customer. Today Tecsis' longest blades span 50 meters and weigh about 10 tons. Despite their immenseness, the proportions of the blades have to be exact and the margin of error is practically zero. A piece dozens of meters in length has a margin of tolerance of just millimeters. Besides the perfection of the shape, resistance is another important attribute – the useful life of a blade needs to be around 30 years.

Tecsis currently produces 30 blades a day at ten units dispersed across the municipality of Sorocaba, employing about 4,000 collaborators. About 95% of its raw material is imported. The company says it



cannot wait to start selling blades in the Brazilian market, although it laments that wind power projects in the country are still rare and modest. According to the last GWEC report, Brazil currently has an installed wind power capacity of only 247 MW, distributed in the states of Santa Catarina, Rio Grande do Sul and Ceará. “The share of wind energy in Brazil is very low, especially when you think of local generation potential,” observes Koike.

Ignorance of this energy potential is most accentuated in Ceará. If in northern Germany the average wind speed is around 6.5 meters a second, in Fortaleza, the capital of Ceará state, the gusts blow at a speed of 9-9.5 meters a second. This means that a turbine in Fortaleza is capa-

ble of generating three times more energy than in northern Germany (the amount of energy generated is equal to the cube of the wind speed). “The Brazilian government needs to rethink its energy policy in favor of wind power, especially since we have extremely favorable wind conditions,” affirms Koike.

Ceará State has enough wind to double Brazilian generation

In his opinion, the country has become an international reference for renewable sources of energy like hydroelectric power stations and ethanol, which led it to adopt a certain accommodation in terms of other sources. World average energy use from renewable sources is around 13% of the total matrix. For the more industrialized countries in the OECD, however, renewable use drops to 6.1%. Brazil, on the other hand, obtains no less than

45% of its power from renewable sources. “If just the wind capacity in Ceará was harnessed we would double Brazil’s installed power capacity,” asserts Koike, adding that it would not take very long to achieve this. One of the great advantages of wind farms in relation to thermoelectric plants is their faster installation, not to mention the ubiquitousness of the fuel – wind. Moreover, the cost of turbine equipment has fallen substantially in recent years, making wind an even more interesting option.

“My only regret is not to have a single blade turning among the windmills in Brazil,” notes Koike. “But this is just a question of time: the world market should continue growing at the same tempo, which will eventually increase the value of wind power in Brazil.” ■

Exports boost the bottom line at the Sorocaba (SP) factory



São Paulo, 2008: a virtual image of Cisco CEO Chambers appears on stage



TelePresence used at Philips HQ in São Paulo: meetings without the travel

Dreaming Technology

It will still be a while before you close deals with a holographic handshake, but at a time of tightening belts telemeetings have been gaining ground against business trips, companies' third highest cost **FÁBIO STEINBERG**

To travel to work or hold a virtual meeting, that is the question. In times of crises and lean cows, the choice is hardly Shakespearean: it has more to do with controlling costs, corporate etiquette and good relationships with partners and new stakeholders. The options are clear: on the one hand is telepresence technology, a sophisticated form of meeting that gives participants in different places the sensation that they are standing next to each other. On the other side

is the traditional business trip, by which the executive is transported to another point in the country or the planet to speak to people face to face. Which of these two models will prevail? There is no easy answer, especially at a time of changing habits. There are convincing arguments behind either choice, depending on the occasion, the reason for the meeting, and the cost.

Given the necessity to slash operating expenses, among them business trips – the third largest corporate cost –, many companies

are taking a fresh look at the until-now unpopular alternative of videoconferencing. Or, more precisely, have accelerated its comeback while new virtual technologies continue evolving. Videoconferencing – now turbo-powered with significant enhancements, such as high-definition broadband to the promise of soon incorporating sophisticated resources like holography (still in prototype) – has even gained a more charming moniker: telepresence.

