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PIB's mission is to give readers the main information on Brazil's growing presence in the globalized environment and of its companies in the international business scene. From time to time, some vehicles dip their toes. But no national press vehicle goes as far, or as deep, in its coverage.

Our editor Marco Rezende, a journalist who spent 19 years as correspondent of *Veja* magazine in Paris and Rome, visited South Africa, Angola and Mozambique. There, he observed in detail the saga of Brazilian companies of all sizes who went out looking for the opportunities offered by African markets. The result is a superb, enthusiastic 12-page report on the growth in Brazilian business in this part of the world in which everything, apparently, has yet to be built.

The interest aroused by Brazil abroad is also evident on other fronts. In the production of TV content, for example. The TV Globo telenovelas have already been sold to 146 countries. You can count on one hand the number of global TV stations capable of doing this. In recent years, Brazil has also seen the emergence of a wave of independent producers – for whom exporting documentaries and animations has also become a routine.

Another phenomenon shows how the world is enchanted with Brazil: the search for Brazilian Portuguese classes. To cite just one example, at Washington's ultra-traditional Georgetown University, the number of students enrolled in Brazilian Portuguese courses has quadrupled in the last two years. In other words: despite the crisis and all the attention it has attracted, the world hasn't lost sight of Brazil.

Crisis? PIB also features a report on what, exactly, the main Brazilian multinationals are doing to overcome the impact of the crisis. Their strategies make clear the important role that Brazil will clearly play over the next few decades. It is this leading role for Brazil that PIB covers and which, in a certain way, it anticipates in each edition. At the end of the day, our focus is Brazil. But our horizon is the world.

Nely Caixeta



**PIB's
Marco Antônio
and minister
Miguel Jorge in
Johannesburg**



**TOTUM
EXCELÊNCIA EDITORIAL**
Nely Caixeta



**PIB
BRAZILIAN COMPANIES
GO INTERNATIONAL**

A TWO-MONTHLY MAGAZINE FOCUSING ON
INTERNATIONAL BUSINESS AND ECONOMICS

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Nely Caixeta - nely@revistapib.com.br

EDITORS

Armando Mendes, José Ruy Gandra e Marco Rezende

CONTRIBUTORS TO THIS EDITION

Andrea Antonacci, Andressa Rovani, Antonio Carlos Santomauro, Cecília Pires, Flávia Carbonari, de Washington, Flavio de Carvalho Serpa, Gustavo Rabello, de Xangai, José Maria Furtado, de Belo Horizonte, Nara Vidal, de Londres, Paulo Salvador, de Paris, Ruben Goulart, do Rio de Janeiro, Suzana Camargo, de Zurique, W.F. Padovani

PHOTO EDITOR

Max Nogueira

PHOTOGRAPHER

Gloria Flugel

DESIGNER

Renato Dantas

COVER

Marcelo Calenda

COPYDESK AND PREPARATION

Mary Ferrarini

TRANSLATION

John Jardine, John Fitzpatrick e Kevin Wall

ADVERTISING

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Luiz Fernando Canoa de Oliveira

adm@totumex.com.br

EDITORIAL CORRESPONDENCE

Av. Brigadeiro Faria Lima, 1903, cj. 33

CEP 01452-911 - São Paulo - SP

redacao@revistapib.com.br

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Nely Caixeta (MTb 11 409)

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Dear Editor,

I've just discovered the **PIB** magazine via the English version on the Internet. We are delighted to receive publications such as **PIB**, which illustrate the good momentum of Brazil and are even a work tool for exporters, who can recommend the digital versions to international contacts – which would certainly boost the chances of closing deals. It's Brazil showing its face; it's the world learning more about Brazil's importance.

FERNANDO AGUIAR JACINTO
LOUÇAS SANITÁRIAS HERVY
SÃO PAULO – SP

I'm a sociologist and researcher from São Paulo University's Innovation and Competition Observatory. I really enjoyed the article on Dabi Atlante, a company I hadn't heard about. It's one of the many examples of small innovative companies operating in Brazil and which are slowly starting to give our exports a new profile. Selling more and more knowledge-intensive products is the path taken by Asian countries to achieve higher job and income levels. This is an example to be followed by businessmen and university students and encouraged by the government.

LUIZ CASEIRO.
SÃO PAULO - SP.

I had the opportunity to read **PIB** recently. I thought it was beautifully illustrated and high quality. Congratulations to the magazine's editors.

ANDRÉ CARDOSO
BRASÍLIA – DF

Upon reading the magazine on the Internet, I enjoyed the articles, which seek to be as informative as possible. We are a young country in

terms of international trade, but this shouldn't be an excuse for immature or rushed decisions. We have to walk in the right direction. And, for this, the service provided by you will always be essential.

RENATO TIMM
LIMEIRA – SP

*I am doing my PhD in business management at São Paulo University and my research focus is the internationalization of Brazilian companies. I am also giving classes on a subject that discusses the internationalization process of our companies. I really enjoy the **PIB** articles and I use them in my classes.*

FRANCIANE SILVEIRA
CURRENTLY TAKING PHD; TEACHER
SÃO PAULO – SP

Congratulations on the magazine! I have just discovered **PIB** now and I would like to know how to get my hands on previous editions

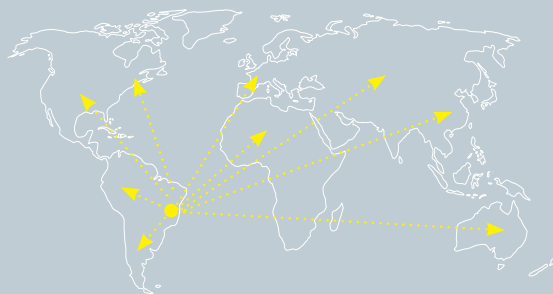
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Our daily design

Rio+ Design takes 150 products to Milan's International Furniture Show

A LITTLE PIECE of bread in the format of one of Brazil's most famous tourist attractions will be the Brazilian star at a design trade fair in Milan. To achieve this prestigious honor, the brioche beat out other creations in a bakery contest to choose the Pão de Açúcar do Rio – or Rio de Janeiro's Sugarloaf. Created by the traditional Rio de Janeiro restaurant Garcia & Rodrigues, the brioche has a fruit jam filling and a crunchy, sugary cashew nut crust. But it's the format that already makes it a national preference. Alongside the brioche, another 149 Brazilian products should touch down in Milan in mid-April to form part of the Rio + Design space at the International Furniture Show. The aim is to divulge the



Bread made by the Garcia & Rodrigues restaurant



HANDOUT



HANDOUT/ RIO + DESIGN

needle rack created by Bruno Novo

work of Rio de Janeiro designers to the attending industries, and the expectation is for 20% growth in the number of deals closed at the event.

The Rio + Design, now in its second edition, is a partnership between the Rio de Janeiro state government and Sebrae (Brazilian Support Service for Micro and Small Companies) to show off to the world the creative potential of Brazilian designers. The 27 exhibitors that promise to attract the attention of the Italians include Antonio Bernardo and his jewels, the lamps and lighting fixtures of Celso Santos and Levi Domingos and the furniture of Índio da Costa, Fernando Jaeger and Bruno Novo.



poster of the Rio + Design event, highlighting the city's glow

HANDOUT/ RIO + DESIGN



Ring Puzzle, by Antonio Bernardo; and Tupi chair, by Lattoog Design



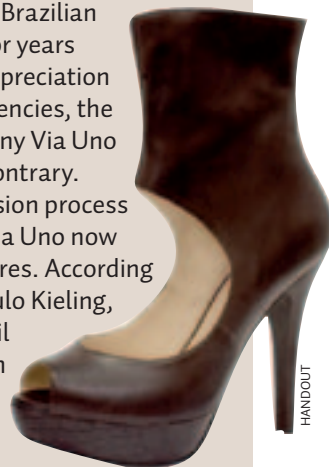
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HANDOUT

Shoes for everyone!

Despite belonging to the Brazilian footwear sector, which for years has suffered from BRL appreciation against other global currencies, the Rio Grande do Sul company Via Uno can't complain. On the contrary. Since initiating its expansion process via franchises in 2005, Via Uno now has 114 international stores. According to marketing director Paulo Kieling, the target is 160 ex-Brazil stores by year-end, which would bring its total number of stores to 345.



HANDOUT

The company's internationalization process has been so quick that now, of the 300,000 pairs of shoes produced per month, half are exported. You can find Via Uno shoes in 25 countries, including Chile, Mexico, Dubai, Holland, Cuba, Italy, Portugal, France and South Africa. The secret? "We translate trends and accompany the fashion world", says Kieling.

HANDOUT



London calling

Brazilian art is taking over the London summer scene

GIL, BETHANIA, AFRO-REGAEE, Mutantes... Brazil's UK embassy has named a heavyweight team to ensure that Brazilian culture gains space in the British agenda (see text on page...). The Brazil Festival, set to take place in the upcoming European summer season, will take to London leading names from Brazilian popular music and prominent Brazilian performers in the fields of visual arts, dance, literature and cinema. A quick summary of the good things Brazil has to offer and which deserve to be seen. Not even graffiti, an omnipresent artistic expression in Brazil's main cities, will be missing.

The festival promises to be the longest Brazil-dedicated event ever seen in the city – lasting almost three months, from 19 June to 5 September, and coinciding with the European vacation season and the relaxed mood in the city.

Shows, debates and expos will take place at indoor venues, such as the Royal Festival Hall, Queen Elizabeth Hall, Hayward Gallery and Purcell Room, and also outdoors – at the Southbank Centre (England's main art center). This is the third year in which HSBC, event sponsor, will take emerging market arts to the UK. In 2008,

installation
of painter
Ernesto Neto



HANDOUT

it was China's turn and in 2009 India lit up the city with its art and culture. According to HSBC, the mission is to spread knowledge of other cultures, mainly of emerging markets. On the literary scene, the traditional London Literature Festival will be incorporated into this year's event with the participation of writer Milton Hatoum, poet and musician Arnaldo Antunes and young writers João Paulo Cuenca and Tatiana Salem Levy. Gringo Cardia will also be one of the highlights of the festival, with his graphic design expos and street art that promise to light up Southbank.



Gringo
Cardia
scenario



singer
Tom Zé

ANDRÉ CONTI/HANDOUT

Brazil the investor

THE GOOD RESULTS posted in the first two months of 2010 have led the Brazilian Central Bank to triple its expectation of direct Brazilian investment abroad for 2010, from US\$5bn to US\$15bn. In February alone, Brazilian companies invested a net amount of US\$4.2bn abroad, a record for the month and also more than the amount of foreign direct investment (FDI) received by Brazil in the period.

Abracadabra!

Considered one of the world's biggest B2B e-commerce platforms, the Chinese portal Alibaba.com, in partnership with Hong Kong-based multinational Ludatrade, now has a physical presence in Brazil. Note: in China, Ali Baba is associated with "taking advantage of opportunities", and not to the famous 40 thieves. The focus of Alibaba.com is the internationalization of small and medium companies, to which it offers 47 million global users interested in making purchases – of which almost 7 million are companies (mostly small or medium-size) who pay to have their information endorsed by the portal, and for technological and market support.

20 employees working in three offices in Brazil (São Paulo, Rio de Janeiro and Brasília) are already offering these services. "By 2011, we will have offices in over 10 Brazilian cities", predicts Kenneth Ma, CEO of Ludatrade. Signing up to these services will cost around R\$ 8,000 a year. The portal offers interested parties assistance in Portuguese, lists of potential buyers, help in negotiations and translations, plus other services. For more information go to: www.ludatrade.com.br <<http://www.ludatrade.com.br/>> (Antonio Carlos Santomauro)

The Master's Touch

ONE OF OSCAR Niemeyer's grandest works was inaugurated at the beginning of this year, and one that is sure to become an architectural inheritance for generations to come. The auditorium named after the architect is in Ravello, a small but beautiful city on the Amalfitana coast in Italy, and which set the stage for an intense debate about the interaction between Niemeyer's modernism and the traditional local houses over a hundred years old. In the shape of a wave, the array of reinforced cement created by the papal hand of Brazilian architecture can be seen from afar, as it adorns the top of a sea cliff. "He was extremely happy with the project", said architect Jair Valera, from Niemeyer's office. At 102, Niemeyer is still working and already has another international design underway. "We are now working on the Cultural Center at Avila, in Spain", said Valera.

