

OIL

Petrobras looks abroad for markets for the future production from the pre-salt layer

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How the Amazon region is making the Argentinean pampas and Brazil's scrublands fertile

FLYING HIGH

Embraer was founded in a school and makes planes for the whole world. Forty years later, it continues to pin its hopes on education to reinvent itself

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SÃO PAULO**



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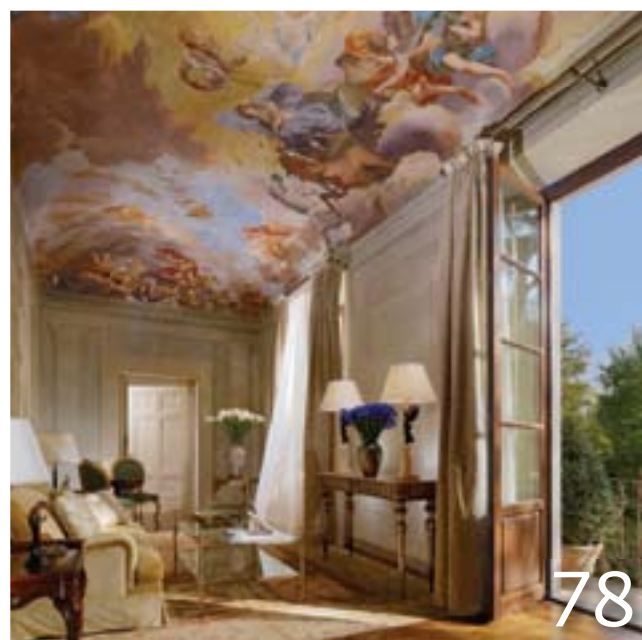
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Letter to the reader

An experienced Brazilian lawyer recalls that, not too long ago, it was standard practice for his fellow lawyers, in international meetings, to change the topic of conversation when they saw, from his ID tag, where he came from. This doesn't happen anymore. Brazil has become a good topic of conversation, due either to ethanol (the new talk of the town), the success of Brazilian multinationals in global markets, or Brazil's political presence at international forums.

How did this happen? For various reasons, but the presence of Brazilian companies abroad is certainly one of them. And out of all the multinationals that helped turn the world's attention to Brazil, one jumps off the page: Embraer, a manufacturer and exporter of high-performance aircraft. At the end of the day, when an agricultural and iron ore exporting country starts to make and sell modern aircraft, people realize something is changing.

And if they look closer, they will see that change was only possible because it was based on solid educational foundations – the teaching and research institutes created by the Aeronautical Ministry in the 1940s, in São José dos Campos. Loyal to its roots, Embraer continues to prioritize the creation of knowledge and education in general, offering a post-graduate program to young engineers and continuing to run a first-class secondary education school in São José dos Campos, where it is based. This is the content of this edition's cover story.

The new image of Brazil is also one of the topics of the interview given by the ex-ambassador of the U.S., Clifford Sobel, who stood down in August. The range of topics extends to a conversation with the scientist studying the Amazon "water pump" – the mechanism that feeds the fertile lands of the center-south region of the continent with humidity. And we round off with an article on the international plans of Petrobras in these pre-salt times. Happy reading.

PIB is on the Internet - At www.revistapib.com.br. Now, our readers can access the PDF versions of past editions, as well as selected articles from the current edition, which will appear in revolving fashion on the site. You will also find summarized reports on what the global press is saying about Brazil. We thought especially about those with difficulty getting their hands on our printed version, in particular our readers in Brazil's interior and abroad. Just a few months after its Internet debut, the **PIB** site had already been accessed in over 50 countries, including Angola, Thailand, the United Arab Emirates, Singapore and even the Seychelles Islands. We look forward to you visiting our site as well.

The editors



TOTUM
EXCELÊNCIA EDITORIAL
Nely Caixeta



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GO INTERNATIONAL

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INTERNATIONAL BUSINESS AND ECONOMICS

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Dear editors,
It's a pleasure to read a very high quality magazine like PIB throwing light on emerging contours of globalized world specially aftermath current global financial crisis. It gives me a deep insight about Brazil, its economy, its companies, especially as to how they are going internationally. I would be pleased to provide some articles on Pakistan, one of the rapidly growing economies in Asia."

SYED TAJAMMAL HUSSAIN
COMMERCIAL CONSULTANT
PAKISTAN EMBASSY
SÃO PAULO – SÃO PAULO STATE

I had the good fortune to read the excellent PIB magazine in the American Express VIP lounge at Congonhas airport, and I would like to congratulate you on your extremely investigative and impartial content. I would like to suggest a topic: regulation of PLC technology (powerline communications – broadband data transmission, voice and video data via energy grids) by telecom sector regulator ANATEL, which will become a new paradigm in the new technological and telecom markets in Brazil.

GERALDO GUIMARAES JR.
PRESIDENT – LATIN AMERICA
BPL GLOBAL
SÃO PAULO – SÃO PAULO STATE

As an employee at the National Industrial Property Institute and a college professor, PIB always has a lot to offer me. I read edition 5, featuring the "It's Latin America's time" cover story and an interview with Minister Miguel Jorge, both invaluable to my research work for my PhD paper on International Relations, where I am investigating Brazil's integration into the international intellectual



property regime during the Cardoso and Lula administrations

CARLOS MAURÍCIO ARDISSONE
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RIO DE JANEIRO – RIO
DE JANEIRO STATE

I'm from Poland I heard about PIB when the magazine circulated at an Apex-Brazil event in Warsaw. I'm doing my PhD in economics at the Warsaw School of Economics. My thesis is on Brazilian biofuels.

AGNIESZKA WOJCIK
WARSAW – POLAND

I may be Italian, but I speak Portuguese. I received your wonderful magazine at the Think London office, an agency for promoting foreign direct investment (FDI) in London, where I work. I am currently doing my master's degree thesis on International Relations at the University of Bologna. I believe PIB will be an important source of information for my survey, whose focus revolves around new Brazilian investments in Europe – how and why Brazilian companies are setting up shop in Europe.

FEDERICA MIAZZI
THINK LONDON-
LONDON – ENGLAND

In my opinion, PIB is the only magazine with its nose to the grindstone in terms of our companies' international activities...of this Brazil that is increasingly international and operating in a market and context that go beyond geographical boundaries. It's very simple. Those not in the know will lack key information related to their economic survival.

FERNANDO G. CARNEIRO
MANAGING DIRECTOR
THE ALTMAN GROUP
RIO DE JANEIRO RJ



Petrobras is more than an oil company.



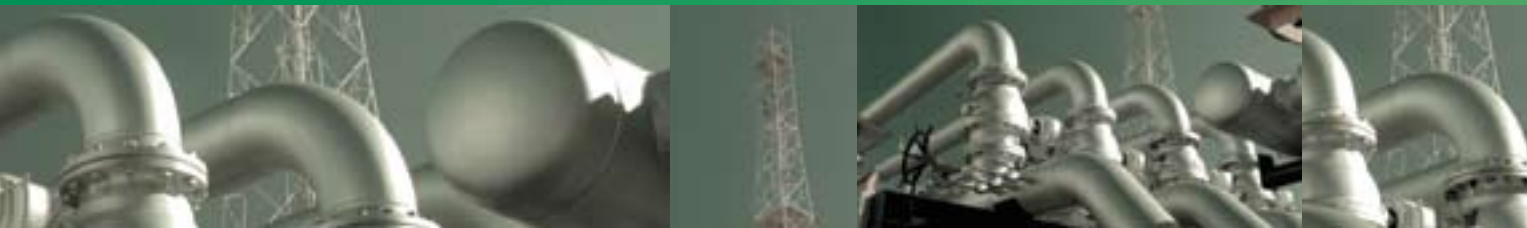
And if you think about it, it's more than an energy



Petrobras is renowned around the world for its technology and leadership in deep and ultra-deepwater exploration and production. It's also a pioneer in biofuels and makes continuous investments in alternative energy sources.



company too.



But, more importantly, Petrobras is committed to social development, citizenship, the environment and sustainability. In addition, it fosters culture and the arts. If the future is a challenge, Petrobras is ready for it.



Madrid Stock Exchange: Latin American companies register success

Spanish stock market has a distinctly yellow and green shine to it

THE HONEYMOON OF BRAZILIAN

companies and the international financial market isn't just restricted to the BOVESPA stock exchange. The Latibex, a Spanish stock index featuring the main Latin American stock indices, marks its 10th anniversary with a strong presence of national companies and one of the highest gains anywhere this year. From January to August, it is already up over 60%, driven by producers of raw materials, banks and services companies. The Brazilian stars are Aracruz and Sadia (whose shares still haven't been converted to the new Brasil Foods name), which are up over 120% since January. The Latibex currently features 38 companies, with capital volume of €450bn, equivalent to a quarter of the volume of the entire Spanish

stock exchange. The national companies, which have their own index, Latibex-Brasil, account for almost 60% of the portfolio, including heavyweights such as Petrobras, Vale, Gerdau, Votorantim and Bradespar. "Latibex has grown strongly in recent years since it is a simple way

of investing, as it operates in euros and with the rules known on the continent", explains Yvonne Teixeira Marín, director of development at Latibex. "Its importance has also grown as Spanish companies have conquered space in Latin America, which attracted the interest of investors to the region."

The main highlight this year, so far, is Peruvian mining company Volcan, up 170%, followed by the Mexican companies Alfa (140%), from the petrochemical sector, and Sare (120%), from infrastructure. Brazil is also doing well, with four companies among the top ten risers in the year. "The appreciation of the Brazilian Real after the peak of the crisis and the recovery in commodity prices are making Brazilian stocks more attractive for foreign investors", highlights Danny Rappaport, from the investment management firm InvestPort. (Arnaldo Comin, from Madrid)

MOST PROFITABLE COMPANIES*

STOCK	(VAR.)
SADIA	130%
ARACRUZ	125%
BRASKEM	110%
GERDAU	100%
BRADSPAR	70%

Source: Invertia/Latibex

*Jan-Aug, approximate numbers

Good at marketing

IF ECONOMIC AND political stability are crucial in explaining the high volume of foreign investments in Brazil in recent years, another factor seems important in this equation: good self-promotion. In the report “Global investment promotion benchmarking 2009”, of the World Bank and IFC, private arm of the World Bank, which analyzed 181 national agencies and 31 locations for attracting investments, Apex-Brasil was at the top of the ranking of Latin America and the Caribbean. The agency was also second (behind Austria) in the ranking of the top 25 in providing information services to investors. According to Apex chairman Alessandro Teixeira, the ranking shows how the organizational work has been improving. “This was the first time that the World Bank used such an in-depth and detailed methodology to make this type of assessment”, he says. “We have gained an important calling card, because investors follow these rankings.” According to the publication, 65% of foreign companies use agencies when deciding on where to allocate their investments. “When there is a range of options, the work of these agencies gains major importance”, explains Robert Whyte, from the IFC. “This result indicates the excellent operation of Brazil, which has made the country so attractive to investors”, he states. But Apex doesn’t want to stop there. The agency has retained the services of the World Bank itself to assist it in a US\$2.3 million project for training and capacitating Brazilian states. The idea is to construct an integrated system of promoting investments all over Brazil (Flavia Carbonari, Washington).



Support to micro companies

AT THE END OF AUGUST, Banco do Brasil and SEBRAE, the Brazilian Service of Support to Micro and Small Companies, signed a cooperation agreement for small businessmen looking to grow via exports. The main point of the partnership is the extension of the BB Export Financing Program, which will offer credit at special interest rates to micro and small companies. Also, the bank will facilitate access to its Export Counter – an e-commerce tool for exporters. The agreement also foresees training courses for businessmen in matters such as financial management, international credit lines and FX rules.

In China, in Portuguese

THE PROVINCE OF GUANGDONG, the location of Macau (a former Portuguese enclave in China), has also got its eye on Brazilian companies. A group of businessmen and authorities from the region came to São Paulo in August to forge closer ties with Brazilian businessmen. Chinese authorities plan to formalize an agreement of cooperation specifically aimed at small and medium-size companies, in a broader plan of partnerships with Portuguese-speaking countries. With a legal tradition more in line with the Brazilian system, Macau wants to become the main center for attracting investments of the global Portuguese-speaking community. The idea is to create facilities for opening companies and providing credit and market information access to those from segments such as construction, where Chinese demand is very strong.

Iochpe goes shopping

CRISIS FOR SOME, opportunities for others. Iochpe-Maxion, Brazil’s largest producer of wheels, chasses and rail cars, paid US\$180 million for the business of U.S. company ArvinMeritor, one of its main competitors, which succumbed to the collapse of the U.S. auto industry. The acquisition includes two wheel plants, one in Limeira (São Paulo) and another in San Luis Potosí, Mexico, as well as an office providing logistics and support to clients (in Michigan). Although affected by the poor results of the sector in Brazil (net revenue fell 37% to R\$ 279 million in the first half of the year), Iochpe continues betting on internationalization. The company will invest R\$ 35 million in the inauguration of a chassis division for light trucks next year in India, in partnership with local producer Daimler Hero.

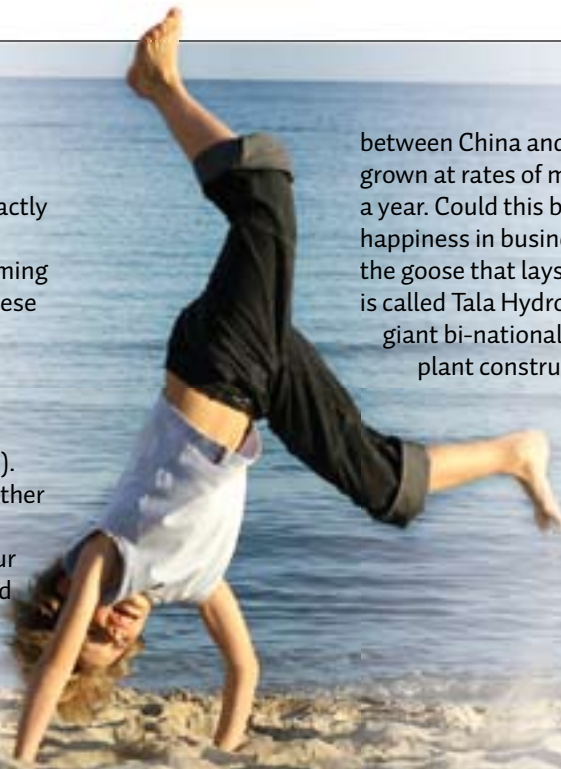


ISTOCKPHOTO

The Gross National Happiness Index

THE SMALL KINGDOM OF BHUTAN may not exactly be an economic power but it is more interested in becoming the world leader in happiness than becoming another Asian tiger in economic terms. The Bhutanese King, Jigme Khesar Namgyel Wangchuck, will be in Foz do Iguaçu on November 19 at the invitation of Itaipu Binacional to introduce Brazilians to the unusual development indicator promoted by his country, the Gross National Happiness index (GNH). The idea started in 1972 when the current King's father created it as an alternative to cold statistical Gross Development Product (GDP). The indicator uses four basic pillars: sustainable and equalitarian social and economic development, preservation of culture values, environmental conservation and good governance. At times when social responsibility and sustainability are gaining importance, the GNH attracted the attention of the United Nations and companies such as Natura. Bhutan is located in the Himalayan mountains

between China and India and has grown at rates of more than 20% a year. Could this be a result of happiness in business? Not exactly: the goose that lays the golden egg is called Tala Hydroelectricity, a giant bi-national hydroelectric plant constructed by India.



The hangover of globalization

TAKING PART IN THE GAME OF THE GLOBAL ECONOMY

demands future vision, good planning, daring and some luck. However, sometimes you need to accept that you have lost. Marcopolo closed down its plant in Coimbra, Portugal, at the end of August as it had been adversely affected by the crisis which hit the automobile industry throughout the world. The decision had a symbolic importance as it was the company's first international plant. It was built in 1990 and employed 176 workers. The company justified the decision

by pointing to the sharp fall in demand and says it will now supply the Portuguese market from Brazil. The 30% fall in sales of buses on the domestic market in the first semester affected the company's results and led to a drop of 9% in revenues. Marcopolo is still seen as a model of the Brazilian company with a taste for international expansion. It exports to more than 100 countries and has three plants in Brazil and two in India, as well as units in Colombia, Argentina, Mexico, South Africa and Russia. It began operating in China in January

of this year and will open a new plant in Egypt in September. The company is optimistic and believes it will recover and grow by 5% by the end of the year. The setback in Portugal highlights the risks and turns of international expansion. The plant was important at the beginning as it gave the company a foothold in Europe. However, with production costs, excess competition and demand in free fall forcing the main auto companies to review their European assets, then Marcopolo is now putting all its bets on the emerging countries.

Marcopolo's plant in Coimbra: closed down because of the crisis



HANDOUT / MARCOPOLO

French-Brazilian partnership

THE BRAZIL-FRANCE PARTNERSHIP

continues to bear good fruit. Following the Year of France in Brazil and the signing of a strategic partnership between the French and Brazilian governments, the Brazilian Chamber of Commerce in France (CCBF) was formed recently. The CCBF already has 40 members from businesses in both countries and organized the first meeting in Paris on agribusiness in Brazil and its insertion in the international market. The seminar was held at the beginning of September supported by the Brazilian Agricultural Research company (Embrapa) and Companhia Hidro Elétrica do São Francisco.

The Brazilian Ambassador in France, José Maurício Bustani, said the CCBF would be a meeting place for companies and investors. "Export and import operations bring an average annual turnover of US\$ 6 billion and are below the French-Brazilian trade capacity. Only 14 Brazilian companies are present on the French market compared with 38 large French concerns in Brazil, as well as more than 600 medium and small companies," he said. The president of Renault-Nissan group, Carlos Ghosn, was invited to be the chairman of honor of the new organization and the former French ambassador to Brazil, Philippe Lecourtier, will be a member of the Chamber's Board of Directors. (Andréa Flores, from Paris).



Bustani and Ghosn: Brazilians in Paris

AGÊNCIA BRASIL

Brazil in the sights of the Canadians

MOST PEOPLE WOULD NOT see much in common between Brazil and Canada, countries located at the opposite ends of the Americas and with such different climates, cultures and languages. The two countries only began to take notice of each other – and with some mistrust – when the trade battles between Embraer and Bombardier hit the international headlines. However, things do not have to stay like that. During a recent visit by a Canadian parliamentary mission to Brazil, the Canadian representative Mário Silva, who was born in Azores, was impressed by the similarities between the two countries and the business opportunities which could arise from a closer relationship. He highlighted some myths which shoot down any idea that Canada is the rich neighbor to the North and Brazil the poor neighbor to the south:

- Although Brazil is not a member of the G-8, as Canada is, its GDP of US\$ 1.66 trillion in 2008 was higher than Canada's which came to US\$ 1.56 trillion.
- The first bilateral enterprise occurred 110 years ago when the Canadian company Brascan set up in São Paulo. However nowadays, Brazil has more assets in Canada (US\$ 11 billion) than Canada has in Brazil (US\$ 8.3 billion).
- The trade balance between the two countries exceeded US\$ 5 billion last year with Canada at an advantage, notching up a surplus of US\$ 3.2 billion.
- Brazilians are showing great interest in their neighbor and there are currently 17,000 young Brazilians studying in Canada.
- Brazil is a peaceful, multiethnic democracy and offers security for investments. It also has a solid base of foreign currency reserves of US\$ 200 billion.
- Both countries not only occupy giant areas of the continent but they hold 1/3 of all the world's freshwater and have enormous natural resources.
- Canada can accelerate its expansion in Brazil – with 27 Federal Units and almost 200 million inhabitants – through its regional offices in cities like Porto Alegre and Recife.

ISTOCKPHOTO

St. Lawrence River in Canada: closer to the Amazon than it might look




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HANDOUT/PETROBRÁS

Linking up for biofuels

FACED WITH THE GROWING interest in biofuels, the world's two largest producers, Brazil and the United States, are intensifying cooperation efforts in the area. The initiative arose from a meeting of an American delegation and rectors of Brazilian universities in 2007 and led to the creation of the Brazil-US Biofuels Network to broaden the debate and knowledge of the sector. The network is financed by the US State Department and coordinated by Fulbright Brasil, with the support of Fapesp-Bioen. The initiative aims to facilitate interchange between public and private organizations in Brazil and the US. Thais Rodrigues, the project Coordinator for Fulbright, says the network should bring about an exchange of knowledge between the two countries and improve discussions on the issue. The first activity took place in July and August this year: the 1st Brazil-US Biofuels Technology Course held at USP. The seminar brought together 30 postgraduate students and 10 professionals from the area. They are all now part of the network which brings together 100 Brazilian and 40 American researchers and specialists. The next course is due to take place in the US in 2010. (Flavia Carbonari, Washington)

Direct from New York to the Bovespa

THE RAPID GROWTH of the Bovespa and the good results it has posted in recent months is increasing the appetite of foreign investors for the São Paulo stock market. The on-line brokerage Ágora has signed an agreement with the Investment Technology Group (ITG), one of the largest electronic trading companies in New York, to operate in Brazil. ITG will use Ágora's management system in the United States. Another development which came at the right time for investors was the green light given by the Commodity Futures Trading Commission regulator allowing US residents to buy on the futures market of the BM&F Bovepa directly. A total of six products in the agricultural commodities and raw materials areas will be available.

Patents in the doldrums

BRAZIL HAS LITTLE TO CELEBRATE when it comes to patents and technological development. Last year, the American firm, USPTO, which is the most specialized in this area in the world, registered only 101 patents from Brazil, well behind emerging countries like China (1,546) and India (636). Brazil even lost out to Malaysia which registered 152 patents. A comparison between the periods from 2005-2008 and 2001-2004 shows that Brazilian patents have slumped by 12% in terms of all patents registered while China and India reported increases of 93% and 81%, respectively.

Jamaica Connection

DEDINI, WHICH OPERATES in the sugar-alcohol sector and is based in Piracicaba, São Paulo state, has sold its second alcohol dehydrating plant to the Jamaica Broilers Group, a food giant in the Caribbean country which has been increasing its activities in the ethanol segment. The plant, which separates the water from the final product, has daily production capacity of 700,000 of alcohol from sugar cane. This latest deal takes the total of industrial plants Dedini has sent to Jamaica to four since 2003 when the first plant was destined for the state-owned oil company, Petrojam. In 2005, the Brazilian company Coimex also pinned its hopes on ethanol production on the Jamaican market using Dedini technology. Dedini was founded in 1920 and operates six production plants in Brazil and exports industrial equipment to the food and drink sectors of 25 countries.

**Dedini plant
in Jamaica**





A CARNEIRO / HANDOUT

Stock Exchange
in the Old Center
of São Paulo

Portuguese spoken here

JUST AS THE BRAZILIAN GOVERNMENT

intends expanding teaching Spanish throughout the public school network, so Uruguay aims to increase the teaching of Portuguese to all schoolchildren from 2010. The government is currently providing free Portuguese lessons in language centers but now wants it to be obligatory. Lessons will begin in the border region with Brazil where the common language of communication known as “portunhol” is used. The government of Uruguay expects that most children will speak the neighboring country’s language within six years.