The world sensed the thrill of holography in the famous Star Wars scene when Princess Leia's three-dimensional image materializes before master Jedi, with the words: "Obi-wan, you're my only hope." In the US elections last year, CNN anchor Wolf Blitzer talked in Atlanta with reporter Jessica Yellin's digital image (from Chicago) as if she were

standing in front of him in the studio. However that was not exactly a holographic image, which is projected into space. As a matter of fact, Blitzer didn't see anything, although viewers saw both, with the reporter's image recomposed through a tomographic process – that is, captured from all angles, processed by computer and inserted into the main image just like a Hollywood special effect.

An equally digital but slightly different technique was used so that Cisco Systems' CEO, John Chambers, could participate in the Cisco Networkers event in São Paulo last year. Introduced by Pedro Ripper, then the company's CEO in Brazil, Chambers "appeared" on the stage in the form of a high definition image projected onto a support invisible to the public. But that was a hybrid system, await-

ing a low cost technology that will allow three-dimensional images to materialize in space.

Telepresence technology has existed for 30 years, explains veteran telecommunications journalist Ethevaldo Siqueira. But because of the high cost, its use was restricted to large corporations. "Today, significantly lower long distance costs have allowed more companies to use the resource," observes Siqueira. In a recently posted note on its site, English business magazine The Economist cites the case of British Telecom. The company managed to save US\$ 355 million over a year thanks to more efficient use of teleconferences. In 2007, no less than 107,000 employees participated in this type of meeting – be it via audio, web or video –, with an average of 12 participants per session. The company's

British Telecom managed to reduce travel expenses by 70%

effort to cut back on unnecessary travel resulted in a 70% reduction in expenses on air transport and lodging in the last 12 months.

Two pillars

A telepresence meeting is really impressive. Take, for example, the room built for this purpose at Philips' offices in São Paulo. Thanks to advanced image and sound resources resulting from a global partnership combining Cisco equipment with communications services provided by British Telecom, the room's environment gives participants the sensation of being seated around a single meeting table, despite thousands of kilometers of separation. Half of the room is physically real, with up to six local participants facing a three-screened wall. All that's needed is to press a button on the telephone for the participants on the other side to appear on the screens, complete with the missing half-moon of the table. To enhance



ISTOCKPHOTO

GO OR STAY?

WHAT COMPANIES WANT

to know before authorizing trips

- Is displacement really necessary?
- Can it be put off for a while longer?
- Was a solution tried by telephone or videoconferencing?
- Is it an internal meeting, or does it involve strategic external contacts?
- Is it just for one meeting, or does it allow for additional business activities?

the sensation that everyone is in the same room, even the colors of the walls on the two ends of the connection are same. Philips’ telepresence room in São Paulo is identical to the one it uses in Holland, Hong Kong, the United States, Japan and all the other subsidiaries of the company.

Cisco’s telepresence concept is based on two pillars. “The first is to offer high quality image and sound and the second, operating simplicity”, explains Fernando Lucato, manager of unified communications business development for the company. A life-sized image of each participant appears on 60-inch high-definition LCD screens, combined with multi-channel spatial sound that simulates the human voice – all transmitted across broadband. Beginning a meeting is as easy as pressing a button, just like a remote control is used to

switch on a television. To illustrate the excellent acceptance of the new technology, Lucato cites Cisco’s own experience. The company has expanded its teleconference use from 3% of all meetings, when the transmission speed was 15 times slower, to up to 70% today.

Philips, which calls the digital encounters ‘connect meetings,’ has transformed its São Paulo office

into the central communications point for Brazil and the neighboring countries. This means that instead of flying to Europe, a professional who works in Manaus or Buenos Aires only needs to travel to São Paulo for a telepresence session. “Sometimes we even forget we are speaking to a machine, due to our concentration on the people and content in the meetings,” affirms Ronald Eikelenboom, Philips’ CFO for Latin America, who says the technological resource has not entirely eliminated business trips in the company, although they are now conceded much more selectively.