100,000 bottles

Is the number the wine producer Salton from Rio Grande do Sul plans to export in the next five years...

The way forward chosen by vintner Salton to get export orders was to attend international wine fairs. According to company management, 80% of its exports originate from these sources. The purpose now is to internationalize the brand further, with the aim of ensuring 5% of revenue can be attributed exports in the next five years. "We are going to make a big bet on the export market and we are restructuring our export department, with a larger team dedicated to international business, with the intention of increasing our presence in the export market", said planning manager, Maurício Salton. The company hopes to sell approximately 100,000 bottles overseas, and particularly wines of a higher

added value, such as the sparkling wine Lunae and the range of fine wines: Classic, Volpi, Séries, Talento and Desejo. With a focus on some extremely competitive markets, such as European countries, we need to do more than just provide a good product, as we need to surprise the consumer with the quality of our products. "The image of Brazil as a producer of wine and sparkling wine is a relatively recent development, a factor that has effectively capped any larger business volumes", said Salton. The reason? "Most consumers expect Brazilian products to have an exotic flavor or tropical taste. For this reason young aromatic, fruity wines with little wood are those that please the market the most".

HANDOUT



Ravello
auditorium:
audacious
seashore
location



Prize-winning
chef (Ana Luiza
Trajano) and book

HANDOUT

The Oscar of Gastronomy

FOR A CHEF and writer, it is like winning an Oscar. The chef and researcher from Sao Paulo, Ana Luiza Trajano, was awarded the Gourmand World Cook Book Award in Paris, the only international prize for publications about gastronomy. The recognition for the best book on gastronomy in the world was given to the book "Brasil a Gosto – Tastes of Brazil", the same name as her restaurant in São Paulo. "Brasil a gosto" is part of the research project "Sabores do Brasil – Flavors of Brazil", which led to the author embarking on a cultural tour of the north, northeast and southeast of the country, visiting 47 cities, to really get to know the cultural wealth and local gastronomic delights.

UMBERTO E ANDREA GALLUCCI/WWW.BBPHOTOS.IT



Barrels of wine
at Salton's
main vineyard
in Bento
Gonçalves



HANDOUT

In their own tongue

SUZANO PAPEL E Celulose plans to conquer China in Mandarin. To make this Project feasible, the Brazilian multinational has added a Mandarin version to its website, which is already available in English and Spanish. The company's aim is not just to make commercial relations easier, as there has also been a rising level of interest in this market in general and Suzano in particular. According to management, China is soon likely to become one of the main markets for wood pulp in the sector. The country currently imports 8.6 million tons of pulp per year, and almost a third of this is from Brazilian producers. Chinese demand for market and Eucalyptus pulp rose by 55.4% and 86.9% in 2009, respectively. Combined with the growth in the Latin-American market, these increases were enough to compensate for the drop in demand from the markets in Europe and the United States.

Cash for Export

MONEY MAY BE the next item on the list of Brazilian exports. The Brazilian Mint, the institution responsible for producing the Brazilian currency notes and coins, as well as other official documents, is looking to expand and diversify its customer base around the world. The changes in equipment required to produce the new real notes – which are more sophisticated and safe; and which go into circulation in June – provided an opening to take advantage of the institution's new installed capacity to produce simpler notes of lower denominations.

Although undoubtedly a national symbol for any country, producing their currency is not always an economically feasible business. According to Sidney Gasparini, director of international Sales at the Brazilian Mint, having and maintaining an active Mint is only recommended for countries with more than 30 million inhabitants. "In South America, only Argentina, Brazil, Chile, Colombia and Venezuela have their own mints", says Gasparini. The list

of the Mint's potential clients includes 23 neighboring countries in South and Central America (the Caribbean included) and six in Lusitania.

The first clients to have their currencies minted in Brazil are likely to be Argentina and Venezuela, which is scheduled to take place before September of 2010. Even though these countries can produce their own currencies, they have come to Brazil because of the recent upgrade in its equipment. Given this, the Mint is now expecting a flood of orders. The country currently produces 3 billion notes annually, although the target in the next eight years is 5.5 billion per year. It is thus estimated that 60% of this production will be exported. To make this project feasible, the institution has invited representatives from several countries to visit its money-making factory in Brazil. "We are showing our new face to the world, to attract clients to get to know what is on offer in our industrial park", stated Gasparini.



Employee
of Brazilian
National
Mint: money
for other
countries

HANDOUT

The origins of the Brazilian Mint

FOUNDED IN 1694, the Brazilian Mint was created by the Portuguese to produce gold coins from the precious metal mined in the country. At the time, the growth in trade began to cause monetary chaos due to the lack of local supplies of coins. The Mint produced its first coins a year after it was set up, which gradually replaced the various other currencies that circulated in the country. Between 1975 and 2005, the institution maintained an exporting division, which supplied the demand of ten countries during this 30-year period. The last order, five years ago, was a medal (badge of honor) ordered by Angola.



THE ORGANICS BRASIL PROJECT		
YEAR	PARTICIPATING COMPANIES	EXPORT VOLUME
2005	12	US\$ 9,5
2006	33	US\$ 15
2007	42	US\$ 21
2008	64	US\$ 58
2009	74	US\$ 44,3
2010-1Q	74	US\$ 8

Say no to agrotoxins!

More than US\$8 million of organic products were exported in 1Q10

The Brazilian sector for organic products exported a total of approximately US\$8 million in the first quarter of this year alone. This is largely the result of companies in the sector having attended two important international trade fairs. The Organics Brasil project, a partnership between Apex-Brasil (The Brazilian Agency for the Promotion of Exports and Investments) and IPD (The Institute for the Promotion of Economic Development), intends to take part in eight international trade fairs this year, one more than last year. The largest fair for organic products is the Biofach in Nuremberg, always held in February, and Organics Brasil was represented by 11 associated companies, which closed deals worth US\$6.2 million. At Expo West, in March in California, another US\$1.8 million of orders were taken. At the end of April, the Brazilian organic companies will be in Sial, Canada. The volume of exports in the sector quadrupled in 2009 compared with 2005 (see table above).

3 questions about Global education

3 QUESTIONS ABOUT GLOBAL EDUCATION

UNICAMP WAS THE only university in South America to take part in the fourth edition of Going Global, a conference about the models used in the internationalization of education held in London last March. For Leandro R. Tessler, the coordinator of International and Institutional Relations (Cori) at the university and who took part in the meeting, “it is fundamental for the country’s development that its best institutions can offer an international dimension”. Tessler answered the following questions asked by PIB:

1. In what way can the internationalization of the student help improve the quality of Brazilian universities?

Internationalization goes way beyond the student. At the beginning of this new millennium, knowledge is more and more linked to development. Brazil is already well on its way on an irreversible trajectory in the sense that it is playing an increasingly more important role on the world stage. As such, it is fundamental for the country’s development that its best institutions of higher learning have a truly international dimension; and one that can be expressed in international research and development projects, for example. This particular dimension also needs to involve the students, in that exposure to different cultures is a way of qualifying them and opening new doors in the market. In addition, exposing Brazilian universities in general to international qualities and standards qualifies them better on all fronts.

2. What qualifications can these students get abroad that they cannot get here?

The main aim of internationalization is not to try and offer qualifications that do not exist here, but to open the door to a two-way cultural interexchange. It is just as important to send students abroad as it is to receive them from other countries. Exposure to a diverse environment is a challenge that qualifies both Brazilians and foreigners and creates lasting cultural ties.

3. For those who believe internationalization should be part of their studies, what is the best time in a person’s career to include this?

During graduate studies, and I would recommend that students avoid experiencing this in the first and last years of the course. As far as post graduates are concerned, the ideal situation is to do part of a research project abroad. But more important than the moment, is the realization that it is important to experience an intellectual challenge that will have life-long consequences.

Not even Rio de Janeiro's image on classic London taxi cabs...



EMBRATUR

Tough path ahead

The Brits haven't yet discovered Brazil's potential as a tourist destination

BRAZIL, THE COUNTRY of sunshine, soccer, beautiful women and sensational beaches, right? Maybe, but the stereotype doesn't seem to be enough to attract visitors from the UK. According to Skyscanners, a flight comparison site, Brazil doesn't even rank among the 50 most popular and attractive tourist destinations for Brits.

The survey, taken on the Skyscanners site itself, one of the biggest in Europe, features countries such as Thailand, India and the US among its top 15, while Britain's neighbors Spain, France and Portugal are in the top 10.

According to company director, Barry Smith, the global crisis led Brits to prefer European vacations. The more adventurous British travelers went as far as tested and approved destinations such as India and Thailand.

Another survey, taken by British Airways (which offers daily flights to Brazil), confirms the difficulty: the 10 most attractive locations for British tourists, according to BA, include Egypt, the Maldives, the Dominican Republic and South Africa, with Brazil

again nowhere to be seen. The Brits still seem to see us as too exotic or too much of an unknown to risk their carefully planned vacations.

The Head of the Tourism Sector of the Brazilian Embassy in the UK, Igor Flávio de Aguiar Germano, signals out one of the possible causes: several of the best-ranked destinations are excellently served by direct flights from the UK, whereas Brazil doesn't offer the same range of options, forcing willing tourists to fly with airlines offering stop-overs in Spain, France or Portugal.

"Insufficient infrastructure is a problem affecting the entire Brazilian economy", says Germano. "It seems clear that Brazil will only progress in this area if investments are made in better highways, airports, hotels and more direct flights between the UK and Brazil."

So, how to make Brazil an irresistible country to British tourists? It's not all bad news: according to Embratur, which reports that the number of Brits traveling to Brazil has risen: from 169,627 in 2006 to 181,179 in 2008. The Iguaçu waterfalls were also voted the best international tourist attraction in a survey by The Guardian.

These are signs that progress is possible. Coherent and constant improvements in infrastructure, advertising and marketing (and lots of direct flights!) would of course help turn things around; especially with the enormous tourism opportunity created by the 2014 World Cup and 2016 Olympics. And after rooting for success, it's always worth taking a trip down to the Iguaçu waterfalls. (Nara Vidal, London)

...or posters showing its beautiful landscape are attracting Brits over to Brazil



EMBRATUR

Argentina

BRAZILIAN HOSPITAL EQUIPMENT manufacturers are complaining of abuse and disrespect in international agreements when it seeks the necessary certification to export to Argentina. Dabi Atlante, for example, states that it is necessary to repeat the onerous testing process in the importing country and as already carried out by Anvisa (The National Sanitary Safety Agency). “This represents a non-tax import barrier placed specifically in Brazil’s way”, notes Paulo Passarini, the company’s quality guarantee manager. Another company in the sector, Fanem, to sell its incubators in the neighboring country also has to repeat these tests, and the only alternative is to present the European Community certificate, together with the individual certification or with proof of direct sale in a country included in this trading block. “It

is practically impossible to prove a direct sale as we largely sell our products to distributors”, states José Osvaldo Flosi, Fanem’s export manager. “The registration process in a European country is extremely costly”, he adds.

According to Hely Maestrello, the executive director of Abimo (the Association of Medical and Hospital equipment), similar requirements are being imposed on Argentineans interested in selling their products in Brazil. The representatives of the Brazilian companies contest this information. Whatever the real scenario, the dispute rages on. Maestrello recommends: “Whoever wants to export to Argentina should be prepared to repeat the certification tests in the country”. Anvisa has not commented on the matter to date. (Antonio Carlos Santomauro)



The Vision incubator and the pre-natal equipment manufactured by Fanem

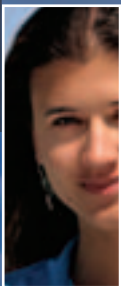
Baby Índia

FANEM, A MANUFACTURER of hospital equipment based in Guarulhos, in Greater São Paulo, intends to inaugurate its first pre-natal equipment plant outside Brazil in 2011. The company chose India as the location for this new facility – and, this decision was partly based on the huge Indian market, which currently has a population of 1.2 billion inhabitants. The estimated investment for this plant is around US\$5 million. With the Brazilian market saturated, the company is looking for more international clients. Fanem already exports to 93 countries, which together represented 35% of its total revenue in 2009.

A view from Capitol Hill

News from the United States with a Brazilian slant

FLÁVIA CARBONARI



On the Grey List?