The power of ideas

DESIGN HAS BECOME a strategic element not only in products but also in the way countries like Italy, Spain and Sweden project themselves internationally. Brazil may still have no status in the large European centers but has been gaining ground. On September 26, the best examples of Brazilian design will be shown in Miami at the Idea Awards, the Oscar of international design. Brazil’s aim is to repeat last year’s experience and appear on stage as one of the most innovative in the world. Brazil came third in 2008, behind the United States and South Korea. The national qualifying stage was held in São Paulo at the end of July, with the support of Apex-Brazil, and presented a good representation of what the Americans will see at the closing stage of the event. The winning works include the “Bossa na Oca” exhibition at Ibirapuera Park and the Livraria da Vila and Loja Havaianas stores in São Paulo.



HANDOUT / IDEABRASIL



Livraria da Vila
bookshop in São
Paulo: fight for the
international prize

Sustainable fashion on the catwalks of Paris

NOWADAYS BRAZILIAN DESIGNERS are a great success on the wide European fashion circuit and the São Paulo Fashion Week has become a great international success. Now it is the time for sustainability to appear on the catwalks. Six Brazilian luxury brands were chosen by the Texbrasil program, which supports the sector, to represent Brazil at the Prêt-à-Porter Paris salon, the main showcase for world fashion. The NGOs and ateliers Tudo Bom?, 1001 Retalhos, Talentos do Brasil, Algodão Colorido Natural, Amparo Brasil and Empreendedorismo Social showed their works at the So Ethic salon dedicated to companies which run their businesses based on principles of sustainability and fair trade. The Brazilian brands were able appear thanks to the backing of Texbrasil, an initiative of the Brazilian Textile Industry Assumption (Abit) and the Brazilian Trade and Investment Promotion Agency (Apex-Brazil), which used the event to expand the visibility of Brazilian fashion on the European market.



Brazilian summer fashion on the way to Paris: beautiful and environmentally correct

Argentina is also raising its standard abroad

THE COMPLICATED SITUATION on the domestic Argentinean market following the economic crisis in 2001 led some business groups to take the risky step of expanding abroad. A study by the development agency ProsperAr and the American university of Columbia shows that Argentina now has 19 multinationals, mainly in the infrastructure, transformation industry and food sectors.

Although this is a modest figure by the standard of developed countries, Argentina's presence abroad is beginning to attract attention. Last year, its multinationals had US\$ 19 billion in assets, US\$ 21 billion in sales, 42,000 employees and 315 installations in 42 countries. However, the bulk of the international business is still concentrated on the biggest privately-owned

Argentinean conglomerate, Techint, which has 91% of these assets (US\$ 17.4 billion).

The group, which operates in the engineering and construction sectors, as well as industry and agribusiness, was also responsible for the two largest external operations by an Argentinean company in 2008, both in Mexico: the purchase of the corn processor IMSA for US\$ 1.7 billion and the investment project amounting to US\$ 6.6 billion in a mining and steel production complex. The food group Arcor is also outstanding, with assets of US\$ 491 million, and Impsa, which operates in the machinery and equipment sector, has US\$ 300 million. Latin America is responsible for around 80% of the Argentinean presence 80% with Brazil representing no less than one-third of the total.



Tenaris, star of the Techint group: neighboring multinational

HANDOUT / TENARIS

And in their own backyards

BRAZILIAN SOCCER is on the top of the world. After destroying the English dream to win the 2002 World Cup, its reputation as the world's number one soccer nation remains as strong as ever in the land of the royal family. The chain of Brazilian Soccer Schools (BSS) was founded in England in 1997 by the soccer coach Simon Clifford, after being impressed by the professionalism displayed by his good friend Juninho in training sessions when he played at Middlesbrough. With a focus on the techniques of indoor soccer, he developed a method for teaching the secrets of Brazilian soccer. According to Clifford, indoor soccer, due to the strong degree of technique required, gives the player the preparation and discipline required to use it on the outdoor pitch. But it isn't just taught as a platform for soccer pitches: a division of the company is also concentrated on

indoor soccer, with the blessings of Sócrates and Ronaldo – the latter encourages children to seek the base of soccer in the indoor game, where he himself started off and which, in his own words, is his true passion. Now a business with over 600 franchises in countries such as Finland, Holland, Canada, the U.S., India, Hong Kong, Singapore and Australia, BSS's main marketing pull is the geniality of

Brazilian soccer players. According to Will Wood, a company executive, no one is born with a god-given talent: "We accept players of all levels and, with correct training, commitment and ethics, we can improve their skills on the soccer pitch". You think? That's why Englishmen are good businessmen and Brazilians are good soccer players! (Nara Vidal, from Londres)



Conquering Germany in five steps



IT IS NOT EASY BEING a Brazilian technology design company trying to break into the demanding German market. However, KitFrame, which makes air conditioners in Cotia, Greater São Paulo, decided to take on the challenge. It believed in the potential of its line of electric storage areas for equipment for sectors such as mobile telephony and is setting up sales units in Germany and Spain. The idea is to maintain production and development in Brazil and invest in a good sales, logistics and client support structure in Europe. Larissa da Costa, the company's manager in Germany, gives some tips and presents the paths to setting up business on the difficult local market known as the "factory of Europe":

1 The simplest way is to open a limited liability company with a business contract which describes the partners, along with having a bank account with the minimum capital required, depending on the activity. The company can start operating within three weeks if all the paperwork is in order.

2 The manager must live in the country but it does not matter whether he or she is a European or from any other region.

3 Lots of planning and persistence are needed to be successful in Germany. KitFrame took part in the Hanover Trade Fair for seven years in order to create close links with potential clients.

4 Germany's rigid business culture has to be followed. The Germans are extremely detailed and inflexible when it comes to deadlines. If the first experience does not meet expectations then it's "goodbye".

5 Post-sales service is crucial. The company must ensure that the client has a rapid technical assistance and support service of a high quality.



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Santa Rita digital

Far from Brazil's bustling big cities, a technology center has sprung into life around a small-town technical school. Now it aims to dominate the South American digital TV market – and more

**JOSÉ MARIA FURTADO,
IN SANTA RITA DO SAPUCAÍ**

**Vanessa Lima,
technology
development
manager at
Linear (digital
image on a
big screen)**



D Deep in mountains of Minas Gerais, some 400 km southwest of the state capital of Belo Horizonte, the 40,000 inhabitant town of Santa Rita do Sapucaí feels pretty much like any other farming center. Or at least it used to. Today, Santa Rita's heart beats with digital precision and the local economy is focused on electronics, as a cluster of over 130 companies turn out TV and radio transmitters and components for cellphones and bank automation equipment. Together, these high-tech companies bill some R\$ 1 billion or US\$ 500 million a year. Exports currently represent just a sliver of this, around US\$14 million. But since December of 2007 Brazil has been transitioning to digital TV. This could open up new internationalization prospects for Santa Rita's companies.

After much lobbying and a long dispute with proponents of the American and European digital TV systems, ASTC and DVB respectively, Brazil opted for its own system, a modification of the Japanese standard called ISDB-TB, where the 'B' denotes Brazil. Now the government is negotiating ISDB-TB with its neighbors in South America. So far, Peru and Argentina have officially come on board, but Brasília is offering inducements: countries that adopt the Japanese-Brazilian standard get it for free, and Brazil will collaborate without charge in implementing and developing the system. Paraguay, Cuba, Chile, Venezuela and Ecuador are negotiating. If everything falls into place, the result would be a single digital TV standard throughout Latin America to facilitate integration and reduce costs, by virtue of the greater scale of production.

All this potentially represents a fabulous market for Brazilian manufacturers of transmitters and other digital TV equipment. Demand in neighboring countries is as great as, or even greater than, in Brazil, where TV companies are expected to need 100,000 transmitters through the 2016 deadline by when all equipment nationwide must be converted to digital. And the 2014 World Cup football competition may well speed up the change-over.

Peru was the first country to adopt the Brazilian version of Japanese digital TV

Brazilian sales and the prospect of boosting exports are bringing smiles to Linear Equipamentos de Eletrônica, a big fish in the Santa Rita electronics cluster. "We plan boosting our annual billing tenfold through 2014 (from R\$38.4 million in 2008)," said Vanessa Lima, manager for technological development at Linear. Her father, José de Souza Lima, is president of the company he helped found with a partner back in 1977, to make electric fences. In the

1980s the company started focusing on analog TV transmitters, and now exports to 40 countries including the United States, Canada, Sweden and Mexico.

Linear began migrating to digital systems in 2000.

Starting from scratch, it invested in research and development (around R\$5.5 million this year) and hired engineers to handle digital signal processing, which is different from the analog environment that company technicians were used to. They started with the American ASTC system. "We worked on that for five years," Vanessa Lima said, and it paid off. Linear has already sold over 200 transmitters in the United States, where it has an assembly plant in Chicago. Two years later it expanded its range of products with transmitters for the Brazilian standard, ISDB-TB. And a year after that, it added European system equipment: DVB.



Armando Lemes, of STB: starting to export

FELIPE CHRIST/FOTONOTÍCIAS

Now that it has mastered all three standards, Linear can fight for markets virtually all around the world. “DVB is likely to be adopted in 147 countries, including Africa,” said Lima, who has worked in the family firm since she graduated from university nine years ago and today manages a team of 90 engineers. An electrical engineer with a master’s degree, Lima will soon start studying for a doctorate focusing on neural networks – a model of data processing that attempts to simulate the structure of the human brain – for application in high definition TV.

When she finishes her doctorate, Lima will join a math Ph.D. working for Linear who is involved in the mathematical modeling of signals, something that is necessary for perfecting the process known as linearization. Putting it simply: amplifying an electronic signal creates

a distortion; linearization corrects it. This search for technical quality translates into a more efficient transmitter, meaning the TV broadcaster uses less energy.

Linear is seeking other gains for clients. Around 28,000 of the analog transmitters it has sold can be converted to digital more cheaply than buying new equipment, via an operation known as a ‘flash cut’. The company is also working on a very low cost modulator to bring digital TV to small communities. “This is small, you can carry it anywhere under your arm,” she said

The company plans on hiring more Ph.D.s and engineers to break into new markets. One future product will be developed making use of installations and equipment purchased from another local company that shut up shop. It’s a WiMax technology transmitting station for broadband internet and CPE – equi-

pment such as modems, for home use. “We are going to facilitate the installation of broadband in small communities,” Lima said.

It’s unlikely Linear would have got so far, were it not located in Santa Rita do Sapucaí. Until 1959, when the Electronics Technical School (ETE) was opened and became the seed that would change the region (see box on page 26), the town was basically agricultural. Political leaders of the time even banned the main São Paulo to Belo Horizonte highway from passing through the municipality, fearing the consequences of progress – the highway bypasses the town by 20 km.

This posture changed in 1985 when a former mayor suggested transforming the town into an electronics hub based on pioneer companies and institutions. The project gained force as neighboring towns

FROM BRESCIA TO POUSO ALEGRE

THE INTERNATIONALIZATION

of the Santa Rita do Sapucaí electronics cluster is a two-way affair: while Linear exports to 40 countries and assembles equipment in the United States, an Italian company has formed a partnership with a local firm to produce its digital line in Minas Gerais.

Júlio Prado Rocha, formerly the boss of STB’s Armando Lemes in Teclar, is the commercial director and a minority partner in Screen Service do Brasil, a subsidiary of Screen Service, a company based in Brescia, a city between Milan and Venice. The Italian company was looking for a partner in Brazil and came up with Rocha, who

like Pouso Alegre joined in. And so, the region became known as 'Electronics Valley' – shades of its more famous Silicon rival.

Little by little, the local economy internationalized. Companies that used to buy small quantities of parts from Brazilian distributors now receive foreign trade missions – both buying and selling – and send their own missions to China, South Korea and the United States. The region offers an educational environment that favors technology-based businesses: within just a few kilometers there are schools training labor of all types, from ETE's general level to doctorate engineers at the Federal University of Itajubá.

Linear has developed equipment to make digital TV available cheaply in small towns

The most important institution for Electronics Valley in general and digital TV in particular is the National Telecommunications Institute, Inatel, which is based in Santa Rita. It was at Inatel that Linear – with govern-

ment financing – helped develop the digital TV project. The institute employs 10 Ph.D.s and 40 master's graduates, plus 150 engineers. Half of the institute's annual revenue of US\$7.5 million comes from selling services to companies, for example in its software and product testing laboratories. The other half comes from tuition paid by 1,200 students.

The institute's high fliers either start up their own businesses or

are snapped up by local electronics companies. One such, Superior Technologies in Broadcasting (STB), was created six years ago and competes with Linear in digital TV technology. Armando Lemes, STB's commercial director, studied at ETE and then in Rio de Janeiro, where he built a career in the technical side of various TV networks. Thirty four years later he returned to Santa Rita, sold radio transmitters for another local company called Teclar, then finally took the plunge and created STB.

Lemes had no money. But his friend Romildo Resende Soares, an evangelical minister better known as 'Missionary RR Soares', was in the process of setting up his own broadcasting network called RTI, and decided to invest US\$5 million in Lemes' venture so that he would have his own transmission equip-

remains a partner in Teclar, a maker of radio transmitters. Screen Service do Brasil invested some R\$10 million for a factory at Pouso Alegre, the next city along from Santa Rita. The plant comes on stream in September without having to worry about product development, which is handled by 60 engineers back in Italy. The technology is sophisticated and the standard of the transmitter is defined by software – in other words, by changing the program the same equipment can broadcast in analog or digital standard, be it American, European or Japanese-Brazilian.

"We have the full Italian line of Screen – more than 300 products, including transmitters," said Prado. The Brazilian company hopes to bill at least 15 million Euros in three years. The strategy is long-term relationships.



Júlio Prado Rocha and Alberto Morello, of Screen Service: Italian technology

"The TV network that buys from us will tend to use our equipment for all its stations, because it's not advisable to have stations with different equipment, so we negotiate packages," said Prado, who hopes to replicate the strategy in other countries.

The company even wants to export to the United States, taking advantage of Brazil's costs, which are much lower than in Italy. "In theory, given the characteristics of the transmitters, we are very competitive," said Prado. "But we're starting from scratch."

FELIPE CHRIST/FOTONOTÍCIAS

ment. Lemes talked a former Teclar director into developing technology for the new company, and today they are managers and minority shareholders in STB.

The company expects to bill R\$18 million this year and reach R\$60 million by 2014. Being a late starter has had its advantages – STB has developed a line of radio and TV transmitters based on the new Japanese-Brazilian standard, ready for easy conversion from analog to digital.

The company is betting on technological development to bring down costs. It paid French consultants to substitute components imported from Japan for others

it could make itself, and it managed to reduce the cost of a 1 kW transmitter from R\$300,000 to R\$180,000. This year the company will start offering set-top boxes that convert digital signals for analog TV sets and are prepared for T-commerce – buying things via television. The Brazilian market for set-top boxes is estimated at over R\$9 billion through 2016.

“Digital transmission paves the way for shopping via TV

In 2010 STB plans launching digital microwave equipment for use by TV operators and other clients to transmit digitalized signals of audio, video and data. With

an eye on the export market, Lemes started by selling US\$60,000 in analog microwave equipment to Paraguay. “Exports are just starting, but every journey starts with the first step,” he said. ■

SINHÁ MOREIRA – A VISIONARY

SANTA RITA DO SAPUCAÍ is the kind of place where you still hear cocks crowing and cattle lowing, or see coffee growing beside the processing plants. But if many of the 40,000 local inhabitants today live and breathe bits and bytes, it's thanks to Luzia Rennó Moreira, a lady who was far ahead of her time. Back in the 1930s, Moreira divorced her husband and said that women couldn't just be housewives.

Sinhá Moreira – she was always addressed in the traditional, respectful manner – was the niece of an early 20th century Brazilian president. But this product of the traditional rural elite was to trigger the transformation of Santa Rita, by giving land and raising money to build the Electronics Technical School, a pioneer institution in Latin America, full name ETE Francisco Moreira da Costa. Why electronics? Because *Sinhá* Moreira

travelled a lot. And in Japan, she saw the future. Anxious to offer local kids something beyond dirt and drudgery, she set up a school to train them for an activity that was exploding on the other side of the world. Later, in the 1960s, Santa Rita saw the creation of the National Telecommunications Institute, Inatel, a privately funded electronics university. Other colleges came along later, as did small company incubators, some of them within Inatel. Of the town's current 130 high-tech companies, 30 were hatched this way. The combination of academic knowledge and entrepreneurial pioneers gave rise to a technological cluster that doesn't stop growing – last year

aggregate billing increased by 15%. At first, components were assembled by hand. Today, several companies use robots and others outsource to four specialized manufacturers. Local factories draw on 14 local suppliers, showing the vertical strength of the cluster. Production is expanding and becoming more sophisticated. Every day, the town ships out over 1,000 household and industrial electronic items. Multinationals and major Brazilian banks order up components for products like cell phones, tokens and ATMs. Exports are currently some US\$14 million a year, but growing well. Certainly beyond the dreams of *Sinhá* Moreira.



Santa Rita: a peaceful rural environment with a technological heart

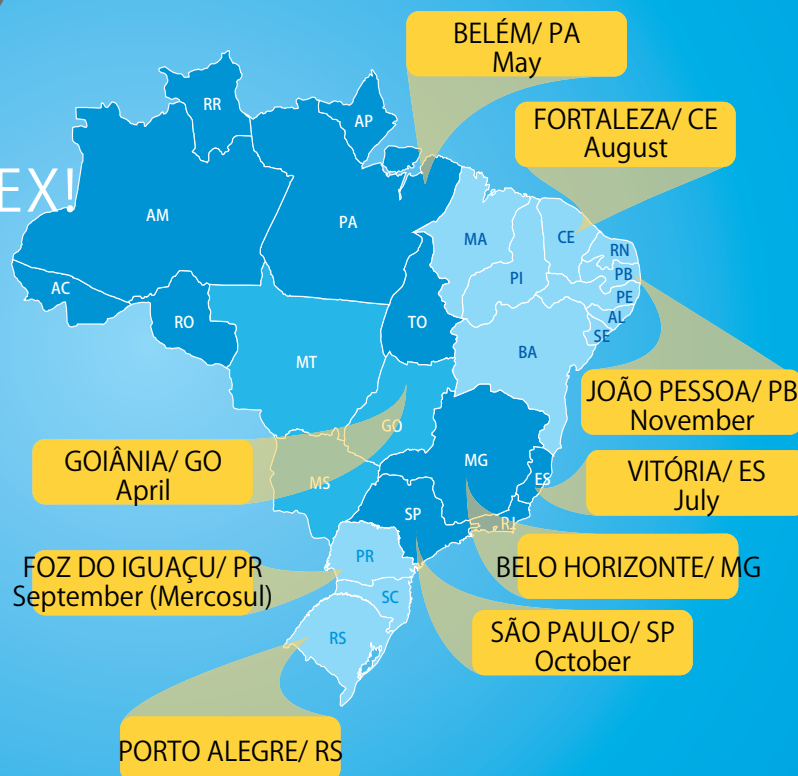
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Support is vital



While the government has woken up to the importance of Brazilian multinationals being present in global markets, it still needs to define a strategy and better coordinate the official initiatives for supporting the internationalization of companies

RICARDO U. SENNES*

Crossing borders is no easy task for any company. In the specific case of Brazilian companies, this process has featured, in recent years, a change in the behavior of the federal government, which is now giving more support to ensure that national capital gains space in the international market. This move-

ment began in the 1990s, but has accelerated this decade.

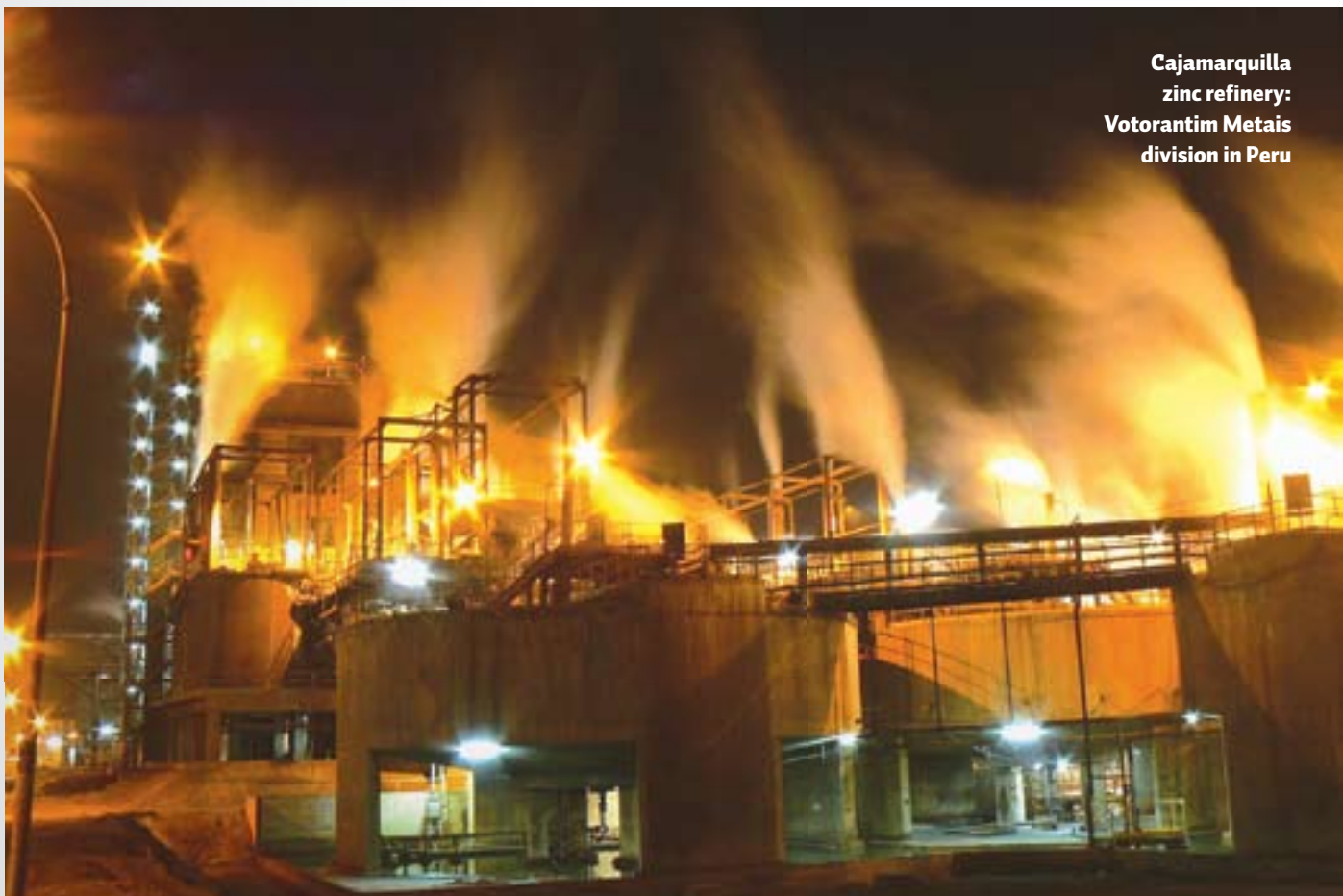
The support has mainly come from the BNDES (National Development Bank), but also involves the Foreign Affairs, Trade and Finance Ministries. However, while the change in the government's stance is clear for all to see, so is the lack of coordination. Conse-

quently, the internationalization process of Brazilian companies remains largely dependent on the efforts of the companies themselves.