Philips’ goal, as explained in an internal campaign, is not only to expand the number and quality of virtual meetings, but to also increase productivity through remote encounters. In telepresence’s favor is an additional benefit. “The system helps include other professionals in the company who under other circumstances would not travel,” notes Marcos Barcellos, director of marketing for Cisco. “This allows for greater approximation between employees in different locations and other departments.” Nevertheless, there are practical limits to telepresence meetings, which obviously do not resolve all of a company’s communications problems. For presentations to large groups in an auditorium, sales conventions, new product launchings or a first strategic contact, personal interaction and the use of senses other sight and hearing are still indispensable. “In many cases traveling is still inevitable, given the importance of human contact in business relationships,” asserts Eikelenboom. “But only as long as the professional takes advantage of the trip to hold more than one meeting and, perhaps, complement it with other activities like a

course, thereby optimizing time and costs.” Deise Fukamati, director of Amana-Key, an important leadership development and education company, agrees with Philips’ Eikelenboom about situations in which human interaction is irreplaceable. “It is only in person that one can perceive nuances and the nonverbal side of others,” asserts Deise. “Only personal dynamics can provide reliable feedback about the attitude of participants.”

The high cost of equipping a telepresence room means that this resource cannot reach everyone. The investment can range from US\$ 40,000 for one to two people to US\$ 700,000 for up to 18 participants. “It is worth the price as long as the equipment is used on a large scale,” affirms Vivianne Martins, president of the Brazilian Association of Corporate Travel Managers (ABGEV). For this reason, several telecommunications operators have begun offering telepresence rooms for rent, as Tata does in India.

Social Networking

The decision whether to travel or hold a virtual meeting is no longer solely based on economic factors. Environmental concerns have led some companies to opt for telepresence as way to help the planet. IBM defines this issue well through a global initiative called ‘Smarter Planet.’ On the one hand, growing pressure from the economy, competition, consumer demands and new technologies is forcing companies to become more flexible and efficient. However, it is no longer possible to ship professionals, customers and partners back and forth with the same intensity as before. Just traffic jams on US roads alone costs US\$ 78 billion a year, not to mention belching smoke from 11 billion liters of polluting fuel.

WHEN IT’S WORTH IT

TRAVEL	TELECONFERENCE
Personal interaction and human contact is indispensable to the success of the business	The cost and duration of the trip is greater than the benefit to be obtained
The agenda includes more than one meeting – courses, encounters	There is only one meeting, which can be conducted at a distance without its results being affected
The meetings involve partners and customers in different places and who are not integrated into the same system	The company has enough scale to justify the high cost of installing the equipment
The encounters involve dynamics, training and meetings with large groups	The very dynamics of the business requires constant communication, making these contacts increasingly more expensive

In New York, 45% of the traffic on some streets is due to cars looking for a parking space. IBM and other large corporations are seeking to adopt alternatives that would relieve people from having to leave their home or office for business encounters. The result of this policy is striking: today 42% of IBM’s employees around the world work remotely.

In Brazil, about 3,000 of the company’s 17,400 collaborators also work this way – 780 of them at home and the others at the facilities of customers or partners. “Work is being less and less defined as the place to where you go, but what you do,” observes Manzar Feres, vice-president of communications for IBM in Latin America.

Moreover, contrary to what one might think, people are not becoming more isolated. Human contact has irreplaceable aspects to it and, in practice, technology has become a powerful medium for bringing people together: “It is rare to find someone who does not use an online social network like Facebook, MySpace or LinkedIn,” said MCI

executive Sebastien Tondeur in a recent interview. “And the more people interact online, they more want to approximate each other in real life, be it to travel, play tennis, participate in seminars or simply to meet.” This desire, explains Tondeur, has already been captured by portals like Meetup, which facilitates group encounters in various locations. Touting the slogan “It’s time for less face-to-screen and more face-to-face,” online social networks have become facilitators for personal interaction, helping to build communities and real relationship networks.