Cotton plantations in the US: under pressure

CASAPHOOTO/ DREAMSTIME.COM

A Rocky Road

A standoff in trade sanctions and differences in foreign policy have dampened the relationship between Brazil and the United States

The saga of Brazilian trade retaliation against the United States authorized by the World Trade Organization (WTO) based on the dispute over U.S. cotton subsidies is not encouraging news for those hoping to see a “special status” developing between

the two nations. The results of U.S. Secretary of State, Hillary Clinton’s visit to Brasilia show that bilateral cooperation still exists, in practice, but the tendency is growing for this to be linked to specific questions. To offset this rather bleak outlook, the recent signing of a military and defense agreement indicated the reopening of dialogue in an extremely sensitive area. But there are still some crucial sticking points: “Brazil is seen by the U.S. as a stabilizing force on the continent, but the tension is still running high and nerves are frayed, largely due to the criticism of Brazilian

dialogue with Iran, the deadlock at Doha, U.S. agricultural subsidies, and the annual revision of the Generalized System of Preferences by U.S. Congress”, said Deputy Mauricio Rands (PT-PE), joint-president of the Brazil-EUA Parliamentary Group.

Peter Hakim, president of Inter-American Dialogue and an expert on Latin America in Washington, is optimistic. “Given time, you will see Brazil and the United States sharing more and more common interests, and thus the relationship between the two will be cemented naturally, largely for economic motives and not due to any political or ideological convergence”. Brazil is currently the tenth largest trading partner with the U.S., and bilateral trade between the two countries has grown more in the last few years than with any other large emerging market

Hillary and Lula, in Brasília: tense climate persists

FABIO RODRIGUES POZZEBOM/ABR



In the middle of the scrimmage with Brazil about cotton, the U.S. government is preparing to release its annual revision of the Special 301 Report, a controversial mechanism published by the USTR and that has been in use since 1989 to pressure other countries to adopt intellectual property rights policies and reinforce compliance with them. The document evaluates the national laws of U.S. trading partners and their levels of compliance, classifying countries into three main categories. In 2009, the Report analyzed 77 countries and listed 46 in one of these categories. Brazil was put into the third as a country on the “watch list”, the least severe of the three. The Brazilian private sector has mobilized itself to defend the country in any revision of Special Report 301. In a petition of almost 20 pages, Fiesp, the CNI, the Coalition of Brazilian Industries in Washington and the Brazil-U.S. Business Council

requested that the USTR remove Brazil from the list. The document illustrated the advances made in Brazil in terms of establishing protective policies for intellectual property rights and creating entities to monitor pirating and smuggling (contraband goods). But the other side has also stated its case - the International Intellectual Property Alliance (IIPA), an entity with ties to American industry, sent a 16-page recommendation to the USTR asking for Brazil to be kept on the watch list. The IIPA argues that Brazil could break patents or reduce royalty payments if it decides to use cross retaliation against the United States in the case of the cotton sanctions it has won. Democrat and Republican leaders of the Senate Agricultural Committee added fuel to this particular fire, threatening to “reconsider the benefits that the country receives as a result of its preferential trade programs with the U.S.”.

More Brazilians around and about

WITH BRAZIL'S INCREASED international exposure and the presidential election drawing near, the number of events and specialists dedicated to the country in Washington has risen dramatically. One example of this is the presence of the FGV's coordinator of its Center of International Studies, Matias Spektor, at the headquarters of the Council on Foreign Relations, in the first semester of 2010. The Brazilian Institute at the Wilson Center is also currently hosting Leslie Bethel, an English historian with roots in Rio, and the Center intends to maintain a resident Brazilian scholar from now on.

Who's the Boss?

THE CENTRAL ROLE of U.S. trade policy resides with the Legislative branch of power. As such, decisions about any potential counter measures against Brazil in retaliation for sanctions imposed as a result of the cotton-subsidies case have effectively split Congress. Two Executive bodies implement what the Legislature decides: first is the Department of Commerce, which is responsible for foreign trade policy, and that includes the programs to promote and finance exports, the defense of trade and controlling exports. The second body is the Office of the United States Trade Representative – the infamous USTR, which is the chief adviser to the President on international trade issues and responsible for all international negotiations. The current USTR chief is the former mayor of Dallas, Ron Kirk, a key figure in the relationship between Brazil and the U.S.

Think-Tanks

THE FUNDAÇÃO GETÚLIO Vargas is the most influential private institution responsible for public policy research in Latin America, according to a study carried out by the University of Pennsylvania. FGV is rated the 28th best think-tank in the world in the ranking released in the

study. Chile's Center of Policy Studies is ranked number 47, and is the only other Latin American institution in the top 50. The top three are North American: the Brookings Institution, the Council on Foreign Relations and the Carnegie Endowment for International Peace.

Kirk, head of USTR:
key figure



USTR

Ana Luísa (in red coat) and a friend in front of the Belém Tower in Lisbon: overcoming homesickness




Not long ago Brazilians who lived abroad would arrive back in Brazil on holiday with a list of food and drinks ready to help ease their homesickness back their native soil. This list would include feijoada stew and churrasco barbecued meat, cheese puffs, guava jelly, tapioca, deep-friend pastries traditionally served in street markets known as pasteis, chicken snacks fried in pastry made

with potato... and guaraná.

Guaraná is a drink produced from the extract of an Amazon fruit and it can be consumed in many ways – as a syrup, juice or soft drink. The Guaraná Antarctica soft drink has become the particular favorite of the homesick, expatriate Brazilians. Finding guaraná on other continents was a rare and expensive pleasure for many years. However, things have changed and it has become increasingly easier to

find the green cans containing the drink, thanks the wave of popularity about Brazil and its products abroad as well as the initiative of some foreigner entrepreneurs who have started to pay attention to a demand which had not been met before.

The Brazilian journalist Ana Luisa Machado is married to a Portuguese and has been living in the Estoril area of Portugal since 2005. When she moved there she found Guaraná Antarctica in su-



Far from family and friends, expatriate Brazilians try to ease their homesickness by buying Brazilian products. Who would believe that Guaraná Antarctica can be bought in a small convenience store in a gas filling station in Switzerland?

**SUZANA CAMARGO,
ZURICHE**

Flavor of home

PERSONAL ARCHIVES

permarkets, stores selling Brazilian products and in some restaurants and eating places. "It's a unique taste which reminds me of Brazil. Whenever I drink it, I remember the popcorn advertisement with guaraná," she says in a reference to a famous advertising campaign run by Guaraná Antarctica in Brazil in 1991. "The Portuguese know it is a soft drink from Brazil and I think we Brazilians are the ones who mainly buy it here," she adds.

Guaraná Antarctica has been produced under license in Portugal since 2001 by Sumol + Compal, a company with a strong presence in Portugal and neighboring countries in Europe.

It offers the drink in PET bottles of 1.5 liter and 0.33 liter cans and Guaraná Antarctica sales in Portugal come to around 5 million liters a year. The partnership between InBev and Sumol has led the Brazilian drink to become much more

accessible throughout Europe and lowered the price to the consumer. The store price of guaraná ranges from 2.40 to 3.40 Reais. The price of the drink in Portugal is practically the same in others in that category, says Ana Luísa.

Guaraná was originally launched in 1921 by Companhia Antarctica Paulista and at that time was called Guaraná Champagne. For years, the bottle and then the green can with the red berry on the label became a permanent feature in the ranking of Brazil's favorite drinks. The merger between Brahma and Antarctica in 1999 led to the creation of Ambev, the new holder of the brand. In turn, Ambev merged with the Belgian company Interbrew in 2004 and created InBev which became a global giant in the drinks area, particularly beer.

Even after so many mergers, the flavor of Guaraná Antarctica remains the same. The fruit from which the soft drink is produced comes from the Santa Helena plantation in Maués, a small town in the interior of Amazônia state. It has been the second most popular soft drink sold on the Brazilian market for decades – losing out only to Coca-Cola. In fact, Guaraná Antarc-

EUROPEAN NON-ALCOHOLIC DRINKS MARKET

In the first semester of 2009 (R\$)

- ❑ **Turnover: 150 million euros**
- ❑ **Volume: around 293 billion liters**
- ❑ **There are 1,128 soft drink companies and 1,071 production plants in Europe**

Source: Unesda – Union of European Beverages Associations – June 2009

tica is on the list of the 15 best-selling drinks in the whole world. To achieve this, a sales agreement with Pepsi Co. was signed in 2001 as an initial step to make the product international. The American company began to make, bottle and distribute guaraná in a number of countries.

From Portugal to Europe

In Europe, Brazilian specialties used to be found only in small outlets which sold typical products from foreign countries. In guaraná's case, these were in small Brazilian, Portuguese, Indian or South American stores. In Switzerland, for example, where the Portuguese form the second-largest group of immigrants, there are many restaurants, bars and outlets to meet the needs of the community and, following this tradition, they used to sell Brazilian drinks.

This is the case with Delícias de Portugal, a store which has been selling the Brazilian soft drink since it opened in Zurich a year ago. However, nowadays it is not only the traditional places that offer guaraná. For example, about 300 meters from Delícias de Portugal, the convenience store in

a Shell filling station also has it on its shelves.

"All the distributors of Portuguese products have guaraná," says Fátima Silvestre, the owner of Delícias de Portugal. "I sell it mainly to Brazilians but the Portuguese and Swiss also buy it because they think it is a different drink and like to try it out," she says. The convenience store agrees. "It is a drink that sells well," says Ralph Gsell, representative of the distributor which supplies products to the Shell stores.

And it is not just the small retailer who sees the sales attraction of Brazilian guaraná. The second-largest retail chain in Switzerland, the

Coop, has been selling Guaraná Antarctica since 2007.

"We are very pleased with the sales of this product. Around 600 of our 800 supermarkets, as well as the Coop convenience stores, offer Guar-

aná," says Bernhard Studer, the Coop's drinks manager.

Sales of the Brazilian soft drink have exceeded the Swiss supermarket chain's expectations. Studer admits that the company does not know the exact profile of the consumers of the products but thinks



SUZANA CAMARGO

they are Latin Americans who live in Switzerland, Swiss travelers who have tried it on trips to South America or simply people who are attracted by the name guaraná. "I haven't tried it personally but my

Brazilian guaraná is consumed in Europe as a high-energy drink

AN EYE ON THE EMERGING COUNTRIES

A STUDY BY THE RESEARCH company Euromonitor International shows that the future of the carbonated drinks market is in the hands of five countries: Brazil, China, Mexico, South Africa and the United States. The survey shows that these countries will represent

55% of world growth in the sector in the coming two years.

There is also expected to be an increase in sales of around 16% in these markets this year. The optimistic figures are due to the population growth in these regions, the higher purchasing power

and the establishment of efficient distribution networks. Johanna Iivonen, a soft drinks market analyst at Euromonitor International, believes those companies which bet on innovative products or strong brand positioning among the new consumers will be those which have the highest profitability and growth.



The green cans on the shelves of the Coop, the second-largest supermarket chain in Switzerland:

HANDOUT

niece, who is the daughter of a Bolivian, is very proud to find guaraná in the Coop store. It attracts consumers who appreciate it as a high-energy as well as a sweet drink.”

Another large European chain which decided to invest in the taste of the Brazilian drink is Spain’s El Corte Inglés. Guaraná has been on the shelves since it opened its first supermarket in Portugal in 2001. It was initially seen as an exotic product but this view changed. “The consumers of Guaraná Antártica were mainly Brazilians at first but we have seen an increase in consumption by Portuguese,” says Sara Nogueira, the external relations manager of El Corte Inglés. While guaraná is a permanent

product in the company’s Portuguese outlets, it is only sold in specific campaigns in Spain.

An interesting aspect of this recent growing popularity of Guaraná Antártica in some European countries is that InBev has invested no resources in it. There have been no advertising or marketing campaigns on the product. (When contacted, InBev said it had no information available on sales of guaraná abroad.) Sumol + Compal works with the brand essentially with the trade marketing in Portugal. The company regards the product as still in the growth stage and a long way from coming to maturity.