Internationalization policies can be bracketed into horizontal and vertical policies. Some policies have an indirect impact on internationalization, such as promoting innovation and providing a boost to the capital market, while other policies are explicitly channeled to supporting priority sectors or a group of companies, aiming to make them more competitive on the international scene. In both policies, the government provides political and economic resources.

However, the emergence of non-central countries, such as China, Russia, the Arab economies and other

**Cajamarquilla
zinc refinery:
Votorantim Metais
division in Peru**



Asian countries is intensifying the debate on the degree of support provided to companies. And the cries of complaint are mainly coming from the developed economies.

To illustrate the point, we can say that there are two internationalization models practiced today: the model of the so-called state capitalist countries; and the model of the OECD countries. In theory, the first model is based on the strong and direct participation of government bodies and governments themselves in supporting companies that, in turn, are either state-owned companies or joint ventures of state-owned companies. The OECD model, in theory, features more horizontal government actions to foster the competitiveness of companies, whose *modus operandi* is typically more compatible with international agreements and corporate governance standards – although, in several cases, there is no denying that OECD countries provide direct support to their multinational companies.

Where does Brazil feature in this context? The answer is in neither of the two models, but certainly closer to the OECD model, despite the fact that it doesn't have the volume of funds invested by OECD member countries. Brazilian multinationals are generally run in accordance with the OECD model, but don't enjoy the broad public policies financed by the OECD member countries and don't have the direct government support seen in the state capitalism model.

As a result, the challenge facing Brazil is to define a strategy of strong internationalization, but which at the same time is compatible with its economic and political conditions. And now is the time, since Brazil is in a relatively healthy financial situation and several of its public institutions are interested in the matter.

Besides the need for coordination

between the existing initiatives, two questions are a priority: (i) to strengthen the financial mechanisms for supporting companies; and (ii) defining a strategy for high-tech, innovation-based sectors. In relation to FDI (foreign direct investment) remittances abroad, there are practically no restrictions on Brazilian multinationals.

However, Brazil doesn't have many agreements that protect direct investments in other economies. Numerous bilateral and regional (Mercosul)

The challenge facing Brazil is to define a strategy of strong internationalization, but that is also compatible with the country's economic and political conditions

agreements have been signed, but they haven't taken effect. The situation is slightly less critical for services companies, since Brazil is a GATS signatory (a WTO-related agreement). In terms of intellectual property, it is a signatory of TRIPS (WTO), and of the patent treaty of the World Intellectual Property Organization. But there is no international protection for brands of Brazilian companies.

Brazilian government agencies do provide technical and information assistance, especially Apex (Pro-Exports and Pro-Investment Agency) and Itamaraty (Foreign Affairs Ministry). But there is no question that these services could be expanded and professionalized.

Financing internationalization projects has been the main support policy provided to Brazilian companies, but this is concentrated at the

BNDES. Brazil needs to foster the development of services and financial solutions by private banks and by the stock exchange. There are no safety mechanisms for investments abroad – an important exception is the ALADI Reciprocal Credit Agreement.

Brazil is very passive when it comes to tax incentives in this area, which practically don't exist. There are, however, non-conventional initiatives to support internationalization, such as those provided by Cade/SDE (Brazilian Monopoly Watchdog), state-run oil giant Petrobras and state-owned bank Banco do Brasil in other countries, and presidential diplomacy itself.

So, as we can see, there are initiatives in place. However, they are partly an extension or "reform" of previous actions to promote exports, and partly one-time government initiatives.

Brazil is on the path to incorporating the internationalization of the economy and of companies as a strategy for development. With this aim in mind, the matter needs to extrapolate the federal government and form part of the Legislative agenda, gaining state policy overtones. At the same time, this question should influence negotiation strategies in the bilateral, regional and multilateral spheres, which has yet to happen.

The matter isn't only of interest to large companies and a handful of sectors. Recent studies indicate that internationalization is already permeating the agenda of several medium-size sectors and companies. Moreover, multinationals will continue to go international and drag along with them smaller companies, who will also exert pressure for progress. ■

** Partner director of Prospectiva Consultoria em Negócios Internacionais e Políticas Públicas and Professor of International Relations at Pontifícia Universidade Católica de São Paulo (PUC-SP).*

Bye, bye Brazil

Former US Ambassador Clifford Sobel highlights Brazil's progress in recent years and the entrepreneurial spirit of the Brazilian people. At long last, Sobel says, the future has come to Brazil **NELY CAIXETA**



Ex-ambassador Sobel: Brazil is looking abroad more than ever

HANDOUT

At the end of August, Clifford Sobel turned in his credentials as the 53rd ambassador of the United States in Brazil. Many things have happened during his three years in office. "Brazil has been transformed in this period," he said. "It has become a leader of undeniable regional and global importance." A significant part of this leadership, Sobel thinks, has to do with the personal charisma of Brazilian President Luiz Inácio Lula da Silva. "People all around the world have become more interested in Brazil thanks to Lula."

These three years in Brazil have also served for Sobel and his wife to grow attached to the country and its culture. "We love Brazilian music, in particular music from Bahia," said Sobel, declaring himself an unabashed fan of Ivete Sangalo and Carlinhos Brown. A graduate in administration from New York University, the 60-year-old Sobel has vast business experience. During the 1970s and 1980s he created and led various companies. The most recent of these, Net2Phone, was the largest supplier of phone services over the Internet in the US market, until it was acquired by Cisco. Although he bears a vague physical resemblance to former US President Bill Clinton, Sobel is

a convinced Republican. He took part in the financial coordination of George W. Bush's presidential campaigns, and following his victory was named ambassador to Holland, where he lived from 2001 to 2005. A year later he took up his position in Brasília.

Born in New Jersey, married for 43 years to Barbara and the father of three children – Scott (32) and twins John and Julie (28) – Sobel sat down with PIB for this exclusive farewell interview. In it, he analyzes the country's progress in various areas, the entrepreneurial spirit of the Brazilian people, which he sees as similar to that of Americans, and the future of Brazil-US relations.

What were your initial impressions of Brazil three years ago, when you became ambassador, and now as you leave the job?

Brazil today is a very different country from three years ago. First of all, it's much more stable, both financially and politically. More and more, Brazil is looking outwards. It's a country that has recently opened 40 new embassies, wants to be part of the UN Security Council and today leads regional and global forums. Brazilians have always been optimists, and now they seem to realize that their future has in fact arrived. When I came here many people questioned Brazil-US relations, doubting America's commitment. Then, in March of 2007 we signed the Biofuels Agreement and Lula was the first Latin American leader to be received at Camp David. This was an indication of the special

relationship that today exists between the two countries.

Is Brazil's new international prominence based more on economic progress or President Lula's personal charisma?

Lula became president at a very important moment, and won over Brazilians with his vision. People all around the world have become more interested in Brazil because of Lula, who travels a lot and has opened up so many new embassies. Moreover, Lula has improved popular access to housing and consumer goods. He is in many senses an inspirational leader.

Brazil is a country where people assume risks just like in the U.S.

What do you think of the Brazilian "jeitinho"?

I prefer to describe this trait with the word 'flexibility'. It's an important cultural element associated with Brazilians, who have an exceptional capacity to adapt to changing circumstances. And Brazil has seen much of this in recent years. If the country has changed in the last three years, imagine how different it is from one or two decades ago. Flexibility is also related to innovative capacity, which is an important facet of Brazilian culture. In many senses the entrepreneurial spirit, which includes innovation, is as

much Brazilian as it is American. It is perhaps one of the things that separate the New World from Europe, which is less innovative, flexible or entrepreneurial. Brazil is a country where people take risks the same way they do in the United States. There are many things in common between US and Brazilian cultures, and flexibility is one of them.

What changed with the election of President Barack Obama?

Obama gave the United States a new face. This has helped to further develop the relations between the two countries and with the region. The Summit of the Americas was an extraordinary example. It wasn't a meeting between North and South, but rather a coming together of countries from the American continent to face their problems together. It was an historic moment – and I believe that in the coming years our relations will become even closer.

You mentioned the Biofuels Agreement. What has been the practical result of this meeting?

There have been many. In fact, the agreement is divided into three parts. The goal was to make biofuels a new and transformational energy resource. To achieve this, our first step was to expand the technology into other countries, so that they can develop a local capacity to produce biofuels. Today Brazil and the US are working with another 10 countries in the Americas, the Caribbean and even Africa, with Senegal being one of the most

[1] 'Jeitinho' – an untranslatable word much used in Brazil for facilitating a problem, frequently of a legal or bureaucratic nature; finding a way to make something possible

[2] The Brazilian Sugarcane Industry Association and the Brazilian Agricultural Research Corporation.

recent partners. Secondly, in the field of research and development we have discussed building a closer relationship of cooperation. This is already happening in the private sector, and our universities are working together.

Can you give any details about this cooperation between universities?

I talked recently with the MIT (Massachusetts Institute of Technology), which wants closer links with Petrobras in the area of biofuels. Many other universities – Illinois, Purdue – are setting up partnerships with Brazil. And there's the National Institute of Biofuel Research in Golden, Colorado, where a very good Brazilian scientist, Helena Schulmann, is working.

Going back to R&D...

OK. We are collaborating very closely with Brazilian institutions like Unica and Embrapa. A few weeks ago we had the Unica Ethanol Summit. The major agricultural producers met with large North American companies that are working in state of the art processes for cellulosic technologies involving enzymes. This meeting was so successful that the next conference is likely to be held in Washington in the coming months, without government help. Also in this area, the international scientific community has developed a set of standards to be adopted by laboratories when evaluating biofuels. There have to be standards so that biofuels can be sold in international commodity markets.

So you think the world will use more ethanol to the point where it becomes a commodity?

Without a doubt. Renewable energy is the future. It's not going to happen overnight, it will be a gradual and difficult process, but I don't think anyone should doubt that it will be part of the energy matrix in the future.

Barack Obama has announced his support for environmental causes. How much will this help?

He has already declared his support for new fuels. That doesn't mean to say that he will reduce the tariffs, because that's a decision for Congress, but he is in favor of investing in research so that we can transform today's garbage into tomorrow's energy.

In a recent interview, you said that there are many opportunities for American and Brazilian businessmen. Are there really?

Yes, there are opportunities for both sides. Proof of this is the increasing equilibrium between the two countries. Votorantim, for example, is the largest cement producer in the Southeast of the United States, Coteminas is the largest supplier of textile products to Wal-Mart and Gerdaui is a major steel producer in the States. This balance is creating an ever-greater partnership between the two countries. My hope is that in the coming years Brazil and the US can work closely on some

matters that will further drive trade and investment between the two countries. It's important to address things like double taxation, for example.

Many businessmen complain that the Brazilian government is reluctant to sign a foreign investment treaty. Do you see any chance of this position being reviewed?

One problem about an investment treaty is that Brazil doesn't agree with some fundamentals adopted by some OECD countries – international arbitration, for example. It's difficult to have an investment treaty without provision for arbitration of disputes. These are fundamental questions that Brazil will have to decide for itself. But I believe that as Brazilian companies seek protection for their international investments, so there will be greater emphasis on finding out how Brazil can also attract more foreign investment. It won't happen overnight, but I hope that in a few years we can have an investment treaty worked out.

Do you think that Brazilian banks today have a chance of internationalizing?

This is something that each bank has to decide for itself, based on regional, hemispheric and international considerations. It's an equation of many factors. But I would make one important comment: Brazil used to have great volatility in its financial markets, and I think it learned a lot from that. I think Brazil could be very useful for the G-20 and other organizations that are trying to learn some lessons from the financial crisis. These days the Brazilian financial sector

No one has any doubt that renewable fuels will form part of the world's energy sources in the future

is seen to be as strong as that of any other country. Brazilian foreign currency reserves are much higher than those of many other countries. The absence of significant leverage was certainly useful for Brazil during the crisis; the country's financial institutions attract a lot of interest and are much admired these days. Before the last G-20 meeting, we invited a group of very experienced people from the Brazilian finance ministry to go to the United States and talk with our treasury department – not to sit at the G-20 table but to talk before the meeting. We wanted to know what Brazil thought about many of the matters that we had to fix to face the financial crisis. The Brazilian financial sector is perhaps one of the most solid components of the country right now.

Former directors of the Brazilian Central Bank have travelled abroad to share the experience they gained during Brazil's many periods of financial turbulence.

No doubt. This is a very interesting period for Brazil, and also a unique opportunity for countries like the United States to define how we can build partnerships in various areas. The current moment is excellent for entrepreneurship in Brazil. The question now is to identify the opportunities on which we can continue to build our relations.

Do you think that Brazilian and American companies could work together in Africa?

It's not impossible that this could happen in the future. Africa has become an interesting demonstration of Brazil's interest

I'm proud to say that I'm a big fan of the music from Bahia, especially Ivete Sangalo and Carlinhos Brown

in cooperating with developing countries. We could work in partnership with Brazil in the fight against HIV-AIDS, given that the Brazilian program enjoys such international recognition. Another matter of great concern for Secretary of State Hillary Clinton and President Obama, who spoke about this recently, is food security. Excluding the European Union, which is a group of countries, the United States and Brazil are the world's two largest food producers. Brazil has Embrapa, which is a great research institution. And there's the ABC, which is an institution similar to USAID. These two institutions are working together in Mozambique and could work together in other countries, like Angola. The goal is to create centers of agricultural excellence that can boost local farming within a program for food security. Maybe we could do the same in Haiti and other places, increasing food production capacity in countries that need it. Food security is a great place to start so that in the coming years there's a still greater convergence in terms of multilateral cooperation.

Have you made many friends in Brazil?

Of yes, we were received with open arms. That's the way in Brazilian society; it's always open

and welcoming. Brazil isn't rich just because of its commodities, but also because of its people. Among the most vivid memories that we will take home with us are the friendships we have made here and that we hope to preserve for many years.

And Brazilian culture? Do you like it?

It's very rich and varied. Bahia, for example, is so different from São Paulo, which is different from the North, or from Mato Grosso. There are many cultures, but just one country. Many faces, but just one family. But despite the differences they are all very proud to be Brazilian. Brazil is as patriotic as the United States.

What did you find most interesting in Brazilian culture?

So many things. Each state has its own festivals. The carnivals in Olinda, Recife and Salvador are all so different. The Boi-Bumbá, in Parintins, is very different from Rio Carnival. This is the richness of the Brazilian cultural tapestry. My wife and I love Brazilian popular music. I'll quite happily confess to loving music from Bahia, in particular Ivete Sangalo and Carlinhos Brown. Also, my wife Barbara collects Brazilian art.

Finally – does Brazil figure in your future plans?

Yes, it does. I don't have anything finalized yet apart from waiting for the birth of my second grandchild, which should happen very soon. But I'm assessing opportunities as they arise and would certainly love to keep up the many connections I have made here over the past three years. ■

Flying high

How education and professional training formed an aeronautical industry in Brazil – and made Embraer the world's largest manufacturer of mediumsize commercial jets, with businesses in around 90 countries and a delivery order book of US\$20bn **W.F. PADOVANI**

For at least a decade, the list of the world's largest jet manufacturers has included a company that was previously a mere bit-part player – Embraer (a Brazilian aeronautical company). The aircraft made in São José dos Campos (São Paulo) have put Embraer on a prestigious podium occupied by giants such as Boeing, Airbus and Bombardier (in 4th place). Even Brazilians, at least those who in terms of aircraft only understand the takeoff and landing process, have taken time to get used to the idea that a Brazilian company is now a leading player on this competitive, high-tech scene. From the Bandeirante turboprop, the first Embraer aircraft and a type of Fusca (the Brazilian version of the VW Beetle) of the skies, to the latest version of the Legacy executive jet (the starlet of the current line), its progress has been truly breathtaking.

The formula for Embraer to have become what it is today was the adoption of a strategy that can be summed up by an apparently meaningless phrase – to build a plane you can't just make a plane. But instead another one, and another, and an-

other, with various applications, different sizes and various recourses, in an uninterrupted long-term series. To achieve this, it is essential to have more than just the plane; you need research, intelligence and studies. "The Embraer pillars were fundamentally education", said company president Frederico Fleury Curado. Curado himself is an example of growth within the company via professional training – he joined Embraer in the 1980s as a young trainee aeronautical engineer.

As we will see later on, the focus on education and knowledge and a

vision of the future are the differentials in the company's success story, which in 2009 will celebrate its 40th anniversary. At the start of the 1950s, when the embryo of today's Embraer was taking shape, Brazil had barely finished creating its first bicycle factory (Monark, in 1948). Embraer, located in an area the size of 60 soccer pitches in São José dos Campos (in the Valley do Paraíba), some 90km from the São Paulo state capital, on the banks of the Via Dutra highway, is today the world's largest manufacturer of commercial jets (in the segment up to 120 seats). Due to this and other achievements in its operating niches (executive, military, government and commercial aviation), it has led for some time the ranking of Brazil's largest exporters, and continues to lead the way today. In June 2009, it had a delivery order book of some US\$20bn. With clients spread across 90 countries, Embraer is, alongside heavyweight players such as Gerdau, Vale, Odebrecht, Votorantim and Petrobras, one of the 20 most internationalized companies in Brazil, according to a study by the Dom Cabral Foundation.

The company has thus become

The multinational Embraer

- Has clients in around 90 countries.
- Has plants and support facilities in the US, France, Portugal, China and Singapore.
- Has 17,000 employees
- Has a US\$ 20 billion order backlog
- Had a 2008 gross revenue of US\$6.3bn



a standard-bearer of the high-tech Brazilian industry. It's no exaggeration to say that it played a strong role in constructing Brazil's international image as one of the four large emerging markets: the B in BRIC – an acronym rounded off by the initials of Russia, India and China. “The regional jets [of Embraer] really captured the imagination of the US flying public – they are fast, classy and fun to fly”, said the aeronautical consultant Peter Goelz, ex-director of the National Transportation Safety Board, the agency in charge of transport safety in the U.S. “They will be a mainstay in US aviation for years to come.”

It took decades to earn this reputation. Proving itself as the option for an evolving line, based on academic and professional training, made the difference in the birth of the Brazilian aeronautical industry – just look at the example of Brazil's neighboring country, Argentina. At the end of World War II, President Juan Domingo Perón planned to turn his country into a super power. The whim of Perón included making military combat aircraft just as good as anything that the Americans, Soviets or Brits had at the time. He sought a shortcut: by recruiting German engineers who had worked in the Nazi

Argentina built a high-tech plane at the end of World War II, but it didn't create an industry

military industry. They set up base in Córdoba and constructed a highly advanced plane for the start of the 1950s – it was called Pulqui II and had a nose, wings, body and tail similar to the legendary Soviet MiG-15, heavily used in the Korean War. But the program didn't progress – it didn't go beyond a few prototypes and didn't help Argentina compete globally in the production of aircraft. In Brazil, the challenge was met differently. In the land where aircrafts were first invented, the aim was to make an industry out of an

idea. Result: Argentina continues producing incomparable alfajores (sweet cakes/biscuits). But it buys its aircraft from Embraer.

“[Embraer] is the result of a very long-term vision and of a State (not a government) decision to establish the bases to create aeronautical construction training in Brazil”, says Curado. The company was officially founded, as a state-owned entity, in August 1969, when Brazil's president was General Arthur da Costa e Silva. But its origins date back much earlier, to the implementation, in the mid-1940s, of the Technical Aeronautical Center (CTA) – currently the Department of Science and Aerospace Technology (DCTA)



Engineers in the training program of Embraer: learning how to make AND sell aircraft

The flight of Embraer

Some of the main events in the company's history

1946

Technical Aeronautical Center (CTA), now known as the Department of Science and Aerospace Technology (DCTA), starts operating

1950

Inauguration of the Technological Aeronautics Institute (ITA)

1969

Creation of Embraer



1971

Start of production of the Bandeirante aircraft, a pioneer in Brazil



– and of the Technological Aeronautical Institute (ITA), linked to the then Aeronautical Ministry. Both institutions are, in essence, Brazilian centers of excellence in engineering, not just aeronautics. Generally speaking, the CTA is the think tank, and the ITA is the place where the ideas are put into practice and disseminated.

“Embraer was constructed after a critical base of engineers (from the ITA and CTA) was formed”, notes its current president. “It took over 20 years to go from the academy, the engineering school, to some R&D work, and to arrive at the industry”. This period of two decades between the birth of CTA/ITA and Embraer featured numerous experimental aircraft projects, and shows that the company’s forerunners were already concerned in not just wanting to build a plane, but rather an entire industry. Embraer was thus born with a vocation and preparation for longer flights (both literally and metaphorically). The company was privatized at the start of the 1990s. Thereafter, it took off definitively, gaining market share and visibility around the world. In the hands of its new stockholders, the company has maintained its vision that, in order to make aircraft, you

Engineers trained at the ITA and CTA aeronautical institutes were at the heart of Embraer

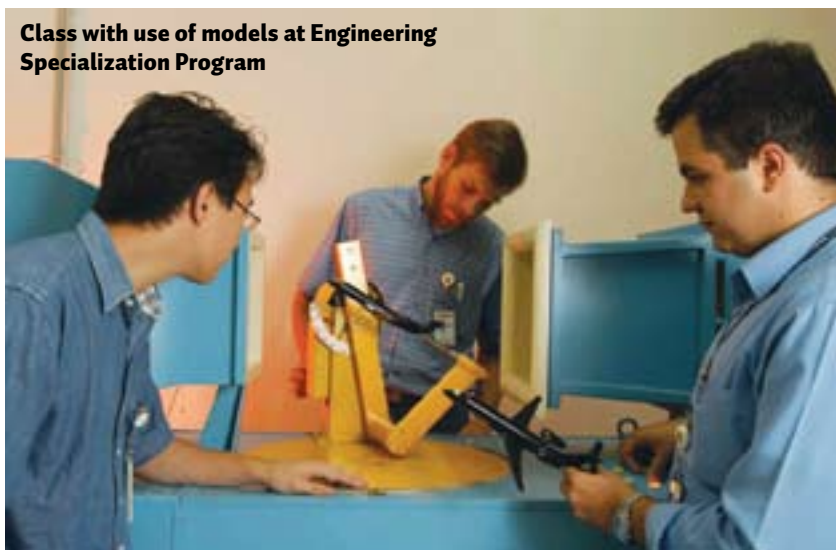
have to train professionals capable of projecting, constructing and perfecting them.