In fact, while the global recession may have restricted the frequency of business meetings, the value

of physical contact during a crisis ends up acquiring another dimension. In times of change, approximating people physically to spread innovation and motivate them is fundamental to the success of an organization. Nevertheless, even with new technologies like telepresence, professional travel – although on a smaller scale – will be indispensable for a good time to come. ■

Human contact sometimes has essential advantages

Administer your Foreign Focus



Feeling maxed out? An effective understanding of the world is crucial for your business abroad, but this requires time and energy – and they need to be optimized

BY CYRIL BOUQUET*

The global markets are a source of substantial cash flows. Your globalization strategy requires that you develop relations with new customers abroad, as well as those that already exist. This is nothing new for Brazilian companies, which invested more than US\$ 150 billion abroad in 2006. The largest multinationals are at the forefront. According to Unctad's World Investment Report for 2007, Brazil ranked 12th on the planet. However, the country is also a relatively new player in this significant expansion of foreign assets and employees, in which it only began to participate in 2006.

Besides, the credibility of your company abroad requires that its management be visible in places that need to be taken into consideration. This means that you cannot simply sit in your central office in São Paulo shifting paper from here to there.

You need to give personal attention to your customers, employees and other interest groups abroad. But does the attention you give really help the main object of your business? The answer is yes, but



STOCKXPERT

not as much as you might imagine. Since attention is very limited, the time and effort you invest in foreign markets will always be to the disadvantage of other strategic opportunities.

Two friends and I – Professor Allen Morrison of the Institut Eu-

ropéen d'Administration des Affaires (Insead) and Professor Julian Birkinshaw of the London Business School – described this in a work published by the Journal of International Business Studies in January 2009. The result of a bad mix between how much attention you give to foreign markets and how much attention is really needed can be detrimental to the performance of your company.

Very little attention to foreign markets can result in restricted understanding and the development of strategies with little sensitivity to local conditions.

Excessive attention can lead to even greater problems, because they are costly in terms of lost opportunities for your company. The time you spend “doing things” abroad diverts your attention from other important responsibilities that you have, including strategic planning and problems relating to organizational structure. It can also suffocate managers of subsidiaries who end up wasting so much time on “managing the head office” that little energy is left to conduct regional business.

Time and effort

We observed a group of 18 top executives “in action” to obtain a clear understanding of these problems. By using a variety of mechanisms to remain informed of what’s happening around the world, most of the executives tended to concentrate on three types of activity:

>> Sweep the globe to collect important facts and determine how the company is doing compared to its more important global competitors.
>> Hold discussions, preferably face to face, with managers abroad and other key elements to understand the meaning of more

complex information.

>> Spend time discussing global trends in executive committee meetings to reach a consensus about the strategic direction of the organization.

In the second part of our study we developed a questionnaire to ask the executives how much time and effort they invested in each process, and compared their answers with solid performance data obtained from secondary sources. The overall study included 135 of the largest multinational corporations in the world.

The results were consistent with our expectations, although a little more drastic than what we expected. Very little or excessive attention can really harm the performance of a company – measured according to three indices (return on assets, index of profits over sales and return on equity) over a period of five years. Nevertheless, the maximum level of what constitutes ideal attention was much lower than expected.

On average, top executives of large multinational companies should not allocate more than 30% of their time and effort “outside,” handling foreign business questions.

Our study identified three contexts in which more time and energy should be spent understanding the global market:

>> When top executives had accumulated – as a group – a lot of experience abroad;
>> When an industry operates according to an especially dynamic context in which things change quickly, all the time;
>> When there is a substantial level of fragmentation within the global organization.

Perhaps the third discovery deserves additional discussion. When

firms are run as constellations of independent business units, it is up to the headquarters of the company to act as the principal integrator.

In this case, top management’s attention is crucial to dealing with organizational ambiguity, establishing priorities and identifying focuses of knowledge and expertise that can be leveraged by all business units. In compensation, executives at headquarters do not need to intervene as much when a multinational corporation has already implemented systems and operating procedures – ne-

Part of the greater organizational challenge today is related to the “ecology of attention” (who pays attention to what and when). Your attention is one of the most precious currencies you have. Manage it carefully

cessary for sharing knowledge and functions as a fully integrated operation. In this case, too much attention from the center can easily interfere in the operation of the entire organization.