However, it looks as though

the informal advertising network formed by expatriate Brazilians is doing a good job of filling in the gap in terms of professional marketing. Adjane Selva, who is originally from Bahia and has been living in Europe for five years, has introduced the flavor of the Amazon drink to all her Swiss family. “My husband loves it and my brother-in-law uses it as a high-energy drink when he practices sport or is tired,” she says. “I also like to buy it when we have guests or I prepare a really Brazilian dish.” One of the biggest fans of guaraná in the Selva household is little Elisa who is three and was born in Zurich. “She always asks for some Antártica guaraná,” says Adjane with a smile. ■



*Led by Globo, Brazil is advancing
in exports of TV content*

JOSÉ RUY GANDRA



It is not easy to export television content in a globalized world. The dispute in this segment is like facing Goliath head on. The United States alone is responsible for 80% of all audiovisual content in the world. The remaining 20% of the share is fought over ferociously by almost 100 countries. Despite this, Brazil has been making outstanding advances in this area – to such an extent that it now has an enviable tradition in the sector. TV Globo is responsible for the lion's share of this conquest. It began selling some of the best content from its network abroad at the end of the 70s in a rather low key way. However, the business grew to such an extent that three decades later it has exported hundreds of program in different formats to over 200 countries.

Reynaldo Gianecchini and Thais Araújo in Da Cor do Pecado: the most popular Brazilian global soap opera

“Brazil has certainly created its own television language, particularly in the area of soap operas which can be adapted to the reality of the most different countries,” says Ricardo Scalamandr , director of Globo’s International Business Center. In 2009, 65 of the network’s programs, including soap operas and mini-series, were being shown in 83 countries on five continents. They totaled more than 2,500 hours of programming, equivalent to more than 1,200 Hollywood films. For example, the soap opera A Favorita, is currently

SALES CHAMPIONS

Number of countries that show TV Globo’s best-selling soap operas abroad

1º	DA COR DO PECADO	100
2º	TERRA NOSTRA	95
3º	O CLONE	91
4º	ES CRAVA ISAURA	79
5º	LAÇOS DE FAMÍLIA	77
6º	POR AMOR	76
7º	PÁGINAS DA VIDA	66
8º	MULHERES APAIXONADAS	62
9º	ANJO MAU	62
10º	SINHÁ MOÇA	61

Globo’s Scalamandr : “A universal language”



being shown in Cuba and Israel. P ginas da Vida is the audience leader in Kazakhstan and O Clone, one of Globo’s world blockbusters (see ranking on page...) was an enormous success in places such as Macau and Azerbaijan. Mini-series like Amaz nia, Chiquinha Gonzaga and Carandiru are shown in a number of European and Latin American countries. These appealing programs are translated into 43 different languages. Latin America is the network’s main market and it is rare to find a country that does not show at least one product created by TV Globo.

Another broadcaster, Rede Record, is also making advances on foreign markets although at a slightly more modest rate. Around 18 soap operas produced by the network, such as *Prova de Amor*, *Essas Mulheres* and *Bicho do Mato*, have been exported to 45 countries, including France, Italy, Turkey and Lithuania. There are 145 cable TV stations which show or have already shown one of the company's soap operas. Oddly enough, the best seller is Record's version of the soap opera *Escrava Isaura* which was originally shown on Globo.

"We often see programs on famous cable stations like National Geographic and Discovery without realizing that the content was produced in Brazil by Brazilians," says André Mermelstein, publisher of the magazine *Tela Viva* and organizer of the *Fórum Brasil*, an annual event dedicated to the international television market. "The number of foreigners who have bought Brazilian audiovisual content has more than doubled over the last four years," he adds.

Brazil's audiovisual production of cartoons has been expanding as

Another São Paulo producer, Mixer, has its show *Escola pra Cachorro* shown daily on the Nickelodeon channel. "Brazil has taken a great jump forward in this area, thanks to the enormous talent of its cartoon professionals," says Marcos Altberg, chairman of the Brazilian Association of Independent TV Producers.

TV Globo is still miles ahead in terms of exporting Brazilian television content for the international market. Although other Brazilian TV networks like Rede Record or SBT export some of their productions, Globo is a player with a global



Record soap opera: 16 countries

MUNIR CHATAK/RECORD



Brazilian cartoons: Cable TV successes

HANDOUT/TV PINGUIM



FABIO YABU



HANDOUT

In another sign of the vitality and growth of the sector, a number of independent producers are following the path opened by Globo and starting to export their content to foreign cable TV stations. For example, O2, a production company from São Paulo which has the cinema director Fernando Meirelles among its partners, has exported its series *Cidade dos Homens* to over a dozen countries. Others, such as *Conspiração* from Rio de Janeiro and *Bossa Nova* and Mixer from São Paulo, produce documentaries and series for cable TV stations in Brazil and abroad.

never before. There are currently three series produced in Brazil for cable TV which have been highly successful abroad. For example, the Discovery Kids channel transmits shows two cartoons made in Brazil throughout Latin America and other countries. One is *A Princesa do Mar*, created by the Brazilian animator Fabio Yabu and produced by the São Paulo company Flamma in partnership with Southern Star, the biggest independent producer in Australia. The other, *Os Peixonautas*, is from the producer PinGuim. Both are leaders in their age ranges and are already in their second series.

presence and stature. Its accelerated drive into the foreign market began rather slowly. "The first program Globo sold abroad was a special edition of *Fantástico* which was bought by the Swedish channel SVT2 in 1978," says José Roberto Filippelli, who was director of international sales at that time. With the privatization of the European television network in the following year, business took off. "These new private channels were thirsty for new content to fill their listings," he says.

It was against this heated backdrop that TV Globo came up with its first international blockbuster, the

Spanish version of O Clone: tailor-made for the Hispanic market in the United States

HANDOUT/TV GLOBO

soap opera *Escrava Isaura*, which was initially sold to TSI (Televisio- ne Svizzera Italiana). This break-through was followed rapidly by broadcasters in 78 others countries. The actress Lucélia Santos who played the lead in the series almost became an instant celebrity in countries as diverse as China, Cuba, Spain and Italy. When the soap opera was being shown in Italy it was common to find graffiti on the streets of Rome, Milan and Naples saying “Libertà per Isaura” (Freedom for Isaura).

The following big successes were the soap opera *Dancing Days* and the program *Você Decide* sold to dozens of countries throughout the world. “In Spain, as soon as *Dancing Days* ended, Catalan TV would present a program to discuss what had happened in that episode,” says Filippelli. “It was incredibly exciting.” These soap operas were

compacted and ran for an average of 30 episodes. Transporting them was complicated as the material came in enormous cans of videotape. “They looked like giant pizza containers,” Filippelli recalls.

“Globo’s soap operas were initially sold in videotape cans”

These times were marked by a certain valiant improvisation which was gradually replaced by a more professional management and a much more complicated operation. “Nowadays, TV Globo operates on the international market with three complementary arms,” says Ricardo

Scalamandrè, the GNI director. The first is the licensing side in which the content sold is the same as that produced for Brazil. “In this case, we have two advantages. The first is the fact that the quality of our production has been recognized internationally and the second is the possibility of customizing the products to meet the particular

demands of clients,” he says. TV Globo’s main rivals in this area in which soap operas predominate are Mexican networks. Its great priority is to conquer the Hispanic market in the United States. “There are about 45 million Hispanics in the US, about 15% of the population, and they are the main viewers of soap operas,” Ricardo adds. “In 2025, they should represent 40% of the American population.”

Besides the soap operas and mini-series, the licensing area has started to cash in with a new product: Brazilian Magic Football – or, more simply Foot Brazil. This consists of 80 games from the Brazilian football championship, with live commentary in English and provided à la carte. “We are promoting Brazilian football abroad and competing with the English and Spanish championships,” Ricardo says. “However, we have the advantage of showing the stars of tomorrow.”

The second leg of this tripod is TV Globo Internacional, also a premium à la carte channel, with



Record's Bicho do Mato:
the network exports to
over 40 countries

PFC or Premier Combate, both from Globosat. Globo Internacional broadcasts 24 hours a day and has 550,000 subscribers or around two million viewers in 115 countries. The channel operates with five different signals distributed to the United States, Portugal, Europe, Africa and Japan. "This allows us to customize the programming and the commercial breaks, based on a highly sophisticated technology," Ricardo adds.

Globo Internacional is also trying to strengthen its links with its public groups by promoting events called Brazilian Days attended by its stars in cities with large concentrations of Brazilian immigrants, such as New York, Lisbon or Tokyo. "Globo is a living memory of their homeland for Brazilians who live abroad," he says. This link is very strong. One good example is the news program *Jornal Nacional* which was broadcast live around the world. However, Brazilians living in Japan were unable to get used to watching it at 8 o'clock in the morning. "They want-

ed to watch it sitting on the sofa in the same way and time as they did in Brazil. We started to show it at 8 o'clock in the evening and, although it was no longer live, people loved it and our audience increased."

The latest front to open up in TV Globo's international business – and also the most promising – is the co-production of soap operas. "This area is our blue-eyed boy," Ricardo says. The first heavy investment in this segment was the co-production of the soap opera *O Clone* with the Mexican network Telemundo (of the NBC group) which is being shown to Hispanic audience in the United States. "In this case, the customization is total," he adds. Whereas the action in the original story switched from Morocco to Rio de Janeiro, the new version links Morocco and Miami. The actors are all Hispanics and the recordings

take place in a studio in Colombia. In these cases TV Globo enters with what is called product intelligence which involves the original script, its adaptation and, above all, the planning of scenes, costumes and recording. The second initiative of this kind was the soap opera *Louco Amor* made in co-production with TV Azteca which has also just started to be screened in Mexico. "In this case, we rescued a 30-year-old product and adapted it entirely to the Mexican reality."

Although Brazil may be a long way from becoming a Goliath in the global audiovisual business, the situation is changing rapidly when it comes to products with television content. The ongoing conquest of new markets and the diversification of its exporters show that the country is center stage, or perhaps we should say center screen. ■

**The Globo
Internacional
channel has
two million
viewers
abroad**

A new passion

The number of foreigners studying Brazilian Portuguese around the world is on the rise

FLAVIO DE CARVALHO SERPA

As a direct side effect of Brazil's growing exposure in the international media, knowledge of "the Brazilian people" and *Brazilian Portuguese* has been attracting increasing attention worldwide. This global interest, previously fed mainly by music and sport, has been further nourished by the country's significant presence of the so-called BRICS group of emerging nations, the choice of Rio de Janeiro to host the 2016 Olympic Games, and the fact that Brazil is holding the 2014 Football World Cup.

Brazil, which almost only appeared in the international news for its glaring inequality in terms of distribution of income and other ills associated with economic stagnation, is now talked about positively in the media. The Americans no longer confuse Brazil's capital with Buenos Aires, as they did in the past. They have even dabbled in the Portuguese language, adopting certain words without even translating them, as was the case recently in the *Wall Street Journal* in an article about Brazilian football: "*The paradinha* (pronounced par-a-JEEN-ya), which in Portuguese means

"little stop"; is a much-criticized technique of taking a penalty kick "designed to throw off the goalkeeper's timing".

Besides the spontaneous interest being shown in Brazil as a result of its increased presence in the media, the Ministry of Foreign Affairs has been trying to encourage people to learn the Portuguese language. The cultural department of Itamaraty currently coordinates and pays for 53 *leitorados*, the name given to language teachers overseas subsidized by the Ministry. There were 45 such teachers working in 36 different countries in 2008 (compared with 30 in 2006). Itamaraty registered 27,292 students enrolled in Portuguese language courses throughout the world in 2009. The expansion of the foreign language teaching network is a good example of how Brazilian language and culture is being promoted in terms of its availability and visibility. These measures reach a very specific segment of the local populations in question, and notably in the academic communities and among opinion formers.

And just as one might expect, "Brazilian Portuguese" is also used in the social networks on the In-

Hannah Mallinckrodt, in the gardens of King's College in London: "I love to dance forró"





ERIKA TAMBKE

ternet, the truly modern and dynamic disseminators of fashions and trends – as well as in many of the services offered. On Facebook, the largest of these networks, a community has just been created called *Learn Brazilian Portuguese*, which has attracted 700 members from around the world in only a few weeks. A survey carried out among the users about the reasons for their interest in Brazilian Portuguese reveals several motivating factors. Among the followers are girls who love Brazilian music or the martial art, *capoeira*, students preparing for academic field work in Brazil and professionals on the lookout for business opportunities.

Teacher Meg-wen Loveless, one of founders of the group *Por aqui*, has also dedicated herself to spreading the word, so to speak, having completed her Ph.D. about the dance *forró*, and who currently teaches Portuguese at Princeton, in New Jersey, one of the elite so-called Ivy League universities in the United States.