Training is in the DNA of Embraer and its planes. In 2001, the company created a professional training course in aeronautical engineering that is more disputed than many career courses at the University of São Paulo. Called the Engineering Specialization Program (PEE), it is targeted at engineers from other fields – civil, mechanical, electronic, computer and production engineering – with up to two years of a degree completed at any institution or university in Bra-

zil. Lasting 18 months, the program has around 3,500 candidates for 200 spots each time the entry exam is held (implying an average of around 17 candidates for each course on offer). Candidates that pass the program are virtually ensured a job at Embraer – since the course is strongly related to the prospects and production needs of the company.

Located in a modern building at the Eugênio Melo unit, near the company’s headquarters, in São José dos Campos, the PEE headquarters are part of the Casimiro Montenegro Filho People Development Center. Casimiro Montenegro Filho is the name of the air marshal of the Brazilian Air Force (FAB), who first had

Class with use of models at Engineering Specialization Program



1985

First flight of the Brazilian prototype of the AMX fighter plane, produced in partnership with Italy



1994

Embraer is privatized



2004

Embraer 170 aircraft makes first flights in the U.S. and Europe

2009

40-year anniversary of Embraer



the idea that Brazil should have an aeronautical industrial facility. With three floors and an auditorium, the building is equipped with advanced digital technology for designing and projecting aircraft. Embraer's training program, which is accredited by the Brazilian Education Ministry, is run by Embraer. The professors are from the ITA.

The objective of the PEE is to train professionals already acclimatized with the company's level of excellence, therefore meeting the lack of professional talent on offer in the market. With the need for a highly specialized team, Embraer, depending on needs and timing, is having problems finding adequate professionals. Since it was created, the company's program has formed 1,000 engineers. Brazil's universities don't supply the market with the same number of graduates with talent and vocation for the aeronautical industry. To boot, the course also helps to counterbalance the attacks of talent hunters from other segments of the economy. Banks and

financial consultancy offices, aware of the technical training required for an engineer from the sector, are used to trying to recruit talents at Embraer, offering the lure of higher salaries and benefits. The course also helps fill the gaps caused by the natural turnover ratio at the company.

The students approve the training program. "When I finished university I thought I was ready to go", says Mauro Lopez, who has just completed the Embraer/ITA course. "I wasn't. Now, however, I do feel prepared to work at a company like Embraer." His colleague Felipe Soares, another ex-student of the mechanical engineering course of the Federal University of Rio

Grande do Sul, is already perceiving the benefits of the course. "One day I was chatting to a pilot and, from what I was saying, he thought I was a pilot as well", he says. "We really do learn a lot in this course."

Embraer currently has around 4,000 specialized engineers, out of its total headcount of 17,000 employees. In its state-owned days, it captured practically all the students trained by the ITA. This is no longer the case today. The market has changed. Embraer has changed. ITA has changed. Currently, it is estimated that of the 30 aeronautical engineers launched in the market each year by ITA, only a third go on to work at Embraer. And,



Curado: the academy created the base for the industry

EXEMPLARY COLLEGE

The secondary education course of Embraer for underprivileged children even has a bank where students breed chickens and sell the eggs

LOCATED IN A LARGE SPACE of the Eugênio de Melo unit, a short distance from the company's operating base in São José dos Campos, the Juarez Wanderley school – with modern classrooms, computer rooms, laboratories, sports grounds and a mini orchard – has a daily routine that fuses learning and leisure to stimulate students from underprivileged surrounding communities. "I feel so good here that I want to go to school even when it's closed", says the second year student Renata Lopes Gon-

çalves, 16. Also in her second year, Marília Sales Martins (16) agrees: "It's great studying like this – and it improves with the certainty of a better future".

How does the school do this? Some clues:

- To take the school entrance exam, the candidates must have taken the last four years of basic education in the public school network.
- The students spend 10 hours per day at school.
- In addition to no fees or tuitions,



Students at the Juarez Wanderley library

students receive free food, uniforms, transport and educational material.

of the 90 engineers from other areas also trained by ITA each year, the number that stays at Embraer is even less (10%). Beyond the salary rat-race in the market, there is another factor explaining the exodus. When it was a government institution, Embraer recruited more technical engineers, used to obtaining solutions individually – now, as a privatized company with broader businesses, it needs professionals that are, in two words: more globalized. And thus more used to the concept of teamwork.

This scenario is depicted by Cláudio Jorge Pinto Alves, professor of Civil Engineering and head of the Student Division of ITA. “The aircraft sector is very dynamic – and this type of change is normal in the market”, he says. The coordinator of the PEE course and head of the Aeronautical Engineering division of ITA, Paulo Rizzi, says that to work in the construction of aircraft, an engineer has to understand two or more areas involved in the mission. In fact, in his opinion, speaking exclusively in aeronautical engineering

is somewhat obsolete. “This also shows how the market is always changing”, he says. And it’s with this focus that Eunice Rios, director of Human Resources, and one of the influential people at Embraer when it comes to retaining professionals, looks to the company’s own past. “Embraer was constructed by visionary people, concerned with training”, she states. “And this remains one of the main characteristics of those working, or wanting to work, here.” At the company there are no employees, of any level, who haven’t at least taken a secondary education course. Eunice places special emphasis on some char-

“**Embraer’s secondary education school is the best in São Paulo and the 8th best in Brazil**”

acteristics of the PEE program – such as giving a 360 degree vision to the student. “In this course, the engineer learns not only how to make aircraft, but also to sell them – the more complete the professional, the better.”

Here we can also note the educational vocation of the company. Leader of the group that created Embraer, its first president and a living symbol of the Brazilian aeronautical industry, Ozires Silva, an engineer formed by ITA and a Brazilian Air Force colonel, preaches that vision only becomes reality if it’s based on education. Ozires, a paradigm of visionary entrepreneur-

- The school offers students its University Preparation Program (PPU). With 800 class hours, it covers the areas of sciences, math and biomedicine – courses respectively developed in partnership with the Center of Occupational Research and Development (in the U.S.), the Pitágoras education network and the Sírío-Libanês Hospital.
- The students participate in extracurricular environmental, social and cultural activities,
- In one of them, they breed chickens, sell the eggs and, with the money raised, they run their own form of bank for investing in the business.

Constructing the Phenom fuselage: precision engineering



Eunice Rios,
from **Human**
Resources: history
of visionaries



ialism in Brazil, is also obsessed by teaching. “Embraer is one of the best examples of the success that education provides”, he says. “Education is the best investment that a country can make.” Now in his 80s, Ozires continues working – and, given his life story, where else could he be other than in the educational segment? He is president of the University of Santo Amaro - Unisa, a private institution in São Paulo, and is also involved in his latest project, a biotechnology company.

Precisely because of its strong links with passing on knowledge, Embraer has decided to concentrate its social responsibility projects in a single area: education. “It’s the basis of everything”, says Pedro Ferraz, director of the Embraer Education and Research Institute. “It’s what, on its own, generates the social and economic development of a nation.” Embraer created and maintains, in São José dos Campos, a secondary education school (free of charge) that has become a model institution: Colégio Engenheiro Juarez Wanderley (name of the company’s first president after the privatization). Known in São José dos Campos as “Embraer College”, it accounts for 90% of the company’s budget for so-

cial initiatives. The rest goes to other activities (also of an educational nature and that in general are carried out by volunteer-employees from the company itself – a work activity that is highly valued internally).

Inaugurated in 2002 and accessible (via a disputed entrance exam) only for students from the São José dos Campos public system, the college, based on the performance of its 600

THE STRENGTH OF SÃO JOSÉ

LARGELY THANKS TO

EMBRAER, and its suppliers in the city, or around it, São José dos Campos is the 7th largest city in the state of São Paulo, the 30th biggest in Brazil and the third largest in the interior of Brazil (i.e. outside the metropolitan regions) – in this category, it only trails Campinas and Uberlândia. The city’s growth vocation is also reflected by the presence of other large-scale companies operating in the municipality – including Petrobras, General Motors and Johnson & Johnson.

students, ranked 1st in the National Secondary Education Exam (Enem) in 2008 in São Paulo. In the overall Brazil ranking, it was 8th. In other words: with seven years of existence, it is one of the top ten secondary education schools in Brazil.

Juarez Wanderley is, in practice, a sort of private super school, for free, for teenagers from public schools – in general boys and girls from underprivileged families or with limited financial resources. Their education is fully financed by Embraer, costing R\$1,000 per month per student (totaling R\$7.2mn per year). It is an unconditional contribution since the students, obviously, are free to choose what they want to do upon leaving. And most don’t plan on doing aeronautical engineering – or any other segment of engineering that can be absorbed by the company. And on the subject of higher education, here is another exceptional achievement of the Juarez Wanderley school: in 2008, all the students – that’s right, all of them – who took exams to gain entry into university were approved, and 80% of them in public universities (the most disputed in Brazil). This is an average that very few of the most expensive private schools, frequented by the upper classes, and only a handful of the most renowned courses, attended by the same social classes, can boast. For all these reasons, the competition to gain a place at the school is intense – there are in general 25 candidates per spot (read more on page 38)

At a first-tier company, professional training even helps to overcome tough times – such as those that Embraer, like so many other companies, has been facing since the economic crisis started to haunt the global economy. To survive in a market where profit margin isn’t as big as imagined, the company re-



Model of Phenom 100 executive jet test in wind tunnel in Russia

cently laid off 4,000 workers (it had a headcount of 21,000). But it has a tool to reposition itself as soon as the crisis starts to show, as it is already, signs that it may fade away – its business intelligence department. This division collects and studies all types of information, including tiny details such as the number of industrial packaging boxes that a specific country uses – which shows the level of industrial activity of that country and what it is producing.

The intelligence work helps Embraer to define new operating scenarios. Other aspects, such as growth in cities and the consequent creation of new airl routes, or the multiplication of the number of executives, determine what type of plane the company can offer in each location. Still in industrial secrecy stage, Embraer is outlining new plans based on these studies, which going forward will result in new products and businesses.

Constructing aircraft is like assembling Lego made from thousands

of minuscule or giant parts – all high tech, and that come from all over the world. It is estimated that 70% of the aircraft components of Embraer are made abroad – including turbines and electronic systems. To facilitate contact with companies abroad, and also via its service and post-sales network (plus, of course, its own plants in five countries), the company has a large network of operations around the

world. It has 1,000 employees abroad, with-out including indirect subsidiaries. From the client order to delivery of the aircraft, the process takes, on average, a year. The operational part, the construction of a jet, takes four months. The remaining part refers to contact with suppliers, which

in fact, due to the company's business engineering, have largely become risk partners (a form of production that helped the company emerge from a difficult phase at the time of its privatization) and to the logistics of the materials and parts for the assembly line. In 2008, when the crisis broke

out, Embraer delivered 204 aircraft – 202 of which were large-scale planes. The 2009 target, a number conceived before the crisis, was 350. The actual number will be 242, implying almost one plane per working day – of which 132 will be large-scale. Expected gross revenue: US\$5.5bn, with net revenue of around US\$400mn, implying zero growth over the average of the last five years.

In relation to 2008, gross revenue was lower, but the net amount also depends on other factors, such as efficiency in the processes. For 2010 and 2011, little change is expected, since the clients of aeronautical companies don't make orders overnight. Due to the maturation of the business, post-crisis growth should start to give further positive signs in 2012 – and the business intelligence division is now working to discover the market niches that will open up as a result of the revitalization of the economy. "Crisis or no crisis, the future of a company the size of Embraer always involves its degree of knowledge", says Paulo Rizzi, coordinator of the engineering program of Embraer. Since its creation, the history of the company has indeed proven this to be the case. ■

All the students from the Juarez Wanderley College who took last year's university entrance exam passed

Anti-protectionism manual

In her book, Brazilian lawyer unravels the complex legislation of international agricultural trade in order to help companies face the barriers imposed by the wealthy countries **FLÁVIA CARBONARI, FROM WASHINGTON**

Brazil is now a heavy-weight player on the agricultural scene. Despite the global crisis, Brazilian agribusiness posted a trade surplus of over US\$50bn in 2008, while agribusiness GDP grew almost 7% p.a. Exports of basic products represented 37% of overall exports last year. Data compiled by CEPEA (Center of Advanced Studies in Applied Economics) revealed that the Brazilian agricultural sector represented approximately 19% of national GDP.

So, what's preventing even stronger growth in Brazil's agricultural exports? One of the reasons is the protectionist policies of the world's rich countries. Brazilian lawyer Adriana Dantas, who represents some of the main sectors of Brazilian industry (such as the ethanol, aeronautical and textile sectors) in the U.S., wrote a book to examine in detail the mecha-

nisms of how these policies work: "Agricultural Subsidies – International Regulation" (Saraiva, 416 pages).

With a degree from the University of São Paulo, and professional experience in Brazil and Switzerland, Adriana currently works at King & Spalding LLP, one of the biggest law firms in Washington. In an interview to PIB, in Washington, Adriana pointed out that Brazil became a leader in agricultural exports due to its physical and natural conditions and its advanced technology, developed "with grit and determination".

On the other hand, she argues, the U.S. and the European Union

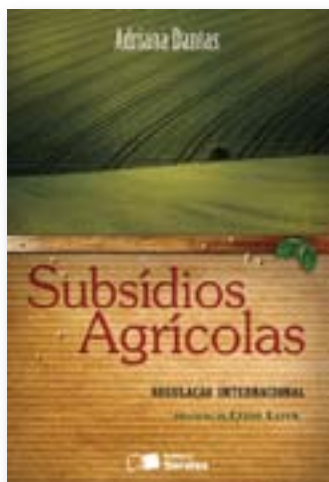
are also leaders in the agricultural sector, mainly due to the subsidies in place since The Great Depression (in the U.S. case) or (in the latter case) sewn into the agreements that helped structure the creation of the European Union itself. "This is the result of a lobby structured

decades ago...it's big business", states the author.

>> Inequality in numbers

The agricultural sector employs over two thirds of the population of the poorest countries, and represents on average one fifth of national income. World Bank data show that GDP growth derived from agriculture is 2.7 times more efficient in reducing poverty in Latin America than GDP growth generated outside the sector.

However, despite the fact that developing countries are more economically dependent on agriculture, 12 of the world's 15



DIVULGAÇÃO/EDITORA SARAIVA





FLÁVIA CARBONARI

Adriana in front of the U.S. Supreme Court: facing the rural lobby

largest exporters hail from the OECD, and represent 65% of global agricultural exports. This state of affairs would not be possible, notes Adriana, without the strong schemes protecting these countries' agricultural producers. According to OECD studies designed to calculate the level of support provided by its member countries, the agricultural sector is the most distorted and subsidized – accounting for 38% of all the subsidies granted globally between 1994 and 1998.

A clear example of the power and sway held by the agricultural lobby in the U.S. was the recent controver-

sy over the nomination of Thomas Shannon to the post of U.S. ambassador in Brazil. Like most democrats and academics in Washington, Shannon opposes the import tariff on Brazilian ethanol. But the powerful U.S. agricultural lobby, headed by a senator from Iowa, threatened to veto Shannon's approval if the Obama administration didn't confirm that it had no intention to interfere in the import tariff – which proved to be the case.

The U.S. rural lobby also had its say in the Climate Change Law, passed in June 2009. "The method adopted was, in fact, a cover-up to serve the interests of ethanol producers, who succeeded in postponing the decision on the criteria defining the type of "clean" ethanol, according to Adriana. Due to this scenario of persistent rejection of free competition, which was worsened by the global crisis, Adriana believes that "the time has now come for the Brazilian private sector to take an even more aggressive stance".

>> The loopholes of the law

In her book, she suggests strategies and paths. For example, she assesses to what point the WTO international trade rules have helped change countries' behavior, and investigates if the regime created by the WTO to govern the granting of agricultural subsidies has produced the desired results: of promoting the deregulation of global agricultural trade.

The conclusion is negative. Her book exposes the loopholes that continue to favor the interests of the most powerful countries in

the WTO, while enabling, in practice, the protectionist policies to run roughshod over all the talk of deregulation. "These rules are extremely complex because they were made not to work", says Adriana.

She explains that the U.S. and EU themselves were mainly responsible for creating the rules, and made room to accommodate their interests in the loopholes of the legal apparatus in place. "The very aim of my book was to break down this complexity, mainly for the private-sector players, who will be able to gain comparative advantages by facing the barriers and exploiting the opportunities that these very same rules create", points out the author.

The [WTO] rules are extremely complex because they were made not to work

To shed further light on the situation, chapter 6 contains a detailed analysis of the difficulties and possibilities of activating subsidies mechanisms under the WTO Agreement on Subsidies and Countervailing

Measures, revealing the loopholes that can facilitate the process. In summing up, Adriana concludes that agricultural producers and the Brazilian government need to be ready to fight on two fronts: in the legal arena, she stresses the need for a solid strategy to face the protectionism embedded into the current rules. But the political fight to change these rules also needs to move forward in forums such as the (WTO) Doha Negotiations, currently on standstill due to major bones of contention between rich and poor countries – an uncertain path, therefore, but one which Dantas believes should continue to be walked. ■

Oil to consume and sell

Petrobras is changing its international profile and is now prioritizing refining and distribution, in search of markets for the future production of the pre-salt

LUCIANNE CARNEIRO

Almost 40 years ago, Petrobras took its first baby steps abroad by investing in Colombia, in 1972. At that time, the company was driven by the need to guarantee oil reserves for domestic consumption. Its priority was to discover oil abroad to supplement the limited Brazilian production and meet the growing domestic demand.

Today, times have changed. Petrobras is now one of the largest companies in the Americas and is the eight largest listed company in the world (in terms of market value), according to a survey by Ernst & Young published in August. Even more importantly, the outlook for exploring the giant pre-salt reserves, which are potentially much larger than domestic demand, is leading the company to reevaluate the course of its international operations in order to adapt to the new scenario.

The order of the day now is to seek international markets for the excess Brazilian oil. However, this doesn't necessarily imply that Brazil will export crude oil. The think tanks at the upper echelons of Petrobras are planning to refine and sell oil distillates such as gasoline and diesel. "The

focus of internationalization today is to expand access to our products abroad", says the director of Petrobras' International Area, Jorge Zelada. "With this in mind, we plan to add value to this excess pre-salt production". However, he remains guarded on the amount of pre-salt production that will be considered excess and exported in the form of refined products. He claims that this is a strategic decision to be taken by the company.

What is clear, however, is that this decision represents a major shift in how Petrobras conducts its business abroad. "The balance of international operations will shift from the exploration and production (E&P) sectors to the areas of refin-

ing, transport and sales", confirms Zelada. In refining, Petrobras is studying new projects abroad since the pre-salt production forecasts exceed the company's installed capacity in Brazil, even taking into account the new facilities scheduled to come on stream in the future. In distribution, Petrobras is looking at the U.S. and Europe, where there is strong demand for gasoline and diesel – the main fuels of their vehicle fleets.

"I can't ignore the U.S. market, and I can't turn a blind eye to Europe", says Zelada. He confirms the studies to establish the Petrobras brand in both places. In the U.S., where Petrobras is already active in exploration and production, the company will start to produce oil in 2010 in the Cascade-Chinook project, among others. In the U.S. market, it also holds a 50% stake in the Pasadena refinery. Given this reality, says Zelada, it is a perfectly logical step to start operating as an integrated company in the U.S. market.

Flexibility

The plans, however, don't necessarily include running gas stations with the Petrobras name, as is the case in Chile and other South American countries. In addition to service stations,



Zelada: the aim is to become a global company



PETROBRAS

Spacio1

Lubrax Center

Acuo Center

Cajero



Locutorio



NUMBERS

- ❑ Petrobras has operations in **28** countries
- ❑ The company derives **12%** of its revenue from the international market
- ❑ The largest country investment (**28%**) by Petrobras between now and 2013 will be made in the U.S

Petrobras gas station in Argentina: priority for South America

“Petrobras wants to refine the excess pre-salt and sell high-value oil distillates such as gasoline and diesel instead of crude oil

they are studying other forms of operating in the distribution segment – i.e. at sale terminals for retail companies and airports. Petrobras is also analyzing plans to distribute its products in Asia. However, due to the vast distance and higher transport cost, this step will require a more detailed feasibility study. The company's refinery in Okinawa (Japan) may be a stepping stone in this strategy.

Although Petrobras' new international priority is refining and distribution, the change in direction will be gradual. Exactly 79% of the US\$15.9bn that Petrobras plans to invest outside of Brazil by 2013 will be channeled to the E&P segment, while the remaining 21% will be divided up among the other segments. Investments in exploration (already underway), such as in the Gulf of Mexico and in Western Africa, continue apace. But, going forward, Petrobras' majority stake in E&P will be gradually reduced. “Petrobras is a transatlantic ocean liner. It can't change course rapidly due to the numerous investments that it has undertaken” explains Zelada. “But we need to see how things will map out, and this will become clear in the company's upcoming strategic plans”.

With a degree in engineering, and almost 30 years at Petrobras, Zelada assumed control of the company's International Area at the start of 2008, months after the announcement of the pre-salt discovery. The position has required Zelada to travel abroad at least once a month, while also demanding major flexibility to deal with

the different business cultures in the 28 countries (excluding Brazil) where the company operates.

His office, on the 23rd floor of the company's headquarters at Avenida Chile, in the center of Rio de Janeiro, boasts a spectacular view of Guanabara

Bay and the Sugarloaf Mountain. For this reason, he says the best part of his job is in Rio. “I usually make sure that visitors have a view of the Bay”, he says. “It helps in the negotiations”. But beyond this revelation, Zelada keeps quiet on the negotiations underway in other countries. He says only that there are a large number of parties interested in partnering up with Petrobras.

Growing globalization

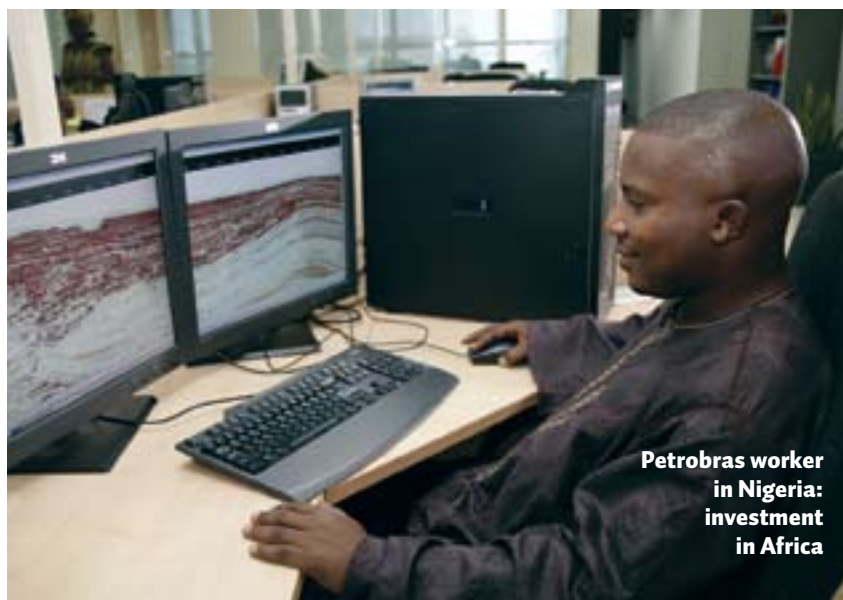
The recognition of the capacity and technology developed by Petrobras in deep water oil exploration means that its services are highly prized abroad. “Petrobras is sought out to develop operations in many more locations than those where it already has a foothold”, says Zelada. “This is part of the day-to-day op-

erations of the International Area, and enables us to better select the offers we receive”.