Choose your focus

As observed Emerson de Almeida, president of the Dom Cabral Foundation, on Brazilian expansion abroad, “this is an extraordinary evolution on the part of major Brazilian multinationals, and generates true managerial

challenges – that is, how to manage this process and the resulting international production networks while contributing to a more sustainable world.” Clearly, the demands placed on top management today are increasingly diverse and fragmented.

Despite it being imperative to plan operations and resources, your attention is a crucial resource that plays an important role in improving the performance of the company. The amount of sweeping you do when communicating with foreign personnel and customers and in discussions with other top executives is critical to your capacity to generate an effective understanding of the world. And it is through this superior understanding that you can aggregate value to the global organization.

But your attention is too precious to be allocated without restrictions. Have you ever felt as if you have exceeded your limit? Part of the greater organizational challenge today is related to the “ecology of attention” (who occupies what and when).

Many tasks can and should be delegated. Everyone knows that. The key is to decide where all of us need to be focused at a given point in time. Successful executives are in control of how and why they aim their attention in the way they do. They quantify their personal investments of time and effort, ensuring that such investments are proportional to the context in which the firm operates and to the immediate demands at hand, finding ways to measure the sets of associated returns. ■

* Cyril Bouquet is Professor of Strategy at IMD. Collaboration by Jeanny Wildi, associate researcher.

TWO HOTELS, ONE FOR LEISURE AND ONE FOR BUSINESS

A Jewel in Fernando de Noronha

FOR MANY YEARS, the incredible beauty of the ocean and exuberant and untouched landscape of Fernando de Noronha let visitors tolerate the uncomfortable modesty of its available lodging. A few years ago, however, the situation underwent a night and day transformation with the arrival of the glamorous Pousada Maravilha (“Marvel Inn”) – a luxurious and charming refuge with just five bungalows and three apartments on the dazzling Sueste beach. The British guide Conde Nast Johansens recently recognized the inn for its beauty and exclusivity, giving it a 2009 Award for Excellence in the Small Hotels of South America category. www.pousadamaravilha.com



HANDOUT

In the New York Times

THE NEW YORK Times Travel section nearly always gets it right: the best place to stay in Búzios is Cachoeira Inn, property of American couple Susan and Matt Marshall. The two met in Búzios as tourists in 2003 when Matt worked as an executive for a multinational in Brazil. Both fell in love with the place. They bought a big house on Ferradura beach and five years and



RENATA MELLO

US\$ 2 million later opened an inn to the public that is both rustic and refined, which the couple defines as a “tropical-Asian style guest house.” It features sumptuous gardens, a waterfall and the ocean at its door.

www.cachoeirainn.com

Your hotel or mine?

HOLDING BUSINESS MEETINGS in São Paulo has become simpler and more comfortable for entrepreneurs and executives passing through the city. The Radisson Hotel Faria Lima now offers a day-office service for those who need a private room and support for meetings, interviews or client service. The day offices include an area of 33 m², capacity for eight people, an exclusive bathroom, an LCD TV, bar fridge, broadband internet and telephones. Daily rates begin at R\$ 800, plus 5% tax. www.atlanticahotels.com.br

Safety in the clouds

FLYING HAS BECOME safer and the survival rate for air accidents is also improving, evidenced by the US Airways Airbus landing in New York’s Hudson River last January, with all 155 passengers aboard escaping unscathed, as well as other recent cases. The latest report of the International Civil Aviation Organization (ICAO) reveals that the accident rate has dropped from 19 crashes with fatalities per 10 million takeoffs in 1990 to four in 2008. In total, there were 29 serious accidents on commercial flights in 1990, compared to only eleven in 2008.