The interest in Brazilian culture was captured almost subliminally by the playwright and author from São Paulo, Jhaira, his stage name that means “river of honey” in the indigenous Tupi language. “It is a really Indian tradition, with no surname”, he jokes. After a season immersed in the British drama scene in London, Jhaira now coordinates the project *Com a palavra* (*With the Word*), an Internet program that tries to bring together groups in different countries in Portuguese. The Project is enthusiastically supported by King’s College, an educational insti-

tution that is considered among the top 25 best universities in the world; and the fourth oldest in England.

It is true to say that this new trend is most clearly seen in the academic world. In 2002, Georgetown University in Washington only had 70 students of Portuguese a year, a number that has risen to more than 200. According to Bryan McCann, director of the Brazilian Studies Program at the university, Brazil’s growing presence in the international scenario has led to an increase in interest in the country. “We have had to restructure our department to cater for this growing demand”, says Bryan. “We currently offer three courses for graduate and

The number of students learning Portuguese at Georgetown has soared from 70 to 200

post-graduate students, about Brazilian culture, politics and history, as well as five Portuguese classes”.

In the past, generations of so-called “Brazilianists” used to graduate without even really dominating the Portuguese language, as all the classes were given in English. This is no longer the case at Georgetown: “We are the only university in the United States that offers classes about Brazilian history and politics in Portuguese,” Bryan proudly adds. One of the top universities in the U.S., particularly in the area of international relations, Georgetown is a kind of workshop or think-tank for the country’s international politics and diplomacy. There are currently approximately 6,000 students enrolled in its graduate courses and another 1,500 studying post-graduate courses in international relations.

The interest in Brazilian Portuguese also extends into Canada, another example of international

excellence in education. Andréa Pacheco Pacifico, a teacher of Law and International Relations in Brazil at York University, Toronto, says: “The growing importance of Brazil in international forums has sparked the interest of more and more foreigners in getting to know the country”. There are students interested in doing business with the country, learning about Brazilian culture and, particularly, the language. As there is little information in English to study some very specific areas, the academics have begun to learn the language, mainly to be able to read the original works published in Portuguese.

One of Andréa’s students, majoring in human rights, did a course on social movements in Latin America and decided to write her thesis about the Landless Movement in Brazil (MTST). Due to the scarcity of information about this subject in

English, Andréa said: “She started to learn Portuguese, to learn more about the social movements in Brazil”. York University is the third largest in Canada, with more than 47,000 graduates and more than 6,000 post-graduate students.

On the other side of the pond, the epicenter of interest in Portuguese can be found at the red-brick King’s College. Based in the Center of London, the university has more than 21,000 students from 140 countries and has just signed an agreement with the Fundação de Amparo à Pesquisa (a Research Foundation) in the State of São Paulo (Fapesp) for the purposes of cooperation in and interchange of academic research. Mitchell Cutmore, 20, a second-year language student in German and Portuguese, delved into several foreign languages before realizing his passion for Portuguese. “I studied French, German and even Japanese at high school. I am now hooked on Portuguese and cannot imagine studying anything else”.

Mitchell also fell in love with Brazilian culture: “What I like the most at my university is our *Portu-*

guese & Brazilian Society, a gathering of students from the department of Lusitanian studies. “We organize social events, and we sometimes go to Brazilian bars or restaurants to drink caipirinhas (a sugar-cane-based alcohol drink served in a variety of fruit flavors) and eat coxinhas (rissoles, small fried croquettes filled with chicken) and, we dance the forró on Sundays.” Mitchell has already made plans for the future, as, in 2011, he intends to spend a semester in Belo Horizonte, studying at the Federal University of Minas Gerais (UFMG) “I follow a couple of Brazilian journalists on Twitter and sometimes read their articles in Portuguese to maintain and improve my language skills”.

Hannah Mallinckrodt, 19, one of Mitchell’s colleagues at King’s, believes her interest in Brazil was handed down through the generations, in her case from her grandfather. “He lives in Belém, in the State of Pará, and I went to meet him and his new wife last summer. I loved Brazilian food, the music and the country in general”. Hannah said that she learned to dance the forró and brega, and loves them. “I think that Brazil is a country that has a huge amount to offer and it will undoubtedly play a more important role on the world stage in the future”. Hannah listens to and reads about news from Brazil on her I-pod. The exotic side of Brazil even attracts people from cultures just as interesting, if not more so in certain aspects. And this is the case of the Indian Amee Virani, 20, in the same group at Kings: “I love watching capoeira and I am learning to dance the samba. I would love to spend six months in Brazil, studying and travelling. I also have a very good-looking friend in São Paulo who I would like to visit”. ■



Hannah and her friends from the Brazilian & Portuguese Society; and a London newspaper dedicated to Brazil



ERIKA TAMBKE



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The last Eldorado



Brazilian companies, with government backing, are the dominant players in Angola and Mozambique and are facing Chinese competition in the promising markets on the African continent

MARCO REZENDE

It is 8 o'clock at night and the capital of Angola is steaming hot when the old Boeing 707 of the Brazilian Air Force lands on the runway at Luanda airport. It is the first stop of a four-day trip which will take it to the capital of Mozambique, Maputo, and the city of Johannesburg in South Africa. The first passenger to leave the plane is the minister of Industry, Trade and Development, Miguel Jorge, followed by staff

from the Brazilian National Bank for Economic and Social Development (BNDES), Petrobras and almost 100 business leaders and executives from Brazilian companies from all sectors and sizes.

The group includes representatives of corporate giants like Embraer, Brasil Foods and Usiminas and ambitious and innovative small and medium-sized firms, such as Boutique de Aromas, a producer of cosmetics and air sprays from Pan-

ambi (RS), Green Winds, which produces furniture from environmentally certified wood in Belém (PA) and Brastex, from the town of Paulista (PE), a manufacturer of tea cloths and kitchen towels made from the waste products of the textile industry and fabrics. Others entering the fray, armed with projects, samples and catalogues, include executives from some of the largest construction companies – heavyweights like Queiroz Galvão,



EDUARDO MOODY



MARCO REZENDE

Pavement in Benguela and crowded avenue in Luanda: everything still to be done in Angola and Africa as a whole

Andrade Gutierrez, OAS, Camargo Correa and Odebrecht.

The aim they all share, encouraged by the Brazilian government, is to be in the frontline of an offensive to conquer this precious part of the last relatively unexplored economic frontier in the world - Africa. This is a market which is growing fast and ready to welcome businesses with the products, technology, services and loans which the continent needs.

With the civil wars in Angola and Mozambique ended and apartheid buried in South Africa, the southern part of the continent has begun to take off. Angola has GDP of close to US\$ 100 billion and has been expanding by almost 20% a year since 2005, thanks to its large reserves of oil which amount to two million barrels a day. Figures from the World Bank show that Mozambique's economy is second in terms of the speed and sustainability of its growth in

the whole of Africa. Growth has averaged 8.2% over the last 10 years. Finally, South Africa, a country at the center of attention as it will be hosting the World Cup football competition this year, is the largest African economy with a per capita GDP which is practically equal to that of Brazil - almost US\$ 10,000.

Odebrecht is a trailblazer in Angola, having arrived there in 1984 in the middle of the civil war, and is now a powerful force locally. It



Minister Miguel Jorge, in Luanda: three delegations with businessmen visited Africa in 2009

MARCELLO CASAL JR

is the largest employer in the country, with almost 30,000 staff, and is present in sectors as diverse as heavy construction, homebuilding, supermarkets, diamond mining, agricultural production and ethanol. The mining group Vale is to Mozambique what Odebrecht is to Angola. Vale is investing US\$ 1.3 billion in the Moatize coal mine, the largest reserve in the southern

hemisphere, near the northern city of Tete. This amount is equivalent to 1/7th of the country's GDP of US\$ 9 billion. The bus manufacturer Marcopolo from southern Brazil has been in South Africa since 2001 and has two production plants which export to other African countries. It enjoyed the sensation of selling the 460 buses which will be used for FIFA's delegations and VIP groups during the 2010 World Cup. One of Marcopolo's competitors in this dispute was the South Korean group Hyundai which is one of the official sponsors of the event.

"The strategy of the Lula government to form a close link between Brazil and Africa and other developing countries is being recognized as one of the triumphs of our foreign policy. This is the business success of this integration," minister Miguel Jorge told PIB.

President Lula has visited 19 African countries since 2003 and Miguel Jorge organized three missions with hundreds of business leaders to 11 countries on the

continent in 2009. The aim is to encourage exports and support direct investment in Africa. The Financial Times estimates that Brazilian companies have invested US\$ 10 billion in Africa since 2003. The trade flow between Brazil and the members of the South African Development Community (SADC) jumped from US\$ 1.8 billion in 2004 to US\$ 8 billion in 2008.

Many companies have benefited from this increase. "Africa is a continent with practically no energy," says Wilson Poit who founded Poit Energia in São Paulo 10 years ago.

The company now has subsidiaries in Argentina, Peru and Chile. Poit provides temporary infrastructure by hiring out generators, hangars and refrigerated containers. "We are going to become one of the largest companies in Latin America and also want to be in Africa," he said. There is quite a big market waiting for him. Only 12% of Angola is electrified and the system is so precarious that there are daily blackouts.

In Luanda, the rich and the poor (who live in "musseques") live side by side

SPEARHEADS

HOW BRAZIL'S TRADE MISSIONS WORK

A SCENE IN AN AFRICAN HOTEL. With his well-oiled grey hair, tie and impeccable navy blue blazer which gives him the look of an English clubman, an elegant gentleman switches on a mini-grill and begins to cook and offer the local people a cheese dish called queijo-coalho which looks

and tastes like the kind sold on the beaches in the Northeast of Brazil. This is Paulo Heeg, a representative of Laticínios Tirolez from São Paulo. At his side, dozens of other executives from Brazilian companies are doing similar things with their intermediaries: showing their products and assessing the possibility of selling them through regular exports, creating franchises and, perhaps, even investing in local plants.

This is another of the trade missions organized by the Ministry of Development, Industry and Trade to markets which are promising but difficult to enter. To go from one African capital to another means often changing planes in Europe. "I explained this to President Lula and he authorized me to use the presidential jet to take the business leaders and encourage the international expansion process," minister Miguel



**Brazilian
salesmen in
Johannesburg
and buyer in
Maputo: affinity
with Africans
facilitates deals**

Energy is also the business of Romagnole, from Curitiba, which has annual revenues of almost R\$ 400 million from producing distribution transformers and electrical equipment. Only 10% of sales were made abroad until now but this percentage will rise as a result of Africa. Romagnole has signed a contract to begin producing transformers in Mozambique in 2010, initially with parts produced 100% in Brazil. Local partners own 20% of the business. In Angola, the company is aiming to sell not only products but also its expertise in management and training, according with Flávio Izzo who works in the company's international area.

In the region of Catumbela, Pipe Sistemas Tubulares company, from Contagem (MG), will begin producing pipes made from Brazilian steel in 2011. It is starting this project, which has 50 employees, with the backing of ApexBrasil, the government agency for promoting exports, and loans from the BNDES. "The company was already consolidated

on the Brazilian market and it was time to go international," says Luiz Lapa, the director of operations in Africa. Pipe began exporting to Angola. "However, exporting pipes is like exporting air; there is no added value," says Lapa.

Another company from Minas Gerais state which also decided to invest in the surprising African market to add value to the brand is Xuá, a producer of mineral water from Juiz de Fora. Until now it has been

exporting 20 containers a month of plastic bottles containing 20 liters to Angola. In a country which has practically no distribution network for drinking water, each of these is sold through retail outlets for US\$ 25. During the Brazilian trade mission visit, Gian-Carlo Nardy, the company's marketing manager, reached an agreement with an Angolan partner to produce in Angola. "We found a partner who is the owner of a well which has been

Jorge told PIB. The business leaders pay their own personal and accommodation costs. The government banks the organization of the meetings with local business people and buyers and the transport and flying logistics. With 80 economy and 20 executive class seats, the old Boeing 707 is surprisingly comfortable but cannot hide its 42 years. There are as many mechanics on board as stewards and stewardesses.

**Delegation
arrives in Luanda**



tested for mineral content. We also have the support of the Banco Popular de Crédito which will finance the project.” Nardy says “Africa is a promising market for those who have experience in doing business.”