A fervent supporter of the company's internationalization, Zelada admits that the process is still tepid compared with the progress of other Brazilian companies' internationalization. In the 2009 ranking of the Dom Cabral Foundation (FDC), featuring data relative to 2008, Petrobras ranks 20th in terms of its relative international presence. It trails the leader, steelmaker Gerdau, and the other Brazilian heavyweight, Vale (4th) by a long way.

The FDC's transnational index uses three indicators to determine the degree of a company's internationalization: the ratio between international revenues and the company's total revenues, its international assets as a percentage of total assets and the number of employees abroad versus total headcount. Since the size of Petrobras' operations in Brazil is much greater than abroad (its International Area accounts for only some 12% of revenues), it trails smaller companies in the overall ranking.

Zelada, however, envisages a future (although he doesn't put a specific date on it) in which international operations will gain



Petrobras worker in Nigeria: investment in Africa



HANDOUT
**Refinery in Japan:
Asian base**

such importance at the company that the International Area will no longer have an exclusive board. It will be entirely global, like other large oil players. “Exxon, Shell and Chevron are organized differently because they were always global companies”, he states. “Petrobras is

seeking this and has been gradually obtaining success in its globalization”. Since its creation, in 2002, the International Area’s share in overall revenues has risen from around 3% to 12% currently.

As well as the pre-salt discoveries and development of other busi-

nesses, Petrobras is also betting on this growth to achieve its goal of becoming one of the world’s five largest energy companies by 2020. The initial target is to increase total oil and natural gas production abroad by 8.77% p.a. by 2013, enabling it to achieve production of 341,000 barrels per day. For 2020, the plans are more ambitious: to increase international production by 9.03%, to achieve daily production of 632,000 barrels.

As in Brazil, Petrobras’ operations abroad aren’t just limited to oil. In Argentina (its largest operation outside Brazil), it produces fertilizers, as well as generating and distributing energy. “South America is a natural focus of Petrobras”, says Zelada. There are also plans for the Okinawa refinery (in which the company has an 87.5% stake) to become a base for the future exploration of ethanol. ■

THE INTERNATIONAL MARKET

WITH OPERATIONS IN 28 COUNTRIES, plus Brazil, Petrobras is looking at three regions in the long term: South America, Africa and the U.S.

South America and the Caribbean

CHILE – The largest recent investment of Petrobras in South America – where it operates in all countries, with the exception of Guyana and Suriname – was made in Chile. The company paid US\$500mn to buy ExxonMobil’s stake in Esso Chile Petrolera. August 2009 saw the start-up of the first of the 230 Chilean service stations that will feature the Petrobras brand.

CUBA – Petrobras has returned to Cuba, where it is carrying out geological studies for the exploration of an

oil field. The company had operated another oil field up until 2001, but didn’t strike oil.

VENEZUELA – the company is taking part in an international bidding process to explore the Carabobo oil field.

Africa

Angola and Nigeria will represent 17% of the company’s international investments by 2013. Petrobras is also investing in another five African countries (Libya, Senegal, Tanzania, Mozambique and Namibia).

North America

U.S. – The company is exploring offshore fields in the Gulf of México, and the U.S. will receive the bulk of Petrobras’ international investments

(28% of the US\$15.9bn scheduled to be invested between now and 2013).

MEXICO – Petrobras has two contracts (valid until 2018) with state-owned oil company Pemex, in the areas of Cuervito and Fronterizo (Northern Mexico), where it produces natural gas. In a visit to Brazil, Mexican President Felipe Calderón expressed interest in building on the partnership with Petrobras.

Europe

Petrobras participates in exploration blocks in Portugal, and sells its products in the United Kingdom.

Asia

As well as its refinery in Okinawa (Japan), and an office in China, Petrobras explores and produces oil in Turkey, Iran, Pakistan, India and Singapore.

Conveyor belt denim production

Vicunha Europa is betting on its geographical location, planning and operational speed to face the Asian competition and weather the crisis

**SUZANA CAMARGO,
FROM GENEVA**

Fashion trends have always been dictated by the catwalks and clipboards of European designers. Countries such as France, Italy and Spain produce the patternmaking, prints, washes and trends for the fabrics that will shortly be on store shelves in the rest of the world. To get closer to this strategic market, the Brazilian company Vicunha Têxtil, one of the world's largest manufacturers of denim fabrics, twills, knitted fabrics, filaments and fibers, has an operating base in Switzerland, in the small city of Gland, located between Lausanne and Geneva.

It's there where Thomas Dislich, a Brazilian with German roots, serves clients from all over Europe and is looking to gain market share in the still incipient post-crisis economic recovery. Its main weapon is its speed in meeting orders. The global recession put buyers on the back foot, leading

them to cease making purchasing decisions at the right time. "But now, they are seeing empty store shelves and need to make orders quickly", he says.

Vicunha Europa is working hard on marketing the concept of quick delivery to its clients – a concept that it terms "denim and flats in three days" – to compete with its Asian rivals (especially Chinese and Indian). This quick delivery time is also important in capturing

innovative clients such as Zara (one of the brands of the Spanish group Inditex). The Zara store chain, an international growth phenomenon in recent decades, has created a business model anchored on constantly renewed fashion collections, based on current trends. "If a given product is selling like hotcakes, they start producing faster", says Dislich. "For this strategy to be successful, they also need a fast supplier".



**Gisele Bündchen and
Jesus Cruz at the São
Paulo Fashion Week:
Vicunha's denim and
serge fabrics go global**



PHOTOS: MÁRCIA VASOLI

Favorable geographical location

How is Vicunha Europa able to deliver the orders with the promised speed? To start with, it exploits its geographical advantage of producing in South America. All of its fabrics sold in the European market are shipped at the Port of Mucuripe (in Fortaleza, Ceará state), the last Brazilian stopover for ships headed to Europe. The company's production mainly takes place at its plants

in Ceará and Rio Grande do Norte – it also has plants in São Paulo, and recently installed a plant in Ecuador. The trip from Brazil's Northeast to the Port of Rotterdam (Holland) takes 9-12 days, while Asian manufacturers' fabrics take 40 days, on average, to reach the same destination.

In Rotterdam, the

logistics center of Europe, Vicunha has a central warehouse that receives deliveries twice a week. With a regular inventory of 3 million meters of denim fabrics and a million meters of cotton in Europe, the company can rapidly meet the demands of any client. An exporter since the early 1980s, Vicunha Têxtil has subsidiaries in the U.S., Argentina, China and (of course) Europe. It has annual revenue of R\$ 1.38bn and exports around 30% of its production.

Its Swiss office in Gland controls the European arm of this complex distribution network. Dislich, fluent in six languages, works alongside 10 employees from various nationalities and 40 outsourced workers. "You have to speak the language and, mainly, know the culture of your clients' country to be able to provide a good service and offer the most adequate product", he says.

Nevertheless, the last two years have been tough for Vicunha Europa. Due to an over-appreciated Brazilian Real, Brazilian fabrics have become expensive, and sales fell from 2007 to 2008. This year, due to the economic contraction, a stronger sales effort is required. "The crisis affects everyone and today we have to fight twice as hard to close an order", says Dislich. "The consumption environment has taken a hit but, as far as I know, our plants are the only ones in the sector still operating at 100% capacity".

Vicunha's ambition is to become a global company, serving global clients

In the crisis, quality is also a crucial weapon. As well as Inditex (of Zara), Vicunha supplies fabrics to brands such as H&M, Benetton, Mango, Re-

play, Tommy Hilfiger, Calvin Klein, Diesel and DKNY. To establish its differential vis-à-vis Asian competitors, the company seeks to offer fabrics with special prints and innovative patternmaking each season. Vicunha's designers and textile engineers are now working with fabrics for the 2011 winter season. "We seek to be creators and not copiers of fashion", says Dislich. The new products will be launched in June 2010 at Denim by Première Vision, the mega-event held in Paris to present the latest developments in the global textile market.

Uncovering the East

Vicunha Têxtil has monthly production capacity for 12 million meters



Dislich, from Vicunha Europa: eyeing the Asian market



Fabric production line: creating fashion

GROWING AMIDST THE CRISIS

LIKE OTHER BUSINESS SECTORS, the yarns and fabrics market was also affected by last year's economic earthquake. According to a survey by ITMF (International Textile Manufacturers Federation), production fell strongly in the fourth quarter of 2008 compared to the previous two quarters. But the impact wasn't evenly distributed – the market contracted in Europe and North America, but expanded in Asia and in South America.

Learn more about the sector:

■ In 2008, yarn production fell 19.9% in the U.S. and 14.6% in Europe. Latin America, however, posted growth of 5.4% p.a.

■ Fabrics production in 2008 rose 23.3% in Brazil, despite declining 4.7% in the fourth quarter of 2008. European countries posted an annual decline of 9.6%.

■ With capacity to produce 400 million meters of fabrics per year (around 6% of global production), Brazilian denim manufacturers exported US\$104mn* in 2008. Asian plants still account for over half of global denim production.

* Data of ABIT (Brazilian Textile and Apparel Industry Association)

of denim fabrics and twills, as well as other fabrics, which, according to Dislich, makes it one of the few manufacturers in the world with the size to supply different markets. And although sales in Europe represent only 7% of the revenues of Vicunha Têxtil's denim segment, the segment has proven to be a promising formula for the company.

Dislich recently assumed control of the Asian subsidiary of Vicunha, in Shanghai, where the company plans to implement the operational model used in Europe. However, it acknowledges that Asia has a very complex domestic market. "China, for example, is immense, dynamic and attractive, but completely different from our reality", he says. We are talking about the world's second largest textile manufacturer today – the top eight are Brazil, China, Egypt, India, Italy, South Korea, Turkey and the U.S. In Asia, Dislich wants to have a response capacity as fast as in Europe, to be able to offer the main brands' Asian subsidiaries and retail store chains the same product sold in European stores. "The future of Vicunha is as a global company, serving global clients", concludes Dislich. ■

Gerdau leading the way

Brazilian multinational companies continued to conquer the world in 2008, but they are losing ground this year, according to an FDC survey



**Gerdau:
bigger
abroad than
in Brazil**

In the crisis or before it, Brazilian multinationals continued to strengthen their position in the international market last year, as indicated by the 2009 edition of the Ranking of Brazilian Multinationals, compiled by the Dom Cabral Foundation (FDC). Last year, Brazilian direct investments abroad totaled US\$20 billion – the second highest result ever. This year, however, the outlook is more conservative. While Brazilian multinationals invested US\$8.5 billion abroad in the first half of 2008, this flow reversed to almost -US\$2 billion in the first half of 2009. In other words, there are more funds flowing back into Brazil than there are being invested in the rest of the world (Brazilian Central Bank numbers). “The gradual rebound in investments abroad should only be seen in 2010 and 2011”, predicts Professor Álvaro Cyrino, from FDC.

Steelmaker Gerdau was the most international Brazilian company in 2008, according to the FDC

survey, followed by auto parts maker Sabó, food producer Marfrig and mining company Vale (see chart). But even the leaders in the ranking have suffered from the strong global market contraction caused by the crisis. Once the crisis passes, however, the stimulus to invest abroad should be reignited, predicts Jase Ramsey, coordinator of the FDC’s Center of International Studies.

Mining giant Vale, with operations in 33 countries, is the Brazilian

company with the highest volume of international assets. But the FDC’s internationalization index, using a formula created by UNCTAD, considers assets, revenues and employees outside of Brazil as a percentage of a company’s total size (i.e. domestic + international). By this criterion, Gerdau is the most internationalized Brazilian company, with a reading of 0.570 – anything above 0.5 means a company is bigger abroad than it is in Brazil. ■

THE MOST INTERNATIONAL BRAZILIAN COMPANIES

Position	Company	Main Sector	Transnationality Index
1	Gerdau	Steel and Metal	0.570
2	Sabó	Auto parts	0.408
3	Marfrig	Food	0.407
4	Vale	Mining	0.385
5	Metalfrío	Metal parts	0.378
6	Odebrecht	Construction	0.357
7	Aracruz Celulose	Paper and Pulp	0.302
8	Tigre	Building Supplies	0.296
9	Artecola	Chemicals	0.259
10	Suzano	Paper and Pulp	0.257
11	Lupatech	Metal parts	0.234
12	Marcopolo	Vehicles and parts	0.207
13	Embraer	Aeronautical	0.203
14	Itautec	IT Software and Services	0.181
15	Camargo Corrêa	Construction	0.177
16	Weg	Engines	0.172
17	ALL	Transport Services	0.165
18	Stefanini IT Solutions	Technology and Computing	0.141
19	Votorantim	Commodities	0.130
20	Petrobras	Energy	0.126

The world beckons

Brazilian banks are overcoming their shyness and starting to contest markets in the international financial arena **CLÁUDIO GRADILONE**

The timing and location couldn't be any better. In the first week of April 2009, in the tree-lined streets surrounding the Imperial Palace, in downtown Tokyo, cherry trees were in full bloom, marking the arrival of spring – one of the main popular Japanese festive seasons. In a sumptuous room of the Imperial Hotel, just a few meters from the Emperor's private residence, around 250 Japanese investors (retail and institutional), were watching the presentations of Roberto Nishikawa, head of Itaú Securities, an investment company linked to Banco Itaú. His objective was to transform the disciplined Japanese savers into fans of the Brazilian capital market.

Nishikawa and his employees, all fluent in Japanese, were putting together explanations, already well known in Brazil, to prove that Brazil, after a concerted effort, has become a safe haven for any investor: the good forecasts for the Brazilian economy, whose growth is leveraged on domestic consumption; the solidity of the public accounts; the tranquility provided by the floating foreign exchange rate regime and by the country's abundant international reserves.

All this effort to "sell" the Brazilian economy abroad is paying off, as sho-



wn by the change in the profile of capital invested in Brazil. According to Nishikawa, five years ago, practically 100% of foreign investments in Brazil came from specific, Latin America-dedicated funds – which limited the amount of funds raised. Today, this percentage has fallen to 80%.

Global investors

While this percentage still seems very high, the change is crucial. “Around 20% of the money comes from general investors, who invest

in the market as a whole”, he says. “This source of capital is much greater.” The foreigners investing in Brazil are no longer a restricted club. Nowadays, it’s by no means a stretch of the imagination to think that a passer-by in a street of any main global capital city has some of his/her dollars, euros, pounds or yen invested in Brazilian assets.

The Central Bank numbers show the effect of the work being done by executives such as Nishikawa. Between January and July 2008, when the international financial crisis hadn’t yet fully reared its ugly head, Brazil received US\$ 17 billion in investments in the financial market – the so-called portfolio investments. One crisis and several bank collapses later, the total amount invested still stood at US\$12 billion in the same period of 2009. And we aren’t talking about the money of companies that build factories and assume long-term commitments, but rather the coltish capital of financial investors – which, in times gone by, was called swallow-capital, since (like the bird) it was always ready to take flight and flee at the first sign of a storm in emerging markets. The volume of post-global crisis inflows, although lower than in 2008, shows that Brasil continues to be seen as a safe haven.

Itaú alone manages US\$3.5 billion in foreign capital. As well as its New York and London divisions (in place for almost ten years), it recently set up shop in Tokyo, Hong Kong and Dubai. “The intention is to facilitate access to the enormous capital reserves of Asia and the Middle East”, says Nishikawa. The investments take various forms: American Depositary Re-

Revving up the engines in Latin America

BNDES export financing for the region (US\$ millions)

UP TO 2004	550
2005/6	855
2007/8	1.740

ceipts (ADRs), which are securities backed by Brazilian shares traded on the NYSE; investment funds that invest in the Brazilian market; private or government fixed income bonds; or shares in the banks themselves, whose funds will finance mortgage and vehicle loans in Brazil.

Disputing markets

In addition to Brazilian banks, the São Paulo Futures and Commodities Exchange is also gearing up to expand its global presence. BM&FBOVESPA will shortly open an office in London, and already has representative offices in New York and Shanghai. The aim, according to BM&FBOVESPA chairman Edemir Pinto, is to promote its services to investors, brokers, fund managers and other market players.

Raising international money has always been part of the daily routine of Brazilian bankers, which needed to supply a country deficient in capital.

Now, however, national banks are adopting a new international stance. Private-sector and state-owned financial institutions such as Itaú Unibanco, Banco do Brasil and the BNDES (Brazilian Development Bank) are stamping their passports to contest markets and to support the international growth plans of Brazilian companies.



Itaú presentation in Tokyo: showing the good momentum enjoyed by Brazil

Brazil continues to receive inflow from international investors, despite the crisis

In so doing, Brazilian banks are assuming, although behind schedule, a role that always characterized its competitors in developed countries. “When a large corporation starts to operate outside its country of origin, it takes with it its suppliers and its banker”, said the then president of ABN Amro Real, Fabio Barbosa, in a presentation to investors in 2006. “Banks don’t usually explore new markets alone – they generally do so alongside companies.”

With this aim, at the end of August the BNDES opened a subsidiary in Montevideo. “The Montevideo office reflects the bank’s priority in relation to the regional integration of South America, especially in the Mercosul region”, says Maria Isabel Aboim, head of the bank’s international area. “The next step will be opening our London office, representing the start of our presence in the international financial community.” Its presence in the capital of the Mercosul region helps the BNDES explore opportunities for Brazilian companies.

The BNDES strategy doesn’t just involve the traditional provision of support to export operations, since it also provides advisory services to companies seeking to establish a foothold outside of Brazil. In this sense, the Uruguayan office (the bank’s first international division) and the fact that the BNDES has forged ties with multilateral organizations show the new direction. In the first semester of 2009, the bank joined forces with the Institute of International Finance, an international association of financial institutions and one of the main



HANDOUT / BNDES

BNDES chairman Luciano Coutinho: supporting Brazilian exporters

global forums of bank discussion. Its conferences bring together the main sector leaderships, and the BNDES will be one of the sponsors of the 2009 annual meeting – which will be held in October in Istanbul (Turkey).

Neighboring countries are a priority

Luciano Coutinho, president of the BNDES, publicly declared that the bank is analyzing export projects (totaling US\$15.6bn) for Latin American countries. In an interview to Valor Econômico newspaper, Coutinho said that disbursements for the Latin America region doubled in the 2007-2008 period versus 2005-2006, and should continue growing over the next few years despite the crisis. By 2004, the BNDES had lent, on

average, US\$550mn to the region in each 2-year period – an amount that rose to US\$855mn in 2005-2006 and almost doubled to US\$1.74bn in 2007-2008. Its support of export operations mainly benefits constructors and manufacturers of equipment, agri-

cultural machinery, buses and oil and gas pipelines.

Maria Isabel Aboim says the crisis hasn’t affected the internationalization process of the BNDES. “On the contrary, we are now better positioned to take advantage of the opportunities arising for the bank and for Brazilian companies in the international market”, she says.

By prioritizing South America, the BNDES is accompanying the internationalization strategy of companies and even of the Brazilian private-sector banks that have decided to explore the international market. For any Brazilian bank looking to grow abroad, it makes sense to first of all start in its neighboring countries, which are geographically, historically and culturally close. In 1998, Itaú targeted Latin America by merging its division in Argentina with Banco Buen Ayre, a movement that gained momentum in 2004 with the acquisition of the Brazilian operations of Bank of America. Two years later, the U.S. bank had bought the controllers of BankBoston in Brazil. Disinterested in operations outside the U.S. market, Bank of America conditioned the sale of BankBoston on the acquisition, by Itaú, of its operations in Chile, Peru and small offices in Europe.

The BNDES is setting up operations in Montevideo and London to support the international growth plans of Brazilian companies

At the time, the business didn't seem to make any sense. "At first glance, it was difficult to explain the logic behind the acquisition, since the controller of BankBoston in Chile wasn't even a top ten player", says an ex-director of McKinsey who handled the Itaú account for several years. So what was the rationale? "At the time, Chile was the only Latin American country with investment grade, and so having a bank there would be an excellent laboratory for Itaú."

The bank would be able to take advantage of its experience in Chile to learn how to operate in a low-interest rate country with a stable economy, in order to then dispute the Latin American market that was of most interest to the bank: the enormous Hispanic community in the U.S. "Any bank looking to grow in key markets abroad has to go beyond the frontiers of the Brazilian community", says the consultant. "The Hispanic population in the U.S. is equivalent to the size of a large Latin American country, and no financial institution seeking to be a relevant global partner can afford to ignore this market."

With an eye on expatriates

The growing importance of immigrants and their descendants in the U.S. economy has even attracted the conservative Banco do Brasil (BB), which is reviewing its international strategy in order to get closer to the Brazilian expatriate community. On 31 August, BB announced the creation of a company, BB Money Transfer, dedicated to Brazilians living and working in the U.S. Operating via correspondent banks, such as supermarkets, butchers and bakeries serving the community, BB wants to facilitate the process of sending money from the U.S. to Brazil. "The idea is that Brazilians living abroad can send money to their family when they go out to buy milk after work", says Admilson Garcia, international director of Banco do Brasil. "BB will convert the amount automatically and will deposit into the beneficiary's account in Brazil the amount in Brazilian Reais corresponding to the US dollars sent." The target, by year-end 2010, is to register 100 establishments close to loca-

Banco do Brasil has already expressed interest in buying banks in Latin America

tions where there is a strong concentration of Brazilian workers, says Garcia.

The market for offshore remittances is a large one. This year, Brazil should receive US\$7.2bn from

its countrymen working abroad, and 40% of this total should come from the U.S. "We want to intermediate a third of these transfers", says Garcia. BB is already processing 70% of the remittances of Brazilians working in Japan (the dekassegus). "We arrived in Japan at the start of the 1990s, well before the competition." The operations of Bradesco and Itaú in the Japanese have been modest. Itaú only initiated its operations in these markets in 2004, shortly after Bradesco signed partnership deals with the local banks Daito and UFJ (currently Mitsubishi UFG) to capture part of the remittances of the dekassegus.

BB's decision to dispute the U.S. retail investor market heralds a drastic change in its international operations. Up until recently, it basically served wealthy Brazilians at its New York branch, on the luxurious Fifth Avenue, or (via its Miami office) companies that needed support for their export operations. "Now, we are going to contest a slice of the retail banking market in the U.S.", says Garcia.