Want to look good? Rent a case in Flight 001

HANDOUT

Looking cool with a rented suitcase

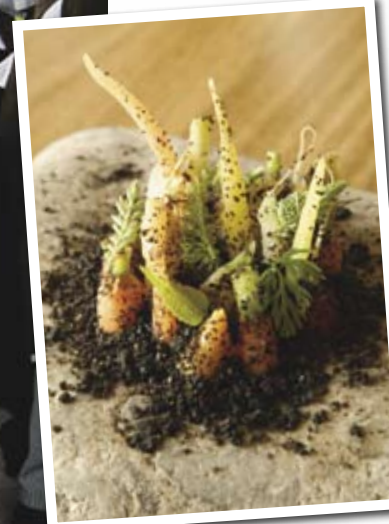
TIRED OF FEELING humiliated with that beaten-up suitcase that the check-in attendant labels with disdain? A New York company, Flight 001, with a store in the West Village, has inaugurated a rental system for high tech Rimowa suitcases (which cost an average US\$ 500 in the US and almost double that in Brazil). The rental price is US\$ 10 a day, or US\$ 60 a week. For the time being, however, this is only in New York. Especially recommended for vain or insecure travelers. www.flight001.com



Chef Redzepi with one of his creations: novelty on stage

World’s third-best restaurant: A surprise

EACH APRIL, RESTAURANT Magazine electrifies the gastronomic world with its annual list of the 50 best restaurants on the planet (actually, the list continues, with numbers 51 to 100). The top two for 2009 are no surprise: El Bulli, belonging to the mythical Ferran Adrià in Spain, and the venerable Fat Duck, in England, run by Chef Heston Blumenthal. The surprise this year is a Dane on the podium, in prestigious third place: Noma, in Copenhagen, operated by the young chef Rene Redzepi, prophet of organic, natural, basic yet inventive cuisine. Brazil’s Alex Atala and his DOM restaurant in São Paulo moved to number 24, up 16 notches from last year.



MAIS DAMISGAARD

TWO DIRECT FLIGHTS TO THE ORIENT

With El Al from Guarulhos to Tel Aviv...

SINCE THE BEGINNING of May, Israeli airline El Al has been operating three weekly non-stop direct flights from São Paulo to Tel Aviv– 14½ hours in a Boeing 777. The company is offering special introductory rates, especially for those wishing to continue to Europe or other destinations. www.elal.com

First touchdown in São Paulo: bathing in Jordan water



... and Turkish from Guarulhos to Istanbul

TURKISH AIRLINES ALSO opened an unprecedented route, in April, with flights on Wednesdays and Sundays from Guarulhos, São Paulo, to Kamal Atatürk Airport in Istanbul, with a 90-minute technical stopover in Dakar, Senegal. Total duration of the flight, on an Airbus 340, is 14 hours and 35 minutes. During the first few weeks the airline is offering a promotional fare of US\$ 799. www.flyturkish.com.br

Express tourism

LIVING IN PORTUGAL FOR MORE than eight years, Brazilian executive Fernando Pinto, CEO of Transportadora Aérea Portuguesa (official name of airline TAP), recognizes traces of Rio de Janeiro in the Portuguese capital of Lisbon. With natural beauty, pleasant climate and friendly people, he considers it the Rio de Janeiro of Portugal. Here are some suggestions from the chief executive of TAP for short itineraries in this historic city, which perfectly combines centuries of diverse cultural influences with the latest trends and lifestyles.



Central Lisbon and the Tagus River, seen from the Castle of St. George



Nostalgia: ride an old-style tram round the hilly area of Lisbon

If you have a few hours...

...TAKE ADVANTAGE OF the finest panoramic view of the city aboard your flight before landing in the Portuguese capital. Travel the hills of Lisbon in a trolley, a typically Lisboan means of transportation. Take the 90-minute trip running through beautiful old neighborhoods of the city. Prepare for the trip, which begins at Praça do Comércio, with a pleasant meal at the historic restaurant “Martinho da Arcada,” one of Portuguese poet Fernando Pessoa’s favorite hangouts.

If you have a whole day...