In 2001, a year before the agreement which formalized the end of the civil war, Antonio Carlos Perruci, an engineer from Pernambuco created its own company - ATP Engenharia - in Luanda. He has not regretted the decision. “Angola is a country with great opportunities: it is common for middle-sized companies to be subcontracted by large companies and have contracts worth US\$ 80 million to US\$ 200 million in their portfolio,” he says.

“Africa is a promising market for those experienced in business management

Perruci believes Brazilian companies have also benefited from the affinities between the two countries, such as the fact that Angola is following Brazil’s example as a country with a wide network of highways.

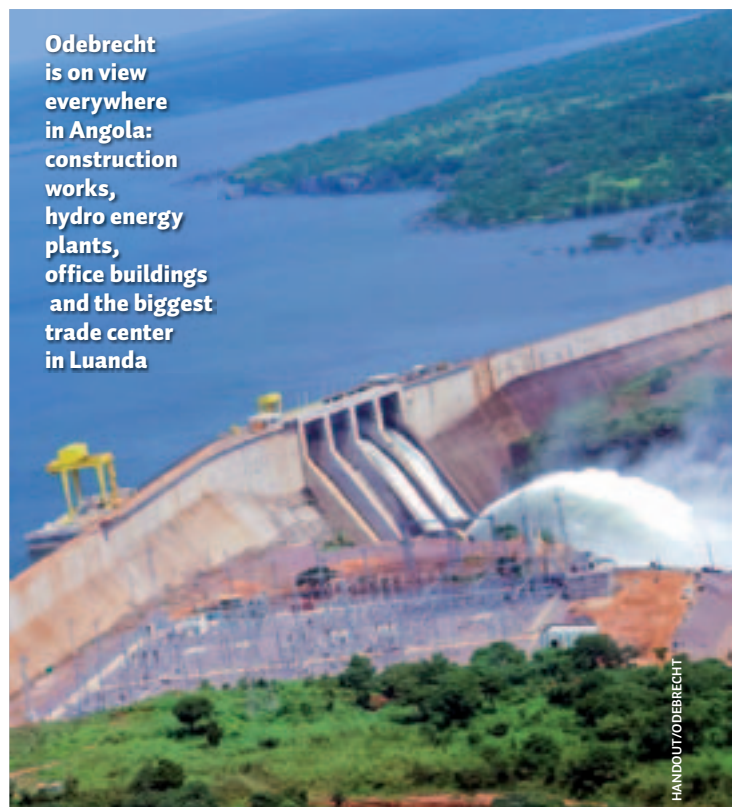
However, the biggest similarities are the common Portuguese language and history itself. Almost half of the three million Africans taken to Brazil as slaves between the 18th and 19th centuries came from Angolan territory. “The Angolans like the Brazilian way of doing things, having a barbecue and playing the guitar,” says Perruci. “At the same time, when Brazilians are doing business they talk first of all about families, then football and only later about the

business itself. The other foreigners only speak about business and then go away.”

Other Brazilians who are working in Angola have also done well. Lincoln Nunes, a former employee of Odebrecht, opened a fast food restaurant in Luanda called Panela de Barro, which now has a number of offshoots. Like Lincoln, many other engineers and executives left their jobs with Brazilian companies in Angola to open their own businesses. They are now present in sectors as diverse as cleaning, urban transport and importing quality products. Others emigrate to become entrepreneurs. Paulo Emmanuel de Albuquerque left Santa Cruz do Capibaribe (PE) for Luanda six years ago to create the chain of popular Brasuca stores which is supplied with clothes and shoes bought in São Paulo. He now has eight stores



Odebrecht is on view everywhere in Angola: construction works, hydro energy plants, office buildings and the biggest trade center in Luanda



and intends taking its brand to all the 18 Angolan provinces.

Luanda was a sleepy place with just over 400,000 inhabitants in the run-up to independence in the 70s. However, it now houses more than five million people due to the arrival of refugees escaping the fighting in the interior of the country. The sudden oil wealth has overloaded the precarious road network which is now filled with SUVs and thousands of private cars stuck in interminable traffic jams. Street traders use the permanent traffic congestion to sell mineral water, sunglasses, mobile phones and even running shoes to drivers and passengers. The traffic jams are so lengthy that there is enough time to try on the shoes and even negotiate the price.

Luanda is a city with a certain feeling of chaos, disorganization and precariousness. It is divided be-

tween the cut-off opulent lifestyles of the small very rich elite who are portrayed in the weekly magazine Caras Angola and the poverty of the majority who live in insalubrious shantytowns which proliferated in an uncontrolled way during the war. The meeting point of the rich is the Miami Beach Club, a luxury restaurant and disco in Ilha de Luanda, the peninsula facing February Avenue on the coast. It is owned by Isabel dos Santos, the oldest daughter of President José Eduardo dos Santos. Isabel is regarded as a highly successful businesswoman. The first lady, Ana Paula Santos, organized a large charity event in the Miami Beach Club a few months ago

with two guests from Brazil: the actors Grazi Massafera and Cauã Raymond. Caras Angola magazine, controlled by Tchizé dos Santos, another daughter of the president,

gave it great coverage. Most public transport is carried out in anarchist fashion by van drivers known as candogueiros. The pavement traders, known as quínguilas, sell fruits and all kinds of goods,

sharing space with pedicurists who treat client's feet in the open air.

Brazilian diplomats and executives who live in Angola told PIB magazine that the problems related to violence or crime in Luanda are no more serious than in Brazilian cities. Like Brazil, every commer-

**Vale is to
Mozambique what
Odebrecht
is to Angola:
a dominant
presence**





Petrobras drilling ship in Angola and Atlantic Riviera condo: oil riches is boosting demand for good homes

AGENCIA PETROBRAS

cial building, store or residence has security guards. While waiting for the bus in front of a hotel, in Comandante Ginka Avenue, some members of the trade mission saw the Angolan minister of Tourism, Pedro Mutindi, walking quietly along the other side of the street on his way home – without security guards and limping because of a prosthesis which replaced a foot lost in a mining explosion during the civil war.

A Brazilian consultant who provides engineering services to companies in Luanda confirms that the business atmosphere is positive, with full respect given to contracts and legal insurance. “Even the payments which were suspended at the height of the world crisis in the first semester of 2009

“Angola’s National Reconstruction Program is a collection of millionaire projects

have been normalized,” he says. The Angolans like to do business at their own rather calm pace. The consultant also says that the way to do business always involves partnerships, generally with companies or authorities of the government of President José Eduardo dos Santos. He has been in power for 30 years and is ready to be reelected for another mandate. He managed

to end the civil war in 2002 when the rebel leader Jonas Savimbi died by giving Savimbi’s main followers positions in the Angolan government.

Odebrecht is one of the most internationally active Brazilian companies and is present in two dozen countries. It sees Angola as one of the most diversified and promising markets today. “In terms of

demand, the opportunities in Africa are infinite,” says Humberto Rangel, director of business development in Angola. “Everything is there to be done,” he says. However, he says that the African countries which offer the best opportunities for Brazilian companies are the one with oil wealth, such as Algeria, Libya, Egypt, Nigeria, Angola and some others.

Angola’s national reconstruction plan is a collection of million-dollar projects to rebuild the country’s infrastructure which was devastated by the civil war. In Luanda, outdoor hoardings bearing the Odebrecht name mark the presence of the company in a large number of these projects – such as the capital’s new international airport, a new avenue which links it to Luanda, the new asphalted highways, residential condominiums and hydroelectric projects. “We used to work mainly with the government,” said Rangel. “Now there is a growing trend for



more partnerships with private agencies although the public sector remains extremely important.”

Odebrecht is also entering new sectors such as industry and agriculture. Biocom, a joint venture with the state-owned Sonangol (an Angolan version of Petrobrás) and the private local group Damer, is setting up a sugar cane plant to produce 30 million liters of ethanol, 250,000 tons of sugar and 160,000 megawatts/h of bioelectricity. The plantation will occupy 30,000 hectares and its initial priority will be the production of sugar, 100% of which Angola currently imports.

Another big important partner of the Brazilian construction company is the GAM group which belongs to the Angolan billionaire and jet setter Antonio Mosquito. The two companies are working together in residential and commercial construction projects. The first Angolan shopping center, Belas Shopping de Luanda, is being constructed by

Odebrecht, as was the first luxury closed condominium in the country. Houses with four bedroom suites are selling for US\$ 5 or US\$ 6 million dollars and the monthly rent is never less than US\$ 25,000.

In the Catoca diamond-extraction project in the northern region of Angola, Odebrecht (owner of 17% of the joint venture) operates in partnership with the state-owned company Endiamo, the Russian group Alrosa and the Israeli billionaire of Uzbek origin, Lev Leviev. He is the man who ended the hegemony the South African company De Beers had held on the world diamond market. Catoca will have annual revenues of US\$ 1 billion from exports. Even with the decline in the prices in the diamond market caused by the crisis in 2008,

Catoca is important for Angola as it employs a lot of labor in a particularly poor part of the country. Until a few years ago the fuel for the prospectors was brought in by plane. Now it arrives along a road which was also constructed by Odebrecht.

The builders and other Brazilian companies in Africa are facing direct competition from Chinese companies. “We are used to that as we have already faced the Russians, Americans, Italians and other strong rivals in various parts of the world,” says Odebrecht Rangel. “We can choose the location, product and client but not the competitor.” Rangel shows

Odebrecht’s arms: knowledge and tradition in the market and a greater capacity for building and creating local partnership.

**Brazilian
companies
in Africa are
facing strong
Chinese
competition**

China's growing influence around the world is particularly visible in Africa. The heavyweight statesman who has visited most African countries after Lula is China's leader Hu Jintao. Between 1992 and 2008, the trade flow between China and Africa soared from US\$ 4.1 billion to US\$ 107 billion. Chinese companies are building highways, hydroelectric plants, railways, pub-

jects amounting to US\$ 8 billion, all of them carried out by Chinese companies.

However, Rangel says Odebrecht has an important differential which is social insertion. "Almost 95% of our team of local workers are Angolans. It is the opposite with the Chinese where 95% of their teams come from China," Rangel estimates. In fact, at the worksites



Odebrecht team of workers at Pungo Andongo agroindustrial project, in Angola: 36,000 hectares of good land



HANDOUT

lic buildings and investing heavily in natural resources, particularly in mining and oil.

In the infrastructure area, Chinese companies offer a complete package consisting of the project, execution, labor and, above all, financing. There is no lack of money. China's government had accumulated around US\$2 trillion in American treasury bonds alone by the end of 2009. In Angola alone, the China Development Bank financed

of the Chinese projects almost the only people seen are Chinese..

The Chinese presence is also obvious on the other side of the continent, in Maputo, the capital of Mozambique situated on the beautiful Indian Ocean coast. In Karl Marx Avenue, a large sign in Portuguese in front of a new building under construction says: "High-level building project founded on the friendship between Mozambique and China". The new headquarters

of the Foreign Ministry, a modern construction in a neo-Soviet style, stands out as another Chinese project in November 10 Avenue

Although 56% of the Mozambique budget derives from international donations and cooperation agreements, it is regarded as a "poor-rich country," as a Brazilian diplomat in Maputo describes it. The country has great mineral reserves and enormous oil potential. Petrobras, which drills for oil in An-



LUCIANO ANDRADE

pany with a heavyweight in the two countries is Embrapa. “Our challenges are similar and we have to grow together,” said the president of the company, Pedro Arraes Pereira. “At least 250 million head of cattle in Brazil feed off tropical pastures, such as brachiaria originally brought from Africa. Now that this kind of pasture has been improved, it can return to the African

to enter the steel business in the biggest strategic turnaround in the company’s history. (See box on page 46). The omnipresent Odebrecht is an important partner of Vale in the Moatize project. Odebrecht it is responsible for a large part of the infrastructure works: from the new international airport of Nacala, near the Moatize mine, to the coal terminal in the port of Beira, the



LUCIANO ANDRADE

Brazil’s Foreign Trade Minister, Celso Amorim, with Embrapa specialists : local cerrados technology for the savannas

gola in partnership with Sonangol, is a partner in Mozambique of ENH (the Mozambique version of Petrobras). It is prospecting for biodiesel from jatropa, an oil-bearing plant which is common in the drought areas, as well as sugar cane alcohol. Petrobras has also formed a partnership with the powerful Malaysian oil company, Petronas, and obtained an exploration block for oil at the mouth of the river Zambezi.