The executive doesn't rule out the acquisition of institutions in a Latin American country, though Garcia won't specify which one. "It could inflate prices", he says. If it materializes, the acquisition would mark further progress in what is a new age for Brazilian banks – who, after doing their post-stabilization homework, are gradually putting to one side their bashfulness and are now disputing, on level terms, businesses in other countries. ■



BB branch in Hamamatsu: channel for remittances by Brazilian expatriates



HANDOUT / BANCO DO BRASIL

By the hands of the people

With the support of social organizations like Apex-Brasil and Sebrae, Brazilian artisans are beginning to leverage the internet to gain a greater share in international markets

MARÍLIA SCALZO

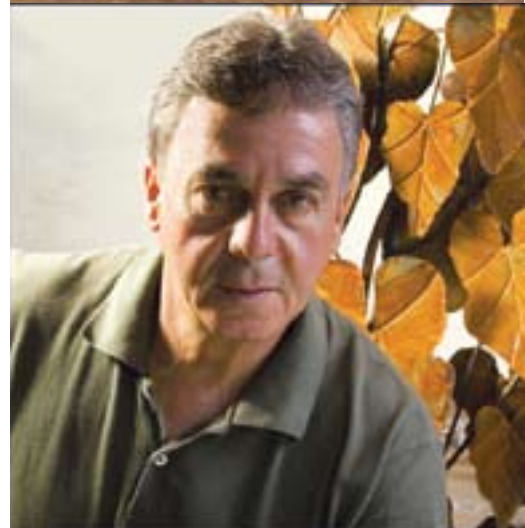
Since the middle of the past decade, Brazilian handicrafts have been the target of a tiny revolution. With the assistance of various organizations and groups, (NGOs and other public interest associations), and the support of official organs like Apex-Brasil and Sebrae, the sector is turning into an income-generating tool for needy communities throughout Brazil. Lately, there has been patient work to restore traditions, improve production and techniques, bring together artisans through cooperatives and associations, and, in particular, to open new markets, especially those abroad. In the last two years alone, Apex-Brasil invested R\$12 million in the promotion of Brazilian handicrafts abroad. These projects were executed together with entities such as the Centro Cape of Minas Gerais, Siara of Ceará, Artest of Paraná, and the Instituto Fazer Brasil of São Paulo.

Today, the most pressing challenge is to provide producers with a technology base that would permit

them to match the dizzying pace of worldwide e-commerce. "Prompt delivery abroad is becoming a vital path for the entire sector," says Tânia Machado, president of the Centro Cape Institute, dedicated to production and business management training, and director of Mãos of Minas (Hands of Minas), a group that promotes local handicrafts in partnership with Centro Cape. "We are preparing to launch this sales model in 2009."

As the head of Brasil Handicraft by Minas, export arm of Mãos de Minas, Arnaldo Galvão currently sets up stands of handicrafts from the Minas region at a dozen international fairs. However, he laments the fact that even now, no association or artisan has been able to secure a place in the complete cycle of e-commerce: product displays, shopping carts, checkout and online payment. "E-commerce demands managerial capacity, knowledge and some investment to match this velocity," say Galvão.

But this situation, it seems, will



Iron ants by Márcio Ferreira and glass pieces by Cristina Duarte, artisans from Mãos de Minas: expecting benefits from e-commerce

change soon change. The statistics seem to back up the case for budding advancement. In recent years, in the wake of globalization, the number of Internet users has quadrupled worldwide. Global e-commerce grows robustly each year - and Brazil is no different. In 2007, e-commerce revenues totaled R \$ 6.4 billion in the



FOTOS: WALMIR MONTEIRO

about 10% are online sales. Sites like www.brazilhandcraft.org.br strengthen the sector's sales strategy by showing consumers abroad—mainly Europeans and Americans, who are more demanding in this area—that these products are not only guaranteed high quality but were also produced using sustainable practices and environmental responsibility.

Like many other handicrafts associations, José Anísio, owner of Craft Anísio of Pará, a prestigious brand of Belém marajoara ceramics in Pará, has a Website and offers online sales, but only goes as far as to offer a shopping cart. A bank deposit is required for payment and the shipping of the merchandise is slow. “Each product requires a different size package,” says Anísio. His goal, however, the site is to provide the complete cycle of e-commerce. “It helps to market our products abroad,” says Anísio. His objective, however, is to offer a complete e-commerce service. “The internet helps us bring our products abroad,” he says. “Many foreigners come to the showroom after seeing the marajoara on the net.” Already, the internet is also a crucial tool for the Association of Artisans of Father Cicero, which brings together 145 producers from Juazeiro and Cariri. The association's president, Hamurabi Bezerra

Prompt delivery abroad through on-line sales has become vital for hand-made crafts

Batista, has no doubt about the internet's positive impact on sales: “Our sculptures in wood and clay, and our pieces of leather, rattan and straw, and even our traditional “story on a string” poetry books became much more accessible,” he said.

“Working with handicrafts, it is also necessary to provide an education about the market,” says Helena Sampaio, executive coordinator of Oscip ArteSol / Artesano Solidário, created in 2002 by former First Lady of Brazil Ruth Cardoso. With projects in more than 100 communities, with the mission to promote local sustainable development, the organization obtained the Fair Trade label, a certification granted to those meeting all fair trade social and ethical obligations. Today ArteSol's monthly billings are about R\$45 million. “Each project lasts almost two years and we aim to identify local technicians legalize the group as an association or cooperative,” says Helena. ArteSol intermediates sales for stores in Brazil and abroad and receives missions of foreign buyers brought to the country by Apex-Brazil. Support

Brazilian market, 43% more than in 2006. According to e-commerce monitoring company e-Bit, the country will close this year with \$ 10.6 billion in online sales, an increase of 28% in comparison to 2008.

Fairs

According IBGE data, handicrafts is the vocation of 8.5 million Brazilians. It is estimated that it will contribute R \$30 billion to the national GDP in 2009. Of total exports,

Sphere by Leonardo Bueno, from Maria da Fé, in the south of Minas: the state is responsible for 60% of exports of Brazilian handicrafts



HANDOUT



FOTOS: DIVULGAÇÃO

Metal angel by Cleber Trindade, from Tiradentes, soapstone sphere by Dionisia Gomes, from Ouro Preto, and ceramics from Vale do Jequitinhonha (below)



agency also extends to participation in major international exhibitions such as Maison & Objet in Paris and the Gift Fair in New York.

The foreign market is truly promising. In 2007, the craftsmen who participated in the export projects carried out by Apex-Brazil earned US\$ 3.31 million. This figure represents only a portion of industry sales, and it remains impossible have an exact picture of total volume of international trade in handicrafts. According to her, purchases made in Brazil are also excluded. "The foreign buyer does his or her shopping here, fills a container with the crafts and simply sends it to the home country,"

says Tania Machado.

Still, the current situation is inspiring optimism. "It's the moment for export," says Andrea Peçanha, coordinator of the sustainable business at Ipê, an NGO working with projects related to the environment that also develops alternatives to increase the income of communities in a sustainable manner. "In the domestic market, many NGOs pay a great deal in taxes to sell anything, but are exempt when exporting." Ipê sells T-shirts and handmade puppets, representing endangered species of animals and plants to stores zoos in Denmark, Ireland and Italy. It has also devel-

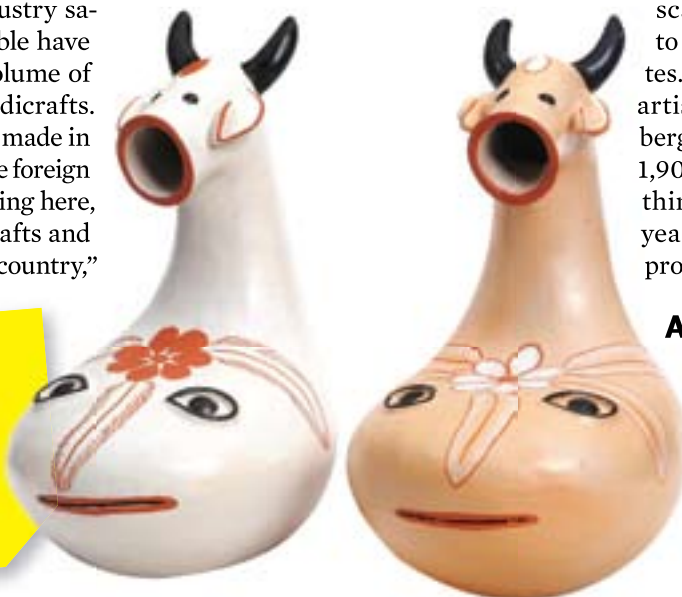
oped a line of organic sponges in the form of endangered species, for the Natura store in Paris.

Andrea sees an additional advantage in export. "It's a good way to get around the seasonality of the domestic market," he says. The group Lã Pura (Pure Wool), of western Rio Grande do Sul, illustrates this phenomenon. The cooperative, with 58 artisans from the cities of San Borja, Santana do Livramento and Uruguaiiana, works primarily with wool, raw material which the lowest consumption in Brazil. Lã Pura has recently launched a website and is already shipping their

scarves, shawls, and coats to Spain and the United States. In 2008, according to the artisan Cleni Ocampos Feldberg, the cooperative has sold 1,900 items, including clothing and accessories. "This year we should double this production," said Cleni.

LINKS

www.maosdeminas.org.br
www.brazilhandcraft.org.br
www.artest.com.br
www.artesol.org.br
www.leonardobueno.com



A taste of Brazil

A pioneer in the international expansion of the sector, the Centro Cape of Minas works with groups of artisans in Minas Gerais, Maranhão, Minas Gerais,



Toys made from fiber and ceramics from Para state (below) by José Anísio from Belém: Amazon craftwork

Paraná and São Paulo and participates annually in 15 fairs abroad - seven in the U.S. and eight in Europe. "We also have a showroom in New York, where we do promotions of products three times a year," says Tania. "On these occasions, we also offer a "taste" of Brazil, with pão de queijo (cheese bread), caipirinhas, Sonho da Valsa (traditional Brazilian chocolate candy) and guaraná soda." Cape maintains a showroom in Sintra, Portugal, in partnership with a local company there.

Minas Gerais is a highlight on the national scene. A survey of Apex-Brazil shows that the state now accounts for about 60% of Brazilian exports of handicrafts. Tania believes that this is due to strong local organization and the fact that the tax legislation of the region encourages craftsman by offering the ability to issue receipts and direct exports. Among the craftsmen participating in the fairs with the Centro Cape is Leonardo Bueno, of Maria da Fé, in the south of Minas. He works with wood from managed forests and is one of the few to have the green seal IQS (Institute for Sustainable Quality), which is essential

he says. Leonardo sells to the United States, Europe and Australia and exports have grown to account for 70% of its production. With the crisis, he is now focusing momentarily on the domestic market.

Despite its intensity, the crisis has not affected sales of those who exhibited at fairs in January 2009 in Europe and the USA. At the Gift Fair in New York, Centro Cape recorded about US \$300,000 in orders. The Association of Craft and Style of Londrina (Artest) of Paraná, closed the two European fairs --Maison & Objet in Paris and the Environment, in Frankfurt -- with a total of 100,000 in orders. "It was fantastic," says the group's coordinator, Denise Mucci. "We never had so many visitors. There is a crisis, but for some products, there is no lack of demand."

Artest participate in fairs in Europe with the support of APEX-Brazil. Founded in 2004, the

association works to formalize the practices of craftsmen and small enterprises, throughout this process, improve its product line. "We focus on appropriateness of products to the market, because here in the north of Paraná we had great craftsmen, but no union," says the coordinator. With decorative products made of wood (certified or recycled), their work attracted the interest of the Art Institute of Chicago. Denise considers it essential to differentiate Brazilian products, betting on quality. "In terms of price and quantity, the market is dominated by Asian countries."

It is this Asian competition that presents a challenge to Sol Fair Trade, run by Brazilian Ana Paula MacArthur. Her company has been selling Brazilian art in the U.S. since 2006, via the internet and a wholesale showroom in Seattle. She works in accordance with the rules of fair trade and choose communities with sustainable practices in addition to quality and production volume. "The problem is that Americans are accustomed to cheap and inferior products, and they still give more value to quantity and low price than quality and fair price," she says. Some of her wares are acquired directly from producers and taken to fairs and her showroom, where Ana Paula takes requests from shop owners. "We have a big challenge ahead of us," she says, "to show that beyond the products themselves, we are selling the social projects that are behind them." The internet, with its unique scope and breadth, can certainly help her meet this challenge. ■



There
where
the

The large Andean wall shifts to the South the humid Amazon winds, which in turn bring rain and fertility to the Argentinean pampas and Brazil's Center-South region. Now, however, fast deforestation is endangering this delicate system

JOSÉ RUY GANDRA

wind
bends



**The Amazon Rainforest:
Evaporation produces
humid mist**

The next time you watch the *Jornal Nacional* news program, pay attention to the weather forecast. If the satellite image features that boomerang-type circulation transversally crossing the continent, then thank the heavens. And you can thank your lucky stars if you live in the Southeast of Brazil or in Argentina. According to researcher Antonio Donato Nobre, from the National Amazon Research Institute (INPA), if it weren't for the rainfall that these clouds bring, especially in the summer, the entire quadrilateral delineated by Cuiabá, São Paulo, Buenos Aires and the Andean mountain ridge would almost certainly become a desert.

“ Forests play a crucial role in regulating the planetary system

According to Nobre, there are only two factors preventing this from happening: the presence of the Andes, whose height redirects the steam coming from the Atlantic to the Southeast (forming this boomerang shape), and the evaporation caused by the Amazon rainforest trees, which feeds this humidity, enabling it to reach the Andes and beyond without dissipating on the way. “The Amazon is an impressive water pump”, says Nobre, who spent 22 years in the region. “Each day, it launches 20 billion tons of water into the atmosphere, ensuring the

irrigation of an area responsible for 70% of South American GDP.” The advance of the deforestation process, according to Nobre, doesn’t just imminently endanger this system that gives South America its welcome climatic peculiarity. “Deforestation is responsible, alone, for 20% of all human emissions of carbon gas”, he states. We are thus talking about a global threat. International entities recommend that 2% of global GDP be immediately invested in anti-global warming measures. “If this doesn’t happen”, says Nobre, “in 2020, 30% of global

GDP will be needed just to cover the costs of the losses related to environmental disasters.”

Despite this grim outlook, Nobre says that nothing is effectively being done. “The preservation of the Amazon rainforest shouldn’t be subordinated to the interests of development and of the economy, but vice-versa”, states the researcher. “Without the maintenance of this delicate but powerful system of global equilibrium, the entire economy is doomed.” Working at the National Space Research Institute (INPE) in São José dos Campos, Nobre (50), with a degree in agronomy, specialized in tropical biology and a doctorate in biogeochemistry from the Universi-



Picos dos Andes:
barreira que desvia
os ventos para o Sul

ISTOCKPHOTO

Water Pump



the temperature rises externally, the living organisms cool down; and vice-versa. Only life has this capacity. And forests exert a crucial role in the planetary system. They are the largest terrestrial regulator. They have highly complex and efficient systems that other human systems, such as agriculture, are incapable of emulating.

That said, let's look at a map of the world. The map shows the deserts, always on the same line at 30 degrees latitude, in both hemispheres. The Sahara, the Sonoma, the Kalahari, the Atacama, the deserts of Namibia and Australia. Why? This fact is due to a phenomenon called the Hadley Circulation. The equatorial part of the planet receives more solar radiation, is hotter, evaporates a lot of water and causes rainfall. In other words, the air rises on the Equator line, loses humidity and rains. When it descends on the 30 degree latitude line, the air (already dry) consumes the humidity of the surface and helps form deserts. There are only two exceptions to this rule: Southern China, in a region close to the Himalayas, and the meridian part of South America.

>> The green radiator

South America is different for two reasons: the Andes and the Amazon rainforest. The air, which in the equatorial zones always flows from east to west, encounters the Andean barrier, a wall 6,000 meters high that prevents the air (full of evaporation coming from the Atlantic) from continuing to move forward. This humid air then turns towards the Southeast and, in the summer, it pours its humidity over these regions – which, without the Andes, would be desert-like, with no economic life.

ty of New Hampshire, gave a lengthy interview to PIB (the main excerpts are featured below). In the interview, Nobre explains the singularities of our climatic regime, analyzes the importance of the Amazon in terms of how it functions, condemns the autistic mentality of agribusiness and, further more, the passivity of governments. And he adds a caveat: “By deforesting the Amazon, we aren’t burning trees, but instead a living library of the highest technology and incalculable value”.

>> Life regulates the climate

Today, science is starting to accept the fact that the biological system conditions the atmosphere. This is a new development. Meteorology has always considered the biosphere to be a secondary factor and the atmosphere to be the primary factor. But all the oxygen we breathe came from the plants; we don't have toxic gases in the atmosphere thanks to the innumerable organisms that remove them; and the balanced maintenance of the

water cycle in the continents depends directly on the organisms.

We know that, in a highly sophisticated process that occurs on a nano-scale, at molecular level photosynthesis is the primordial mechanism of the Earth's climatic stabilization. In photosynthesis, solar energy is captured and, via chemical reactions, it removes the carbon gas from the atmosphere and releases oxygen. It was this exchange of gases that molded life and the evolution of the environments in the planet over the last 4 billion years.

In this period, the concentration of carbon gas in our atmosphere fell from 95% to 0.039%. Where did all this CO₂ go? What happened in this period? Without a powerful regulation mechanism, it would have been impossible for the earth to have, today, liquid water on the surface and for the Earth's temperature to maintain a comfortable variation for life – a rarity in cosmological terms.

The only explanation for this phenomenon is life. All living organisms have a sophisticated system of equilibrium and self-regulation. If

The second factor, forests, is even more important. This wind can only travel for almost 5,000km over South America, with sufficient humidity to form clouds and rainfall, because the Amazon rainforest trees receive their water, in the form of rainfall, but return the bulk of this water back into the atmosphere via transpiration. The Amazon transpires 20 billion tons of water per day – a huge amount. The Amazon River, the largest in the world and responsible, alone, for 20% of all the fresh water that reaches the oceans, launches 17 billion tons of water into the Atlantic each day.

It is this vapor created by the forest that accentuates and prolongs the humid circulation in South America. The forest functions as an optimized evaporator, since its

leaves form an evaporation area much greater than that of the surface itself on the soil. We are talking about 10 square meters of leaves for each square meter of soil. The leaves act as a radiator in dispersing the humidity. Without this help from the forest and from its transpiration, the air mass coming from the ocean would be unable to maintain its humidity from the Atlantic to the Andes and further forward.

If the Amazon was an entirely agricultural region, the air mass would enter into the continent and it would rain. As there wouldn't be sufficiently dense vegetation, since the agricultural soil is thinner and more

Economy and ecology aren't two different things. Ecology is the economy of nature

exposed, this water wouldn't return to the atmosphere. Instead, it would be absorbed by the earth or, more likely, it would descend into the rivers, returning to the Atlantic. The winds

would become increasingly dry inside the continent, rainfall levels would progressively diminish and a process of desertification would occur in the interior.

>> From barn to desert

The influence of this transpiration of the forest, combined with the presence of the Andes, shows up in the quadrilateral between Cuiabá, São Paulo, Buenos Aires and the Andes. Without the Amazon region, this region, responsible for 70% of South American GDP, would very likely become a desert.

But this wouldn't occur immediately. The first effect of deforestation is a disequilibrium that causes alternated excess of rainfall and droughts. This is already happening. Santa Catalina is a good example. In the valley of Itajaí, rainfall caused the deaths of thousands by drowning or landslide. Simultaneously, the west of Santa Catarina was in the midst of a severe drought.

The northwest of Rio Grande do Sul and the humid Argentinean pampas, two extremely rich agricultural regions, are already suffering from production shortfalls. The lack of equilibrium in the regulator system is one of the causes of the current Argentinean agricultural crisis. The country has suffered from an atypical drought, which also led to a lack of water at its hydroelectric plants and, as a result, an energy shortage.

If, for South America, the Amazon is a heart that pumps humidity,



The Amazon Rainforest today: an evaporation machine

FOI HAPRESS

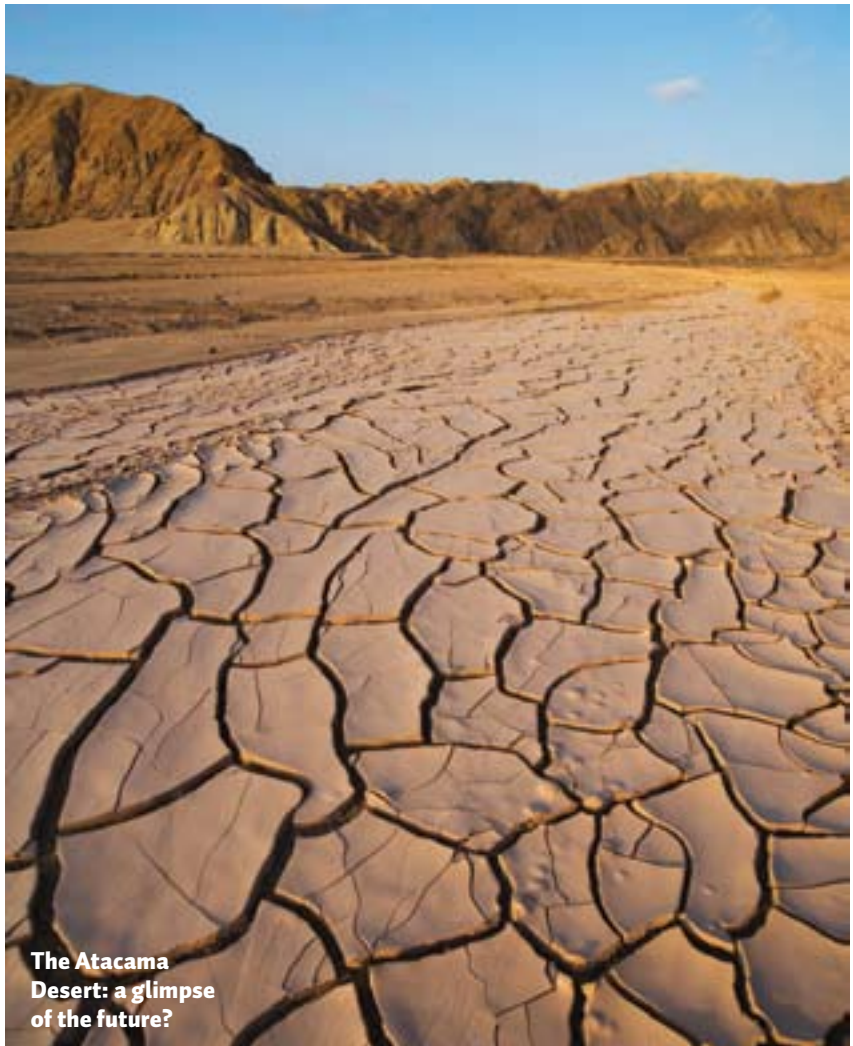
for the world it is a heart and also a liver, since it processes and filters the atmosphere's air on a planetary scale. Studies show that the forest absorbs a significant part of the abuses in the gas emissions that are at the root of global warming. The Amazon region is a type of humanity insurance policy against these abuses, but isn't used as such.