...BEGIN YOUR ITINERARY with a visit to S. Jorge Castle to appreciate the magnificent view of the Tejo River and bridge with its Christ-King. Go on foot to Alfama where you can visit the Fado Museum and take a sidecar to Belém, with its magnificent gardens and historic monuments such as the Tower of Belém and Standard of Discoveries. Also take advantage to visit the Navy Museum and the Coaches Museum, considered one of the best in the world due to its collection of unique models. Don’t leave without visiting the Belém Cultural Center, which houses significant examples of contemporary art, or noshing on a “Belém pastry,” the famous delicacy whose recipe is a well-kept secret.

Beside the Jerónimos Monastery: the famous Belém pasties



Europe’s biggest aquarium, with the Parque das Nações in foreground

If you have an entire weekend...

...BESIDES THE PREVIOUSLY mentioned ssuggestions, stop by the Calouste Gulbenkian Foundation to check out the current exposition “Darwin’s Evolution,” in collaboration

with the American Museum of Natural History in New York. Don’t forget to visit the Portugal Pavilion at the Park of Nations, one of the most modern and cosmopolitan areas of the city. The site of Expo 98, it offers attractions including the largest aquarium in Europe and the Pavilion of Knowledge, dedicated to the sciences.



The Eighties: Isaura becomes good business in 'Beijin'. Filippelli with Han Chuan Zheng, the director of China Studios, and an aide.



HANDOUT

Censorship, Soap Operas and China

Globo's long march to win over markets with world-class soap operas, besides discovering exotic places that changed names

TV GLOBO BEGAN EXPORTING programs at the end of the 1970s, first with O Bem Amado, in South America, and then Gabriela, which was distributed in Portugal. The idea of selling in Europe was complicated by the local habit of producing short series, with up to ten episodes. The then-head of TV Globo José Bonifácio de Oliveira Sobrinho (Boni) had warned me: "It will be difficult to export a soap opera with 160 chapters. If one day we have to produce a compact story, we could take advantage of that to prepare a pilot program, some pamphlets, and then try to sell it."

The censorship of the military regime at the time played its part by banning an entire soap opera (Saramandaia, I think), and Globo was forced to reduce Escrava Isaura by 20 episodes while it hurriedly prepared a new production. The "filler" ended up becoming Globo's first international success.

The golden opportunity appeared in Monte Carlo at the beginning of the 1980s. A Swiss TV channel became enchanted with Isaura and decided to produce an Italian version, which was subsequently exhibited by Retequattro across

Italy. It was a surprising success for all, including me: I was on vacation at the time and when I returned home to Rome, Isaura was the most popular program in Italy. As for me, who had been hardly acknowledged before, I was suddenly invited to lectures and sent jets for meetings in Milan.

Soon a telex arrived at the Rio office (there was no e-mail or fax in those days) from Globo's correspondent in Beijing, asking to order some chapters of Isaura. Beijing? What was that about? The telex passed from hand to hand until someone called for me in Rome. China had changed the names of various cities, regions and people, as transcribed in our alphabet. Peking had become Beijing and not everyone knew that. I sent the videos and maintained intense contact with China Films until they bought the rights to Escrava Isaura for the entire country: an historic success.

I traveled to China four times in six years. During the first occasion, everyone wore Maoist uniforms and rode to work on bicycles. There was only one reasonable hotel, the Beijing Hotel. Curious, people surrounded Westerners in the streets. But by my fourth visit at the end of the 1980s, automobiles had dominated the traffic: bicycles were swept aside. My main contact at that time was Han Chuan Zheng, director of China Studios. When the Chinese government decided to reduce the size of the State by divesting factories, properties, etc., Han bought a two-bedroom apartment (with financing) for US\$ 300. He also bought a phone for the same amount. Then he needed a fax and shelled out another US\$ 300. At that time, his house, his phone and fax machine were all worth the same.