Another Brazilian state com-

continent,” says Arraes. Embrapa, whose researches were decisive in expanding agribusiness in Brazil, is now looking to transform its enormous knowledge and experience of tropical agriculture to African lands – particularly the savannas which highlight another common point Brazil has with countries in the region.

The mega project to extract coal in Moatize will be essential for the success of Vale’s decision

only deep water port on the East African coast, a project in which Camargo Correa has a 50% stake. Camargo Correa’s biggest project in Mozambique is the Mphanda Nkuma dam which will virtually double the country’s energy capacity when it is inaugurated in 2013.

“Mozambique has a history of political stability which makes it attract investments,” says Alexandre Ribeiro, Camargo Correia’s country director. The company

arrived in Angola in 2005 with its focus on the public infrastructure and, in the following year, set up in Mozambique. "Mozambique has an abundance of natural resources and offers great potential in terms of hydroelectric, thermal and renewable energy generation. The market for this energy extends throughout southern Africa," he adds.

The newest big Brazilian player on the African raw materials market is CSN. Two months ago, the company bought 16.3% of Riversdale from Mozambique, a mining company which originates from Australia in which the Indian company Tata Steel has a large stake.

"Brazil has an enormous capital of sympathy for Africa and is seen as the older brother which got things right," says Eduardo Rio Branco, a Brazilian consultant, who has been working for years in Maputo. Mozambicans are fans of Brazilian products. In the

new Maputo Shopping, Poko Pano store sells hotly-disputed bikinis imported from Brazil. In front of it, a franchise of Boticário sells cosmetics and perfume (the masculine Blu Floratta brand costs US\$ 40 and the feminine Qasar H brand, US\$ 45).

Brazilian brands stand out in the grocery stores and supermarkets - Sadia (chicken), Kitano and Yoki (cereals), Bauducco (cookies and pastas).

TV Miramar, controlled by the Brazilian Rede Record, is extremely popular. All Mozambicans seem to know that President Lula gave Mozambique US\$ 13.6 million worth of retroviral drugs, a crucial relief for a country in which Aids is endemic.

Six hundred kilometers from Maputo, in Johannesburg, South Africa, the best-known Brazilian brand is Marcopolo from Rio Grande do Sul state. It set up business in South Africa 10 years ago

In Southern Africa, you'll be hard pushed to find a better positioned country than Brazil



South Africa's biggest bus producer, Marcopolo sold 460 vehicles for Fifa to use in the World Cup

and now has one bus manufacturing plants and is one of the largest South African companies. The supply of buses for the World Cup alone is evidence of the company's prestige in the country. Further proof is seen in Marcopolo's membership of the South African government's consultative committee to set up the Bus Rapid Transit (BRT) system. This is aimed at separate bus routes on roads with special connecting stations for fast entry and exit like the model used in Curitiba.

The Brazilian presence in South Africa is not as marked as in An-

THE ERA OF STEEL

VALE INVESTS HEAVILY IN STEEL COMPANY

THE GIGANTIC COAL mine owned by Vale in Moatize, Mozambique, means much more than a rich business opportunity for the company or a triumph for Brazil in the rush for mineral resources in Africa. For Vale, the Moatize operation represents a historic turnaround in the company's history from one based solely on mining since it was created as a state-owned concern in 1942. Vale is now the largest

privately-owned company in Brazil and the second-largest mining company in the world: it is the global leader in iron ore, the second in nickel and is also an outstanding producer of manganese, copper, bauxite, kaolinite, coal, cobalt, platinum, alumina and aluminum. Without any fanfare, Vale has begun to invest in steel production and is no longer just a supplier of raw materials to start the manufacturing process of steel products and compete directly with its largest client, China - the biggest producer of steel in the world, with almost

500 million tons a year.

Vale is involved in four steel projects in Brazil, with total investments of US\$ 17 billion (including its partners) and will expand Brazilian steel production by over 50%. (Brazil currently produces less than 10% of Chinese volume.) The first Vale plant, which will be ready in 2010 and be called the Complexo Siderúrgico do Atlântico (CSA), is located in Rio de Janeiro and has been set up in partnership with the German company ThyssenKrupp. The Vale ships which transport iron ore to China and normally return



gola and Mozambique but it is also growing. Sadia – now Brasil Foods – dominates 14% of the chicken markets. Boticário became known in South Africa by using beauty competitions as a marketing tool and has a chain of franchises with a number of stores and products developed specially for the local population. Busscar, another bus manufacturer, assembles its vehicles in the country with parts imported from Brazil.

The trade flow between Brazil and South Africa shows that the

sky is the limit. Trade rose from US\$ 659 million in 2003 to US\$ 2.5 billion in 2008, with an average annual surplus in Brazil's favor of US\$ 1 billion.

The BNDES has been a discreet but decisive protagonist in the process of making Brazilian companies more internationally active and winning new markets, particularly in Latin America and Africa. The bank has destined US\$ 1.8 billion to Brazilian projects and developments in Angola alone. Luciene Ferreira Machado, head of the bank's foreign trade department, says this is another step in a journey which began 20 years ago when the BNDES began financing exports to markets converging with Brazil's foreign policy. "Now during the international expansion phase, the strategy is to support companies which can become global players." In the case of Angola and Mozambique, Luciene says the bank only helps

infrastructure reconstruction projects which not only benefits Brazilian exports and companies but also helps develop the local infrastructure.

What a difference this is from the foreign policy of some decades ago. In 1972, at the height of Brazil's military dictatorship, General Emilio Garrastazu Médici, who was then president, visited Lisbon and the Portuguese dictator, Marcelo Caetano, to celebrate the 150th anniversary of Brazilian independence and a so-called "Afro-Luso-Brazilian" community – a rhetorical pretext for Brazil to support Portugal's violent colonial policy. Shortly afterwards, President Ernesto Geisel made a notable turnaround and Brazil became the first country to recognize the independence of Angola and Mozambique. It is now difficult to imagine that any other country is doing as well as Brazil in Luanda, Maputo and the whole of southern Africa. ■

empty will stop at the port of Beira in northern Mozambique from 2012 to take on coal supplies for the company's steel plants in Brazil. The ore will also be exported to Asia, the Middle East and Europe. This change by Vale was taken under strong support – read pressure – from President Lula. A minister involved in the strategic planning by the president's office told PIB that the coal from Moatize would make Vale's steel plants highly competitive. "It is as though Vale had a big reserve of coal at the side of its iron ore mines," he said.



Concrete complexes and workshops to get Vale coal project up and running in Moatize, Mozambique: strategic

ALEXANDRE BRAGA

Interview

José Sergio Gabrielli
de Azevedo



ROBERTO ROSA / BANCO DE IMAGENS PETROBRAS

“We are one of the largest in the world.”

The CEO of Petrobras discusses the impact of the discovery of the pre-salt reserves on the company's new strategies for the domestic and external markets

NELY CAIXETA

The possibilities opened by the gigantic oil reserves discovered in the so-called pre-salt layer off the Brazilian coast seem at first sight to have put Petrobras's international operations on hold. “Obviously an event of this magnitude has made us revise our priorities,” says José Sergio Gabrielli de Azevedo, the CEO of the company. “Production in Brazil is now becoming twice as important.” However, the priority given to the domestic front does not mean the company will be backtracking on the advances it has made on the international market. These will continue to focus on exploration and production

of oil in deep waters as they have always done. The new policy will freeze its foreign investments at the still high level of around US\$ 15 billion to 2013.

Gabrielli, 60, has a longstanding link to the Workers Party (PT) of President Luiz Inacio Lula da Silva and speaks enthusiastically of the progress Petrobras has made in the

International investment in the new 2010-14 plan will be frozen at R\$15 billion

international arena. “We are now the biggest company in the world in exploration and production activities in deep waters,” he says, always referring to the company under his command in the third person plural. “In terms of market capitalization, we are the second-largest oil company in the world with the highest volume of shares traded on the New York Stock Exchange of all foreign companies.”

Gabrielli graduated in economics from the Federal University of Bahia and has a doctorate from Boston University. He was the only Latin American executive included in a list of the 30 most respected CEOs in the world which appeared in a magazine published

by *The Wall Street Journal*. The executives were chosen for keeping their companies unscathed by the global crisis and taking advantage of the period to expand business. At the beginning of April, Gabrielli received PIB magazine at Petrobras's head office in Rio de Janeiro for the following interview which covers a wide range of questions including the global status of the company, its growing presence in Africa and the geopolitical implications of the pre-salt reserves.

How is Petrobras's international expansion going now that the pre-salt program will be demanding great attention and resources on the domestic market? Will there be any changes?

We have kept our investment of around US\$ 15 billion for international expansion in our strategic plan for the 2009-2013 period. This is because the resources we have to invest in Brazil in the areas of refining, transport and logistics, gas and energy and biofuels account for around 90% of our total investment. The remaining 10% will be invested abroad as we have to keep up our international operations in 28 countries. Our operations abroad are strongly directed at exploration and production. In South America, we are increasing our activities in the areas of distribution and refining as well as being present in the gas segment. However, we will be maintaining international investment at a much lower level than domestic investments but we will not be reducing it. International investment in the new plan for 2010-2014 will be frozen at the same amounts as before.

But is this not a step backwards for a company with ambitions to be one of the largest oil companies in the world?

This does not mean we are not active internationally. We are present abroad as the biggest company in the world in exploration and production in deep waters. We have 22% of the world's deep water production whereas the second-largest producer, Exxon, has 14%. We have 46 of the 252 floating production rigs in the world whereas the second-placed company in this category has 15. In terms of mar-

By 2020, we plan to boost Brazil's oil output from 1.8 to 3.9 million barrels/day

ket capitalization, Petrobras is the second-largest oil company in the world. We are the international company with the highest volume of shares traded on the New York Stock Exchange among all foreign companies. In 2009 alone, we raised US\$ 32 billion on the international market. In terms of production reserves, Petrobras is the fourth largest and seventh in terms of refining. As for production, it must be in eighth or ninth position. Therefore, Petrobras is one of the biggest oil companies in the world.

How does the company intend prioritizing its operations abroad from now on?

You cannot be everywhere in the world as you do not find oil in deep waters everywhere. However, we are extremely well positioned in the main exploration areas in deep waters in the Gulf of Mexico, the United States, where we have over 200 exploratory blocks, and also off the west coast of Africa – in Angola, Namibia, Nigeria and Senegal. We are not present in the North Sea or the Arctic. We are present wherever there is oil in deep waters.

How much do the international activities contribute to Petrobras's oil production?

They should not account for over 10% in five to 10 years. Our target for 2020 in Brazil is to be producing 3.9 million barrels a day. We will boost domestic production by 1.8 million a day to 2020, thereby increasing oil refining in Brazil by 1.3 million barrels a day. Increasing refining will give us greater capacity to export by-products, oil and crude oil. In short, we will produce more and export more. The signs are that by 2020 we should be exporting another 500,000 to 600,000 barrels a day net.

Does Petrobras intend increasing its refineries abroad?

We do not have any plans to buy refineries abroad at this time. Our priority is to increase refining in Brazil. We have four refineries abroad; two in Argentina, one in the United States and the other in Japan, on the island of Okinawa. These refineries need to be improved operationally but we have no plans to acquire new ones. Our priority is to increase refinery activities in Brazil.

Petrobras has entered the fuel distribution business in Argentina, Paraguay, Uruguay, Chile and Colombia – buying filling stations, adding value to the product, taking care of the brand. Can we expect more of this from Petrobras in the future?

Not necessarily. Our international activities today are highly concentrated on exploration and production. We are not a retail company.

But do you intend becoming one with all this oil that will appear in Brazil?

Not necessarily. Oil is an international commodity and we do not expect to have any problems placing our products abroad. There is a great need for new production to meet the future demand. Current demand is around 85 million barrels a day. By 2020 it will be necessary to add new areas or find a new kind of fuel as demand should rise to between 35 million and 65 million barrels a day. Therefore, world demand will rise but supply will not. Oil production is falling by 7% to 10% a year. Therefore, we must find new areas to replace those that will decline. We need to increase production by 600,000 to 900,000 barrels a day only to offset this decline.