>> Agricultural autism

Our agriculture doesn't seem capable of interacting socially. It is reminiscent of an autistic savant, who has an extraordinary ability to develop a single capacity – while all the other capacities are affected. Here we can draw a parallel to the robust and dazzling soybean fields, achieved at the expense of the entire surrounding biological equilibrium. Our system stimulates this autism; it boosts it. Economic exploitation is the name of the game. The rest is an obstacle.

Blairo Maggi (state governor of Mato Grosso and one of the world's largest soybean producers) once said: "People need to decide if they want to eat food or trees". This is a false dilemma, since, without trees, you don't have water, and, without water, there's no food. "Thinkers" such as Maggi believe the forest merely takes up space, which in my opinion is utter ignorance. A cancerous tumor does the best it can in its desperation to grow, it doesn't know it is malignant – and this mentality of agribusiness in Brazil is a tumor that needs to be removed.

Economy and ecology aren't two different things. It is important to explain that, if the forest is chopped down, an entire giant and delicate equilibrium system will be destroyed and, with it, economic activity. Brazilians need to know that, if the water supply ends in the forest,



The Atacama Desert: a glimpse of the future?

LATINSTOCK

it will shortly dry up in other places as well, such as São Paulo or Buenos Aires. This warning is the role of science, which we cannot relinquish.

>> Biomimetics

Ecology is the economy of nature. Its principles and technological possibilities can provide a massive boost to the human economy. The Amazon rainforest is home to one of the largest sources of high technology known to man. There is a new frontier of engineering called biomimetics, which seeks to take inspiration from natural processes, in order to

copy them and implement them in industrial solutions.

Nature has incredibly sophisticated technological solutions. A study of the wing of the morpho butterfly (that large, iridescent metallic blue, butterfly) discovered that it manipulates light with an organic crystal, which is also an optical amplifier. The same principle of this crystal can be copied and implemented in optical fibers to enhance data transmission. The vehicle industry is studying the coating of tree leaves, with the aim of creating new inks to make self-cleaning cars.

If a simple butterfly wing contains a technological system worth billions of dollars, imagine an entire Amazon forest! NASA, GE, Boeing and many other companies are already retaining consultancy services of biologists to seize this knowledge for themselves. When we destroy the Amazon, we aren't burning trees, but rather we are destroying forever a living library of the most state-of-the-art technology.

>> The iceberg is straight ahead

When governments see themselves in the face of major danger, they take swift action. When the Japanese attacked Pearl Harbor, the U.S. went to war immediately. When the PCC (a criminal organization in Brazil) spread violence in São Paulo, the São Paulo government put the entire police force on the streets. When the current global crisis erupted at

the end of last year, a week later a series of measures were already being taken.

The stress caused to the Earth's climatic system is much more devastating and, yet, it doesn't spark practical responses. If around US\$15bn was invested annually in agricultural producers, to conserve the biomes, instead of destroying them, all of the world's tropical forests could be saved.

Instead of destroying forests, these agricultural producers would be providing environmental services, and being paid in return. If we were to eliminate the deforestation of the Amazon, human emissions of carbon gas would fall by 20%. This would have immense value in the carbon quota market currently under discussion internationally. But nothing

“Since no measures are being taken, we are in a worse situation than the passengers of the Titanic

is happening, and the clock keeps ticking.

The so-called Stern Report (coordinated by the English economist Nicholas Stern, ex-vice-president of the World Bank) recommends that 2% of global GDP be invested in

anti-global warming measures. According to the study, if this isn't done now and destruction continues at this pace, in the year 2020 30% of global GDP will be needed in order for us to continue existing as a global economic system.

Since no measures are being taken, we are in a worse situation than the passengers of the Titanic. We are navigating at full speed in the dark; but on a much more fragile ship, with the prow pointing straight at the iceberg. ■



Clearing of land by burning in the Amazon: dismantling a delicate mechanism

ISTOCKPHOTO

Censorship in Mandarin

When advertising in China, barriers extend beyond language

ANTONIO CARLOS SANTOMAURO

With more than 1.3 billion inhabitants and dizzying growth, China is becoming a Mecca of sorts for businesses aiming for international expansion. However, it is a different market, and a highly competitive activity like advertising must adapt to the singularly Chinese combination of a relatively free economy and iron-clad control of communications, including books, newspapers, and magazines, and more modern digital communications. The Chinese live behind a barrier ironically called The Great Firewall of China, a technological mechanism that attempts to block the population from accessing “inappropriate” blogs and sites (among them, Wikipedia and BBC).

How to go about advertising in China? To begin with, campaigns must pass through pre-publication censorship by the China Advertising Association, a state body that oversees advertising activity in the country. Politics and sexuality are the more sensitive

topics, but direct competitor attacks can also be banned. Television ads must also pass through censorship within the television stations themselves.

Even so, many of the major multinationals in China are doing advertising and media work. Throughout the country, an array of diverse media—thousands of newspapers and enormous high-definition electronic billboards in the roads of the main cities—offers plenty of ad space for some of the best known brands in the world, like Coca-Cola and McDonald’s.

And now, a Brazilian brand debuts in China: Vale, which last May launched an advertising campaign appearing in outdoor media, airports, newspapers and TV. Developed by the Brazilian ad agency Africa, and starring soccer player Ronaldo, the campaign was created in Portuguese in Brazil, translated into English, and

then into Mandarin, the predominant language of China.

Adaption for the Chinese market and media schedule was executed by multinational group Omnicom (a partner of Africa through the Brazilian agency DM9DDB). Despite having to undergo the ritual of censorship, some of the steps moved along quite smoothly. For example, execution of outdoor media, despite including more than 500 pieces of enormous dimensions, was implemented in less than a week (including the entire process of media buying, production and installation). “Perhaps we could not have done the same in Brazil,” said Francisco Custódio, media director of Africa, who spent the week in China, overseeing and completing the campaign. The Chinese model of economic efficiency and political control, it seems, may also extend to advertising. ■

Since 2004, investment in advertising has grown 22% per year in China



Ronaldo in an ad for Vale in China: from Portuguese to English to Mandarin

DIVULGAÇÃO / VALE

Global flexibility

The Brazilian advertising formula arrives in emerging markets from Eastern Europe and the Arab world **ADRIANA SETTI, FROM BARCELONA**

When Guilherme Lovizzaro Rangel (born in Campinas, São Paulo state) took over as creative director at the Team Young & Rubicam advertising agency in Dubai, in November 2006, his new workmates had already spent 12 months going back and forth in obtaining approval for the launch campaign of one of the most megalomaniac real estate projects known to man – Downtown Burj Dubai. But it was only one year later – a lifetime in the helter-skelter advertising world – that they got the green light from the marketing board of Emaar, one of the world's largest real estate developers (based in

Dubai), to begin work on the campaign, budgeted (including TV advertising campaigns, printed media ads and radio spots) at over US\$2mn.

The responsibility on Rangel's shoulders was considerable. When it's ready, at year-end, the project's flagship, the Burj Dubai building, will be 818 meters high – more than twice the height of the legendary Empire State Building, which measures

Guilherme Rangel (with Dubai in the background): culture shock

MATTHEW PEREIRA



a “mere” 381 meters, easily making it the world’s tallest skyscraper. The tower is the heart of a colossal residential and commercial condominium planned to be the new center of Dubai (hence its name, Downtown Burj Dubai). The cost of the entire condo is estimated at US\$20bn. But not even the mountains of cash invested in the project have succeeded in fast tracking the campaign’s approval process by the client.

The TV ad script alone of the project launch took a month to be approved. To film the ad, the team had to virtually recreate the condominium thousands of miles away – in New Zealand. “Since the aim was to show that everything in the condominium is connected, the entire ad was planned as a whole, with no cuts”, says Guilherme. The ad begins with an executive waking up in a sumptuous bedroom, with a view of the Burj Dubai Tower. In the first scene, he gets up and goes to the living room, where his wife is having breakfast. They exchange glances and he pinches a slice of toast from her. After the camera pans round in choreographed fashion, the executive appears wearing a suit and the door that, in theory, leads to the kitchen opens out to the office, also in the condo. In other words, no stone is left unturned in the attempt to ensure that Burj Dubai Downtown is seen as a parallel universe, where its residents can, if they wish, spend the rest of their life.

When completed, and submitted to approval, the ad was vetoed by the all-powerful chairman of Emaar, on the grounds that the two actors didn’t really give the impression of being a married couple and that the ad was thus unacceptable for Emaar. New scenes



Rizuto’s advertising campaigns shocked conservative Arabs: breast cancer alert (above) and campaign combating violence against women (below)



were shot, at an additional cost of US\$100,000.

These surprises and setbacks caused by cultural and methodological differences are part of the routine of a growing group of advertising agents leaving Brazil to work in emerging markets, at local agencies and the offices of multinational advertising agencies. We are talking about ma-

rkets keen to retain qualified professionals, such as the Middle East and Eastern Europe. “Brazilian advertising agents are talented, well paid, recognized and famous” says Dalton Pastore, chairman of the advisory board of ABAP (Brazilian Association of Advertising Agencies), in explaining the demand for Brazilian executives in far away corners of the world. “We

win lots of awards at international festivals and our advertising standards have always been appreciated around the world”.

Talent and a good image are of course crucial, but flexibility also helps to create opportunities. Brazilian advertising even has a presence in the Russian advertising market – and more than just one. Rondon Fernandes, 37, saw his chance to switch countries when JWT (J. Walter Thompson), the agency where he worked in Brazil, started interviewing Latin Americans for a post that had opened up in Russia. “They needed someone with more flexibility than a European executive to deal with the chaotic processes of Eastern Europe”, he says. Fernandes accepted the challenge and is now the creative director of JWT in Moscow – where one of his clients is MTS Telecom, Russia’s largest telco.

More than just financial ambition (since salaries in emerging markets rarely exceed wages in the Brazilian advertising segment), the people who move to Eastern Europe or the Middle East are in search of new professional and culture experiences, as well as professional recognition in markets offering the possibility of a rapid rise up the promotional ladder. This was the case of Darlan Moraes Jr., 41, from São Paulo, another Brazilian in Moscow, who spent time in virtually every single Eastern European country before arriving in Moscow. Darlan started off by obtaining a post as editor at the Soria and

Multinational agency has recruited a Brazilian executive to handle “chaotic processes” in Eastern Europe

Grey agency in Bratislava (capital of Slovakia). “In the beginning, they didn’t really understand what I, a Brazilian writing in English to be translated into Slovak, could offer”, he recalls. But his work was acclaimed when he received an award at an advertising festival in the Czech Republic. He ended up being seduced by the subsidiary of the multinational company Leo Burnett in Prague, and he soon became creative director at

its competitor J. Walter Thompson.

Two years later, history repeated itself. At a festival in Bucharest (Romania), he was invited to work as executive creative director at D’Arcy, an international advertising agency that, at the time, was the most prized in Romania. There, he was handed the assignment of heading a team of 35 people, five years after leaving Brazil as a junior editor at McCann Erickson, in São Paulo. He spent three and a half years in Romania and two in Latvia, until touching down in Moscow, where he is now creative director at BBDO – where he works on advertising campaigns for heavyweight clients such as Pepsi, Mercedes-Benz and Procter and Gamble.

Romania also lured the art director Glazione Rocha (29, from Rio de

Janeiro), who swapped his job at F/Nazca in São Paulo 18 months ago for a post at Mercury360 in Romania. At his Bucharest office, he works as part of a 2-man team alongside a local editor. “It’s a great experience for learning to flee the vices of the Brazilian advertising market, such as excessive use of sensuality and using music in everything”, says Glazione. He also learnt that using jokes in an unknown context can be a disaster. At a meeting, he suggested an ad that poked fun at a rivalry between Romanians and Hungarians. He thought it was something superficial, like the rivalry between Brazil and Argentina in soccer. But he made a big mistake. “It left everyone

Darlan’s anti-evasion campaign in Romania: “Pay your taxes with money, not with prison time”



Rover's fame as a global benchmark for all-terrain vehicles: in the ads, savannah and desert animals, such as camels and cheetahs, are told that this is the Defender's habitat. The client liked the campaign, which made it through to the finals of the Cannes Festival.

In countries where the recent capitalist movement still lives alongside the remnants of the communist culture, such as in Eastern European countries, or new societies as Dubai (a place that practically sprung up from out of the desert in the last two decades), it's logical that advertising needs a maturation period in order to reach the level of countries where it has been in place for over a century. Still, in a world where information flows via the Internet, what we can see is that advertising, both in Dubai and in Eastern European countries, follows a global aesthetic. The process of accelerated globalization helps to get round a complex question – the international transfer of people in a business that de-

mands intimacy with the language and the popular culture of a country. "Today, these barriers are minimized due to a process that we can call "pasteurization of culture", which makes it easier to export talents", says Dalton Pastore, from ABAP.

Nevertheless, the process of adaptation could be more difficult in Russia, for example – a more closed country than Romania, the Czech Republic or Slovakia, which joined the EU several years ago, or Dubai, where 85% of the population are foreigners. "With very few exceptions, the Russian advertising industry uses ideas that more often than not have no link to the relevant benefit of the product, using a joke for a joke's sake as a 1980s-esque recourse and esthetic", criticizes Rondon. However, with money to invest and due to its progressive opening to

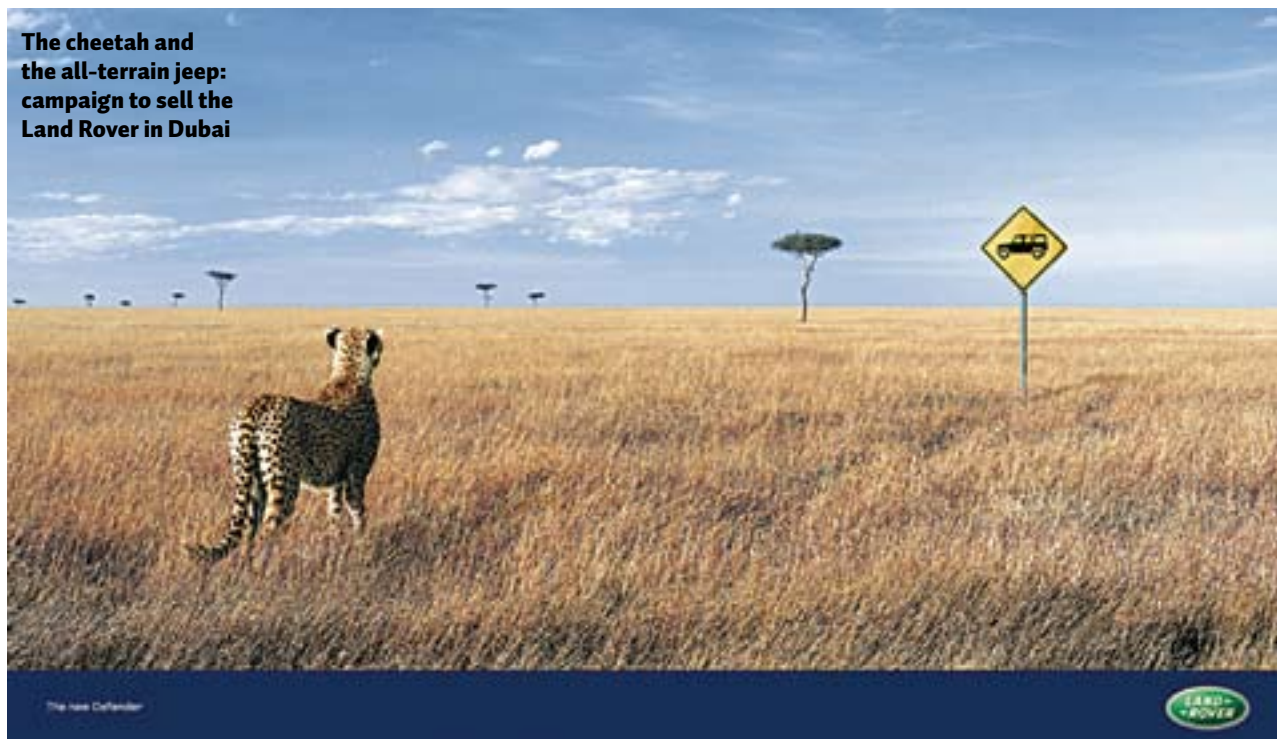
“Globalized advertising culture helps to smooth over the cultural differences

the world, the Russian evolution promises to be swift. "It takes Russia one year what it takes other countries five years to evolve", observes Darlan, the other Brazilian advertising agent in Moscow. "Internet ad-

vertising, since it is limitless, is now on a level par with the rest of the world."

And what was the outcome of the saga involving the launch campaign of the Downtown Burj project, headed by Rangel in Dubai? In the end, after so much going back and forth, the campaign was approved. But the story doesn't end there. Without explaining why, Emaar decided to shelve it, taking an additional hit of US\$ 500,000 spent on the printed media and radio spots. "What's US\$ 2mn for someone that spent US\$ 200,000 on one of the building fountains?", asks Rangel. The truly rich are indeed truly different. ■

The cheetah and the all-terrain jeep: campaign to sell the Land Rover in Dubai



PHOTOS: FAMILY ALBUM

Big business, with or without a crisis

Brazil exports soccer players to the world, but who benefits the most from this? **CÉLIA CHAIM**

The transfer window is now closing, before opening again at the end of the year. We are talking about millions and millions of dollars, euros, pounds, among other currencies, flowing back and forth, in the saga involving Brazilian soccer players who (as Falcão, one of the all-time greats says) “cross borders to sell their skills to foreign clubs.” Everyone makes money when the transfer window opens – the selling club (frequently up to its eyeballs in debt), the player (desperate to play for a bigger club with more money) and the agent – who is the main beneficiary in any soccer deal.

The book *Bola Fora: a história do êxodo do futebol brasileiro* (Panda Books), by Paulo Vinicius Coelho (known as PVC, a competent and talented soccer journalist, with an enviable soccer memory reminiscent of a computer database) – gives an idea of this multi-million dollar exodus of players. In only 17 rounds of matches in the first half of 2009, 27 Brazilian soccer players were bought and sold. In terms of the superstars sold

in the first half, the main highlights were Keirrison, of Palmeiras; and Nilmar, of Internacional.

The factor regulating the soccer market is cash. Just think: if a cup of coffee costs R\$ 1 in Brazil, in euros it will cost the equivalent of R\$ 3. A player earning R\$ 70,000 per month at a Brazilian soccer team leaves to earn the same in Europe, except multiplied threefold. And we are talking about tons of money exchanging hands. One of the many cases that the book recounts gives

an idea of the business goings-on not subject to red cards: that of Traffic, the main soccer player ‘broker’, and the young soccer player Henrique, from Coritiba. Traffic bought the rights to Henrique (the major talent unearthed at Coritiba in the 2007 second division championship) in March 2008. The price to acquire the rights to his contract was R\$ 6 million. Transferred to Palmeiras, he was part of the team that won a Paulista (São Paulo state) soccer title, and he was a starter in the team

at the beginning of the 2008 premier league. In mid-2008, he was sold to Spanish giant Barcelona for EUR 10 million (R\$

26 million). “Under the agreement [with Traffic], Palmeiras was entitled to 20% of the amount exceeding the R\$ 6 million initially invested, equivalent to R\$4 million”, recalls PVC. “Traffic kept the remaining R\$ 16 million. The profit, in six months, was 166%.”

PVC notes that the most profitable company on the Bovespa stock exchange in 2007 was steelmaker Companhia Siderúrgica Nacional (CSN), whose shares appreciated 157% in one year. Traffic earned more than this in six months by negotiating the rights of fullback Henrique, says PVC.

Watch out for the next transfer window. ■

Henrique, ex-Coritiba: more profitable than the stock market



FOLHAPRESS

The PRODIGAL Sons

Affected by the crisis, expatriate Brazilian executives put their international careers on hold as they return to Brazil **ROSELI LOTURCO**

The legions of Brazilian executives with international careers are finding themselves in the midst of an unusual scenario: the inversion of the typical career path. From the start of the global financial crisis and until now, the trend of Brazilian professionals attempting to repatriate has brought a wave of activity to companies specialized in professional relocation, particularly those in major cities. Driven away by tough times in the global economy and attracted by the optimism surrounding Brazilian business, the number of Brazilians who have decided chart a course back home has jumped from 2008 to present.

These are the findings of a recent survey, conducted in São Paulo by headhunting firm Michael Page Executive Search, a branch of the American company MP. In the first quarter of this year, 90 professionals with an average age of 43 sought the company's help for relocation to Brazil. In the same period of 2008 (before the crisis worsened) only 15 used the same service. Most of these executives (52% according to the poll) were stationed in Europe, divided among France, England, Portugal, Germany and Spain. Another 20% were living in the United States, with the remainder spread across Africa, Middle East and Latin America. "The search is still strong today," says Fernando



Paola Pazzotto, of Souza Cruz: back in Brazil, by way of Chile and Hong Kong

ANA ELISA ORIENTE

Andraus, responsible for the area of recruitment at Michael Page in Brazil.

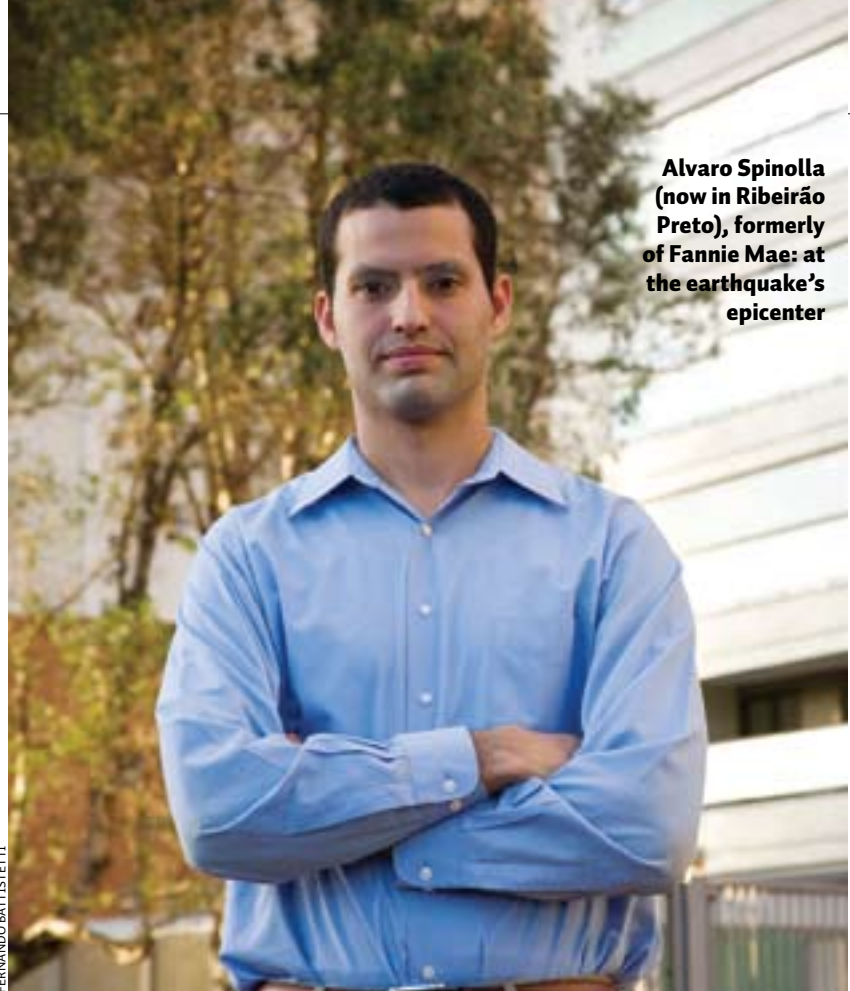
Part of the wave includes Brazilians seeking to replace employment lost abroad after the bubble burst and triggered the financial crisis. Others preferred to change course in order to avoid environments that could be detrimental to their development. This was the case of São Paulo native Alvaro Spinolla, an economist who graduated from the University of Pennsylvania, and returned to Brazil after spending nine years in the United States. Alvaro, 28, worked since 2004 at Fannie Mae, an American mortgage giant at the epicenter of the subprime crisis late last year. There, he began his executive career, but he witnessed the crumbling of an empire.