To conclude: after the Chinese phenomenon, TV Globo became known around the world and everything was easier. The irony is that it all begun with the cruelty of the military dictatorship. ■

*Roberto Filippelli is an international marketing consultant who in the 1980s and 90s introduced the world to Brazilian-flavored soap operas produced by TV Globo

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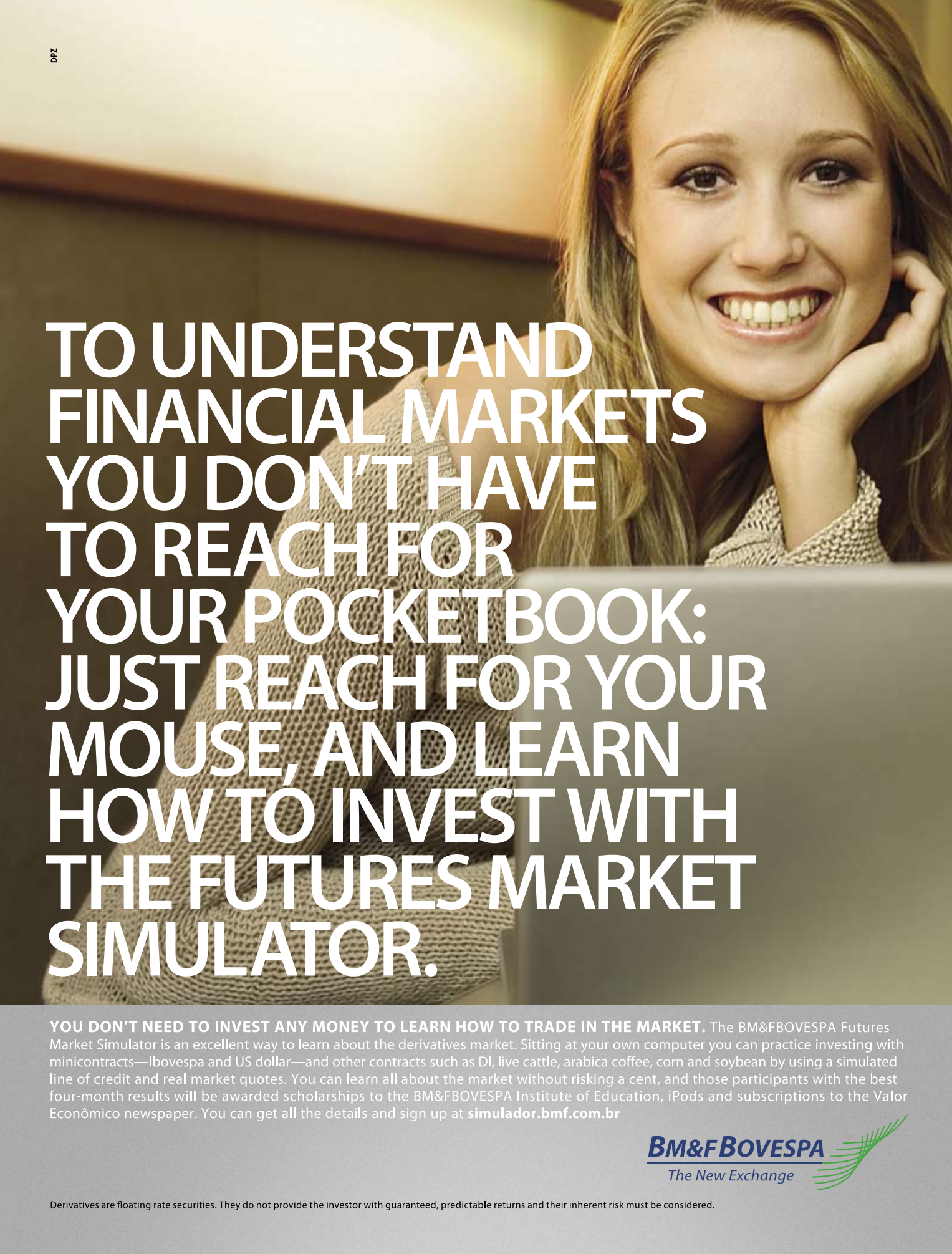


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