He began to worry when he saw the fallout after the implosion of investment bank Lehman Brothers. Then, Fannie Mae had to rely on financial assistance from the U.S. government to avoid bankruptcy, and was virtually nationalized. He was spared the wave of cuts at Fannie Mae that followed - "I was at the center of some mortgage securitizations, which was part of an area that made a profit," he explains. But in the generally unfavorable situation, he feared the worst.

"I decided to find a headhunter in Brazil, because I felt the time to return was approaching." He arrived in January of this year, bringing his North American girlfriend (now his wife) and was hired by GWI Asset Manager, a wealth manager in São Paulo.

At just one relocation company alone, 40 headhunters are working to repatriate Brazilian executives

FERNANDO BATTISTETTI



Alvaro Spinolla (now in Ribeirão Preto), formerly of Fannie Mae: at the earthquake's epicenter

Soon afterwards he received another proposal, this time from CNAA (National Sugar and Alcohol Company). He decided to risk it, despite knowing little about the sugar-alcohol sector. He is responsible for strategic planning and financial modeling at the company. His internal experience helped. "Professional growth was great," he says. "When I arrived, the doors of the Brazilian market were open". Alvaro says that the greatest difficulties in adapting to life in the U.S. was missing family and the cultural differences. "Over time, I got accustomed," he recalls. "But it's really good to be home again."

Another measure of the growing demand for replacement in Fesa, a head-

hunting firm specializing in the financial market, is the set of troops ushered in to meet the needs of returnees. Fesa has 40 professionals solely dedicated to executives who want to make their way back. The team's task is to find a good place for them. Among the most sought after areas include consumer, telecommunications and basic industries, where there are signs of new investment.

According to Aline Zimmermann, a partner at FESA, the Brazilian economy, which is in good enough shape at this time to receive these expatriates, offers a unique atmosphere. "Brazil has always been a great school owing to the endless crises that it has experienced," she says. "Combining that with international experience makes for a fully developed professional, able to bring a global strategic vision to the region." Many of them take the opportunity to earn an MBA abroad and

become fluent in foreign languages. According to Aline, those who leave for the global market become more competitive on the return, and their earnings in Brazil are based on what they achieved abroad.

New Projects

The difficult situation abroad, with little prospect of quick recovery, has shaken up some Brazilian companies with operations outside the country. Sometimes, the return of an executive is a company decision. "Sadia alone brought back two directors of foreign trade to Brazil," said Gilberto Guimarães, president of BPI in Brazil, a multinational specialized in human resources. He recalls that Itaú Unibanco did the same earlier this year.

Moreover, the rapid reaction of the Brazilian market to the global crisis has put the country in the international spotlight. New projects are starting to trickle in from foreign companies, previously spooked by the crisis and delaying plans to enter Brazil. Since last June, foreign multinationals have resumed searches for country managers for operations in Brazil, offering new opportunities for returning Brazilians with international experience.

Michael Page alone is directly involved in more than three projects. "The demands are high and it is almost essential to have built a solid international trajectory," says Fernando Andraus, of Michael Page. The professional maturity built in countries with economic structure and a different culture does the returning executive many favors. "Companies that are doing start up in Brazil prefer Brazilian executives with international career path," said Aline Zimmermann of, Fesa, which also participates in searches of this type. "It is one hundred percent certain that they will be absorbed."

Versatility also helps. Those who have accumulated international experience working in diverse fields earn points when it comes time to hiring time, particularly in those with a background in finance, engineering, new ma-

**Foreign
multinationals
are seeking
Brazilians with
international
backgrounds
to work on
projects in
Brazil**

rkets, foreign trade, international law, information technology and brand positioning. "The market demands it," says the expert Magui Lins de Castro, managing partner of Southmark, an executive recruiter in Sao Paulo. "The Brazilian executive has this fac-

ility, and so becomes a professional with more mobility."

Paola Pazzotto, a 36-year-old from São Paulo, has built a varied career within one company - British American Tobacco, represented in Brazil by Souza Cruz. After spending five years abroad, she is back in Brazil. After earning a business administration degree from the University of São Paulo, Paola embarked on an international career and pursued her goal with determination. She began working at Souza Cruz - with worldwide operations in 180 countries - and strengthened her CV with an MBA through Coppead at the Federal University of Rio de Janeiro, and became fluent in English and in Spanish (with knowledge of Italian and French). Today, with 12 years at Souza Cruz / British American Tobacco and many stories to tell, she believes the investment was worth it.

Paola works with trade marketing and branding. In 2004, she showed interest in leaving the country and the company gave her a higher position in Chile. In Brazil, she was product manager, but in Chile became portfolio manager (of all products in the country). Less than 20 days after arriving, she faced a trial by fire: to make a long presentation all in Spanish. "It was tense," she



**Aline Zimmermann,
of Fesa: Brazil is
a good school**

HANDOUT



Michael Page

INTERNATIONAL

**Fernando Andraus,
of MP: searching
for Brazilians with
global experience**

recalls. "More than 50 people were listening to me, but the acceptance was positive." In three months, she says, she had totally adapted.

"The advantage is that the Souza Cruz has a very strong corporate culture and unique worldwide," she says. "This allowed me to start playing." Besides a pay raise, Paola received benefits including rent, cost of living adjustment, payment of essential expenses, airfare to see family, and a budget for her and her husband Felipe, to study. Felipe, an enologist by training, did not miss the chance to take a specialized course in the country that offers some of the best wines of South America.

So life went until 2006, when Paola faced new international challenge, this time on the other side of the world. As she wanted international visibility, she determined that the group's headquarters in London, or a major Asian country, should be her next stop. She landed in Hong Kong. This time, she was responsible for developing a brand - the famous Dunhill - throughout Asia-Pacific, and in more than 40 markets. Most members of her direct team of about 15 people were expatriates. The distance weighed

more heavily on her this time, but she says she was convinced this is what she wanted.

What has been the outcome? Today, newly returned, Paola believes that her vision for the brands, competition and strategic decisions is much broader. "In Asia, I reported directly to headquarters," she says. "This makes me more secure today in the decisions I make here, because I know what the executive director at company headquarters wants." Paola was privileged in a way many newly repatriated executives are not: she could plan her return with Souza Cruz. In May this year, she

took over one of the areas where Brazil is a worldwide leader: trade marketing sales and product distribution. She earns double what she did when she left the country, and gives a tip for anyone who wants to build a career abroad: marry personal interests with the company. And finally: "Having strength in adversity is also important," she says.

Between their departure and return, what do Brazilian returnees find different in the wake of the crisis? Michael Page research shows that placement times for these professionals has increased from three to six months. Exorbitant bonuses for top executives are passé, and the crisis trimmed the fat off other extras. However, with the Brazilian economy showing signs of recovery, there is still room for negotiation between executives and companies. "The parameters are different now, more realistic, but they still pay their part for results," observes Magui of Southmark. "The executives with an international career are worth more," concludes Gilberto Guimarães, the BPI. "Among two equally competent people, they end up being chosen and, moreover, sometimes with salaries 10% to 30% above average," he notes. ■

WHO WANTS TO RETURN?

40% Directors-general and vice presidents

20% Financial directors

20% Directors of sales and marketing

20% Directors of HR, engineering and supply chain

Source: Michael Page research

LUXURY BEDS...

The best hotels for executives

THE SEPTEMBER EDITION of the eternally cool Wallpaper magazine features a ranking of the world's 50 best hotels for business travelers. At the top of the list are the Park Hyatt (Shanghai) and the Four Seasons (Florence) – the latter now located (since last year) inside the spectacular Palazzo della Gherardesca, which in the 17th century belonged to the Medici family, and in the 19th century to the vice-king of Egypt, Ismail Pasha. In the peak season, the lowest nightly rate at the Four Seasons (Florence) is 600 euros. Fortunately, the Wallpaper ranking also includes hotels for executives traveling economy class: the Allerton hotel in Chicago offers decent rooms for US\$150 a night, while Citizen M, at the Schiphol airport (Amsterdam), offers a post-modern design and minimalist hi-tech luxury (including XL king-sized beds and automated check-ins) starting from 77 euros.

<http://www.fourseasons.com/florence/>



The Four Seasons hotel in Florence: a thing of rare beauty

PHOTOS: BARBARA KRAFT

...OR NOT SO LUXURIOUS

Sleeping in airport lounges

The www.sleepinginairports.net site does just what its name suggests: it indicates the best (and worst) airports to spend the night. The survey has been compiled for the past 12 years, based on the experiences of over 6,000 travelers who, for one reason or another (generally a lack of money), decide to sleep in airport lobbies and corridors as they wait for their flight. The best two airports are in Asia, Changi (Singapore) and Incheon (Seoul), while the third best is the aforementioned Schiphol airport. The three worst airports to spend the night are Charles de Gaulle (Paris), Sheremetyevo (Moscow) and Kennedy (New York). Galeão airport (Rio de Janeiro) is the best ranked airport in the Caribbean and South America, but only due to the lack of anything better (rather than its own merits). It received 17% of votes (Ezeiza airport, in Buenos Aires, had 15%), and also the negative vote of those lamenting the presence of chairs with arms. Common traits of the worst airports include bad smell, inadequate temperatures, beggars and the poor attitude of airport workers. The best airports offer 24-hour services and entertainment (including cinema), security and even a designated area for those looking to take a quiet nap without having to pay for a hotel.



ISTOCKPHOTO

VENICE

Destination Pizza

THE CITY IS MAGICAL, the local currency is the euro and tourists transform its squares, allies and canals into a throbbing anthill 365 days a year. This is why everything in Venice, especially restaurants, is expensive. This column is pleased to reveal a gem of a restaurant: serving the best pizza slices in Venice, and perhaps anywhere in Italy. We are talking about the tiny Pizzeria Sansovino, which goes almost unnoticed on the short route between Piazza San Marco (Saint Marcus square) and Galleria della Accademia (the Accademia Gallery). It closes at the end of the afternoon, and is located at 2628 San Marco, almost in Campo San Maurizio. The pizza parlor provides free aluminum packaging for takeaway orders and it doesn't have an Internet site.



MATTIAS FALCONE DE REZENDE

AVIATION

Air Koryo's outdated Ilyushin aircraft doesn't leave the ground much these days



MARCO REZENDE

Flights per capita

THE ENGLISH COMPANY Official Airlines Guide (OAG), which for decades has provided services to airlines and passengers (who can still remember those massive catalogs – before the dawn of the Internet – that travel agents consulted to check for flights?) published a survey showing the number of commercial flights per capita and per month in each of the 214 countries and territories of the aeronautical world. In 1st place is the Principality of Monaco, with 108 flights per 1000 inhabitants (all by helicopter and on the same route: Monte Carlo-Nice). From 2nd to 39th, we have islands such as the British Virgin Islands and Greenland, with small populations but heavily dependent on air transport. The U.S. and Canada are tied in 40th place, with 5 flights per 1000 inhabitants (though Canada's population of 33 million represents just over 10% of the U.S. population of 307 million). Brazil is ranked behind Djibouti, in 120th place, together with Bulgaria, Albania and the Republic of Guyana, with 0.6 flights per 1000 inhabitants. In 214th and last place is North Korea (23.5 million inhabitants), with only 38 flights per month (or 0.003 flights per 1000 people). <http://www.oag.com/travel-news/oag-travel-news/1/worldwide-flights-per-capita-by-laura-jackson/>

RUSSIA

Etiquette and local customs

WHEN PRESIDENT BARACK Obama visited Moscow for the first time in July, the Moscow Times gave some tips on Russian etiquette to the U.S. entourage. These tips apply to foreigners in general, and include:

- Apparently, the only two Russians that don't smoke are President Dmitri Medvedev and Prime Minister Vladimir Putin. Everyone else smokes wherever they want, including restaurants, taxis and hotel rooms. There's only one place where you can't smoke (and if you do you'll be hit with a hefty fine): the Red Square.
- Toasts (with vodka) are a tradition at the dinner table. If you feel you haven't got the stomach, knock back the first dose (when everyone is watching), and cheat on the others.
- If invited to dinner, bring flowers for the lady of the house, but in an uneven number. An even number of flowers are for the deceased.
- Russians dress in accordance with their lifestyle, and dressing too informally can be seen as a sign of disrespect. The story goes that the fate of Vladimir Khordokovsky, the ex-powerful owner of the oil company Yukos, was sealed when he turned up for a high-level meeting at the Kremlin sporting a polo shirt.
- Don't discuss domestic Russian politics if you aren't totally intimate with the person you are talking to. In England, people talk about the weather. In Russia, sport is the best topic of conversation for shooting the breeze.

www.themoscowtimes.com/index.htm

New York, by François Payard

HE IS A THIRD GENERATION member of a family of pastry chefs from Nice, France. But he has lived 20 years of his 42 years in New York, working in restaurants like Le Cirque and Le Bernardin. François Payard now commands his own bistro-pâtisserie, and is head of a gastronomic empire that stretches to Korea and Japan. At the request of **PIB**, François suggested a walking tour of his adoptive city, replete with restaurants and farmer's markets of course, and much more.



Steaks at BLT-carnivore's paradise

HANDOUT

If you have a few hours...

START WITH UNION SQUARE, perhaps picking up fresh fruit and vegetables at the most famous farmer's market in New York. Just a stroll through this traditional city square is worth it, for the beautiful produce and the crowd. Then head up to the Upper East Side to see the Frick Collection, right in front of Central Park, and stop for lunch at BLT Steak (57th Street between Park and Madison Avenues) – chef Laurent Tourondel's popular steakhouse. Best to reserve a table beforehand: the always packed restaurant is a hot spot for beautiful people and executives.

If you have the entire weekend...

BEGIN SUNDAY WITH BRUNCH at Le Parker Meridien, and do some more shopping at the nearby Plaza Hotel. Afterwards, across the street in Central Park, you will find New Yorkers in all their diversity. Now, it's time to head to the Meatpacking District, an old industrial area on the West Side now converted into one of the most fashionable spots in the city—old butcher shops and slaughterhouses today are host to stores, restaurants, lounges and clubs. Visit the new darling of the city—The High Line, an unlikely park perched atop an old elevated freight railway at the intersection of Gansevoort and Washington streets. Have a drink at Pastis, the celebrity bistro, and continue onwards to Ono Restaurant, in the Hotel Gansevoort, for dinner. Finish the night off at the Brandy Library, in Tribeca, known for its bar stocked with 1,000 scotches and cognacs.



Autumn in Central Park

IVAN BAAN © 2009



High Line: Elevated railway transformed into suspended park

If you have a full day...

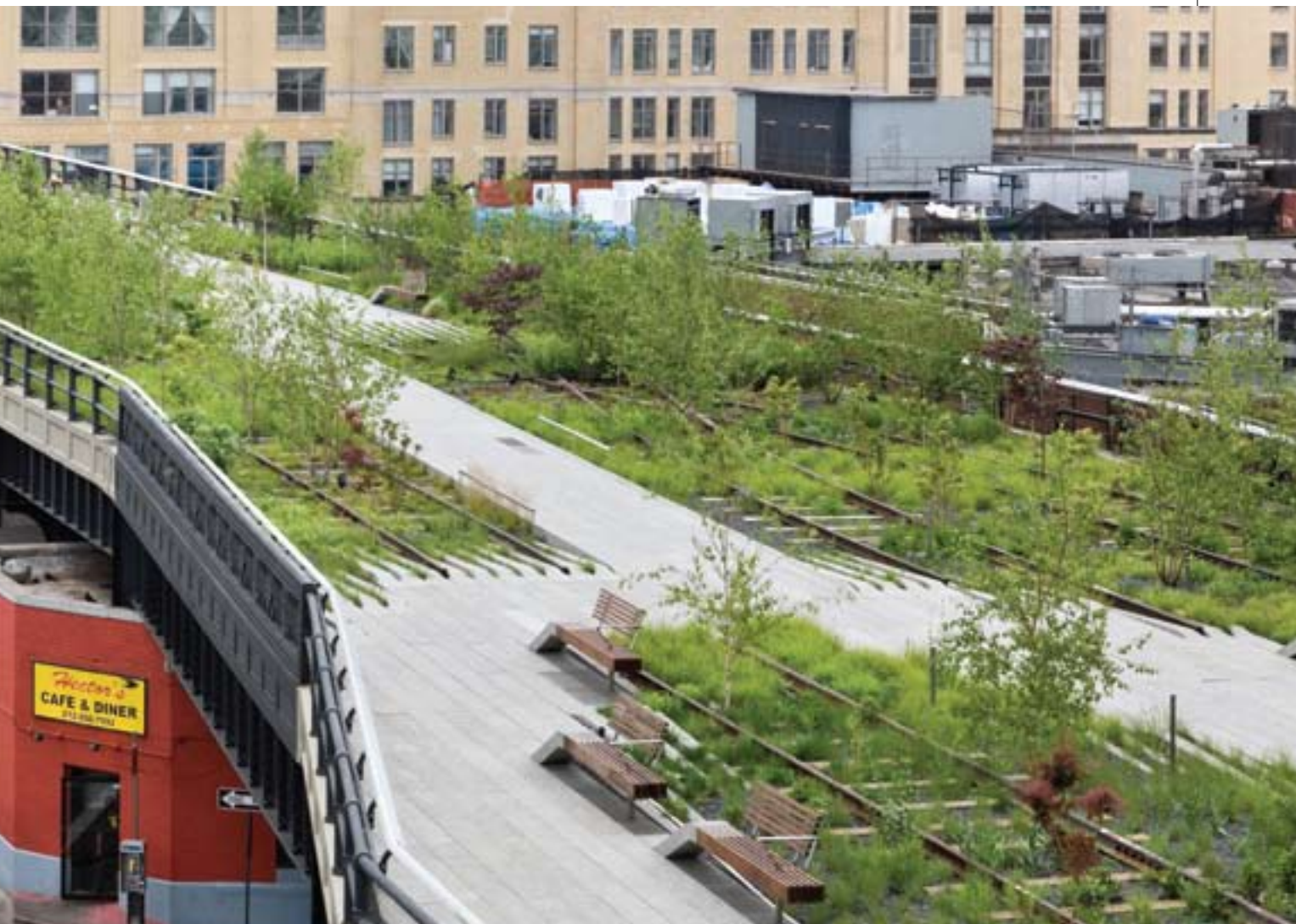
ADD IN SOME SHOPPING IN SOHO,

at Broadway and West Broadway. While still downtown, stop for a cocktail in the recently inaugurated Thompson Hotel, with a panoramic view of Manhattan. Have dinner at Le Bernardin, where chef Eric Ripert runs the best seafood restaurant in the city.



GETTYIMAGE

Soho: for strolling and shopping



Is Singapore in China?

Rodrigo and Ana Luiza traveled halfway around the world with three children yearning for rice and beans, and made a discovery: the mysterious Asian state city is nothing like they say it is

WHEN IT WAS FINALLY DECIDED that we would go to Singapore, we were all a bit scared. It's a long way away; it's in Asia and it's an unknown place. Some of my colleagues insisted that it was indeed in China, even after I repeated that it doesn't even border China.

What we had heard about were the very strict laws, mainly the ban on chewing gum. I went straight to the Internet and started to look for information. There are fines for people who cross outside the zebra crossing or who throw litter on the ground; vandalism is punished with whiplashes! We were scared, but, when I thought about it, I had never spray painted a wall... So it was in this vein, pretending everything was hunky dory, that we set off. Of course, the going was tough in the beginning. In the first few days, we had to drag the children to bed so they wouldn't sleep on the floor – the time difference is 11 hours. We lived in a flat for almost two months and we only ate takeout food.

When we moved into our house, with our things, everything miraculously started to improve. Our children's mood perked up as soon as they saw rice and beans on the table. They started to learn English and to communicate with their classmates. We met many Brazilian families at our children's school, who gave us warm support and helped us out in the day-to-day logistics, with tips on where to find the right beans and a good dentist.

And what about Singapore, what about that tense city full of strict rules that we were expecting to find? It couldn't be more different. It's a fasci-



Rodrigo in Singapore; surprised at the city

FAMILY ALBUM

nating and surprising city. Despite its 4.5 million inhabitants and one of the highest population densities in the world, the city is very green, with parks all over the place. Near to our home, in the middle of the city, there is an ecological reserve with monkeys and a woodland mountain bike trail – something I could never imagine finding in the center of São Paulo. At weekends, we have several indoor options and numerous outdoor options for our kids (it rains a lot here – Singapore is above the Equator). It even has a beach and, although they say the sea is dirty, I still go for a swim anyway. Even the teenagers and bachelors love the city; they say it has a great nightlife – something that we, with three small kids in tow, have obviously yet to sample.

There are 1 million foreigners living in Singapore, including workers from Bangladesh, Philippine house cleaners and expatriate executives from all over the world; the school alone features 70 nationalities. The origin of the local population is Chinese, Malaysian and Tamil. Consequently, the atmosphere is very diverse and no one feels too out of place. Even the language helps. Since each one of these races speaks a different language, English ends up being the common tongue. But most locals speak with a strong accent and so pigeon English goes unnoticed.

With all these facilities and aided by strong government incentives, Singapore is now one of the favorite places for multinationals to set up their Asian offices. The country is stable politically and economically, friendly for companies and has excellent infrastructure; it is safe, has excellent transportation, education and a first-class health system, the best airline and one of the best airports in the world –

which is a major plus for those, like most executives here, who have to travel the entire region. Singapore clearly has its problems and restrictions. But the overall impression is very positive, and life here has been just great thank you very much. ■

* Rodrigo Toni was president in Brazil of Ipsos, a global market research company. He now runs the company in South and Southeast Asia and Oceania. He has been living in Singapore for almost eight months with his wife Ana Luiza, and their three children Clara (10), João (9) and Miguel (5).



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