Leaders from the alcohol industry claim that Petrobras has not kept its promises to invest heavily in ethanol production. How do you respond to this criticism?

We are studying the acquisition of 30 to 40 plants. However, there are environmental, social, legal and business situations to consider before we can buy them. For example, we cannot buy a company located in environmental areas which are

nor recommended. We cannot enter a company which uses slave-like labor or which is competing with food production. There is a series of restrictions we have to take into account in our research.

But is this research not taking up too much time?

It should be stressed that we probably have the most aggressive investment program in ethanol in Brazil and we will increase it. The biggest consumer of fuel ethanol in the world is Brazil. No other country in the world has half the fuel for light vehicles coming from

Pre-salt will make South Atlantic region a more heavyweight geopolitical player

sugar cane. We expect the domestic market to consume 2/3rds of alcohol and 1/3rd of gasoline by 2020. Therefore, it is clear that alcohol as a fuel is here to stay in Brazil. We have still not managed to make the international market grow at this same speed but, even so, it is growing fast. Alcohol already represents over 8% of fuel for light vehicles in the United States. It is the biggest market in the world but it uses alcohol extracted from corn. The United States is the biggest alcohol producer in the world but its production is bad because corn alcohol is inefficient. As a result of this, we believe there will

be an increase in the use of alcohol extracted from sugar cane on the international market. Petrobras is preparing itself for this.

The good news of the discovery of so much oil off the Brazilian coast could also be a bit worrying. The main oil-producing regions are usually in conflict and war zones. Is the southern hemisphere free from this conflict?

During its 150 years of history, the oil business has always been linked to geopolitical issues. Oil was produced for a long time in the United States then Russia and the Middle East and spread to other places. We are now seeing new production frontiers around the world. We have bituminous sands in Canada, extra heavy oil in Venezuela, Brazil's pre-salt layer, shale gas in the United States and oil in the Arctic.

Most of today's oil production occurs in the Middle East which is embattled, politically and militarily. Obviously the pre-salt reserves will give the South Atlantic greater geopolitical importance. However, what is more important is that this wealth created by the oil will have enormous impacts on society. The more you create mechanisms so that this great wealth from the oil is used to benefit society, the fewer problems you will have. I believe the bill which is going through the Brazilian Congress on the new regulatory model will have an enormous impact in areas such as education, health, culture, technological development, programs to combat poverty etc. The impact of the pre-salt oil will be very positive. ■

Here or abroad?



André Gerdau
Johannpeter:
better outlook
for 2010

LEONID STRELIAEV/GERDAU

How the main Brazilian multinationals are investing in the post-global crisis scenario

CECILIA PIRES

Now that the black clouds of the global financial crisis seem to have dissipated, the main Brazilian companies with an international presence are resuming their international expansion plans with different assumptions and priorities. Each sector has its own challenges. Petrobras, for example, prefers to focus on the local market due to the importance

of exploring the pre-salt and, at least over the next three years, it should freeze its international investments at the current level. Braskem, however, is preparing a strong entry into the US market. Embraer, in turn, strongly hit by the crisis, is trying to counter the advance of its Russian, Canadian, Japanese and US competitors, which are threatening its global leadership in the segment of mid-size jets.

Each player is seeking the best path to either revert its losses during the crisis or to exploit the opportunities to acquire assets abroad – opportunities enhanced by the strong BRL and the greater intensity with which the crisis hit the more advanced economies. All these companies, however, share a challenge: the need to fight for credit, still a bit scarce, with companies from a rapidly-growing local market and, then, decide whether to invest these funds here or abroad.

Since the current robust growth of the Brazilian economy makes it much more interesting, from a strategic standpoint, to invest in

Tultitlán steel
mill: Gerdau
in Mexico



EDUARDO SIMÕES/GERDAU

the domestic market, Brazil ends up absorbing the bulk of the available credit. The BNDES itself, the main source of funds for exporters – and which in 2009 alone injected R\$ 137bn to cover the shortage of credit sparked by the crisis – signals that, going forward, these abundant funds should not repeat. The priority now, according to its president Luciano Coutinho, is to increase investments in the local market.

Sérgio Foldes, head of the international area of the BNDES, reveals, however, in an interview to PIB that the government continues investing in the globalization program of Bra-

zilian companies. Also according to him, the BNDES is working hard to classify various business segments where Brazil is already leader and has sufficiently strong competitive advantages to forge global leaderships.

Foldes reveals that, as well as the petrochemical and food sectors, responsible for the most important mergers in the market recently, the areas of ethanol, paper and pulp, nanotechnology, biotechnology, wood, textile, leather and footwear are considered strategic to the country. Before promoting the internationalization of companies from these sectors, however, Foldes says we have to

“develop these companies’ competitiveness and prepare them for the international market”.

Summing up: despite being better structured and strengthened by the solid local capital market, companies are unable to carry out all their plans without additional sources of financing. For this reason, on most occasions, they have to choose whether to invest in the local market or abroad. Below we show the solutions discovered by some of the main Brazilian multinationals to the dilemma that promises to accompany them in the second decade of the 21st century.



CAUTION ABROAD

LAST YEAR, GERDAU was one of the companies to receive BNDES funds. Leader in the production of long steels in the Americas and one

of the largest suppliers of special long steels in the world, the company was strongly affected by the crisis. With an industrial presence

in 14 countries, operating in the Americas, Europe and in Asia and capacity of over 20 million tonnes of steel, Gerdau has already received approval for a R\$ 1.5bn loan to execute its investment plan in the period 2009-2013. The entire investment plan, however, will require total investment of US\$3.6bn.

In an interview to PIB, CEO



FOCUS ON PRE-SALT

IN TANDEM WITH the new rules proposed by the government to explore Brazil's pre-salt oil reserves, Petrobras is awaiting Congress approval of an ambitious capitalization plan of the company. And yet, this may not be enough. Indeed, Petrobras is already acknowledging the need for a "plan B", since it needs to invest R\$ 88bn this year alone to extract oil from the recently-discovered areas under the continental sub-marine platform. The exploration of reserves in increasingly deep waters requires heavy investments, and Brazil's Treasury simply doesn't have the funds to finance all this. The pre-salt, however, waits for no man.

To uncover new financing possibilities, Petrobras signed a strategic cooperation agreement with China Petrochemical Cooperation (Sinopec) and China Development Bank Corporation (CDB). The terms of the agreement envisage studying cooperation opportunities in the areas of exploration and production, refining, transport and sales, petrochemicals and fertilizers. In a recent note, the company admits its plans to assess future partnerships in managing the Rio de Janeiro Petrochemical

Complex and bilateral financing between the parties, if Petrobras requires funding in the ambit of the agreement.

Petrobras admits it will freeze investments abroad, in order to concentrate funds in the local

market. The pre-salt is a quasi-total priority. "It's obvious that the magnitude of the pre-salt forces us to review our priorities", said CEO José Sergio Gabrielli de Azevedo, in an interview to PIB editor Nely Caixeta, published in this edition (see page 48). "With the pre-salt, production in Brazil acquires even more importance", he says.

Total external investments scheduled to be made by 2013, however, will be maintained at

Oil platform at Jubarte field (Espírito Santo): first to extract oil from the pre-salt region



André Gerdau Johannpeter revealed that the company will invest R\$ 9.5bn in the period 2010-2014 in order to modernize its industrial facilities and add value to its products and services. Of this total, some 80% will be spent on the company's Brazilian units. After suffering a decline in net revenue of 36.7% and a drop in consolidated

a high level of US\$15bn. This amount means, however, that only 10% of the funds to be invested by the company in the period will be channeled to activities in the 28 countries where Petrobras is present. Also according to Gabrielli, the other 90% of the company's investments will be made in Brazil – in the areas of exploration, refining, transport and logistics, gas and energy and, finally, biofuels.



AGÊNCIA PETROBRAS/BRUNO VEIGA

sales of 26.8% to 14 million tonnes, Johannpeter is cautious when talking of a recovery. "Despite the impacts of the government programs to stimulate the US economy, which translated into major sales growth in the local auto industry, there are still major pent-up volumes of funds", he says.

On the long steels segment, Johannpeter believes that "the aspect of the programs related to investments in infrastructure, due to their nature, demand more time to materialize and to translate into steel consumption. Projects to build high-speed trains, roads and bridges are starting to gain traction and should increase spending on infrastructure". The company's CEO added, however, that the company remains in a solid position. "We

have reduced our working capital, costs and indebtedness, maintaining a strong cash position during 2009", he says. "In other words: despite the impact of the crisis on our operations, we completed 108 years of operations with a profit in every year"

Net debt, explains Johannpeter, fell by R\$ 8bn in 2009, due to the payment of debts due in the period and the early payment of future obligations, plus FX variation. In the CEO's opinion, the future inspires optimism. "The outlook signals an improvement in market demand in 2010, although at different rates depending on the geographic region", he says. "This is why, over the next few years, Gerdau will continue to mainly invest in Brazil."



THE BIG BUYER

BRASKEM IS CURRENTLY one of the largest five petrochemical companies in the world. Its objective, however, is to become the third largest player. "So far, all of our international expansion moves were totally financed by own funds or by the market", says Roberto Prisco Ramos, director of the company's international area. Its incorporation of competitor Quattor has made Braskem the 8th largest plastic resins producer in the world and leader in the Americas, while its acquisition of the polypropylene assets of Sunoco consolidates Braskem as the number one player in the region.

Braskem's next moves in the US market could effectively make it one of the world's three largest produc-

ers. But, to take these steps, the company hopes to receive BNDES financing, since the acquisitions of Quattor and Sunoco have left it with a cash position of only R\$ 3bn – peanuts when the objective is to contest assets in the US market.

Braskem already has three plants in the US, with capacity to produce 940,000 tonnes per year of polypropylene. "We are only interested in buying sizable assets, with access to long-term raw materials and reliable sources, with modern technology to compete in the future market", reveals Prisco. The problem, he says, is the low number of plastic resin players in the market. "This significantly reduces the number of attractive assets", he says.



END OF TURBULENCE?

LAST YEAR, THE crisis caused global orders of commercial jets to slump to 656, 64% lower than in 2008 and the lowest sales volume since 2002 – when the global market recorded 333 orders (according to Flight Global, a specialized sector publication). Embraer didn't escape the turmoil. Its order backlog slumped from 426 commercial jets in the fourth quarter of 2008 to 265 in December.

The company reacted by laying off 4,200 workers and drastically cutting back on its investments. "Our exports fell 20%" says vice-president Horácio Forjaz. "We had to restructure the company in all directions". If the forecasts of airline sector specialists prove correct, there is no outlook for a significant



improvement in the international scenario before 2011. Rounding things off, Embraer continues to see its competitors multiplying. Russian, Japanese, Canadian and US companies are starting to produce medium-size aircraft – a segment where Embraer is leader (with 40% of the global market).

Despite the problems, Embraer maintained its international opera-

tions. It concluded the construction of the first of two plants in the Portuguese city of Évora, which will produce complex aircraft structures and components in composite materials. Work also continues on the construction of an Embraer unit in Melbourne (Florida), where the Phenom 100 and Phenom 300 jets will be built – this project is the company's first industrial unit in



OFF TO A GOOD START

The strategy of Banco do Brasil, currently Brazil's largest export loan bank, is to increasingly become a financing institution of Brazilian companies – locally and abroad. Brazil's most internationalized financial institution, Banco do Brasil has now set its mind on becoming a multinational. In the space of just a few days, it acquired a 51% controlling stake in Banco da Patagonia (based in Buenos Aires), and announced the issue of 286 mil-

lion new common shares, with the potential to raise around R\$ 8.8bn to buy new assets. To boot, Banco do Brasil also obtained Federal Reserve authorization to operate in the US retail banking segment.

Everything indicates that, with the purchase of Patagonia, BB has set the ball rolling for a growing international expansion, which is starting to consolidate in South America, where the bank already operates in six countries. The idea is

to provide support to the Brazilian companies with growing operations abroad. "Today, instead of representations, Brazilian companies have plants in other countries and need funding in local currency", says Allan Simões Toledo, vice-president of international business and wholesale operations. "In Argentina alone there are over 200 Brazilian companies producing at full steam",

Authorization to operate in the US enables Banco do Brasil to achieve another of its targets – expanding its customer service to clients in the US – home to the biggest community of Brazilian expatriates (with 1.4 million people). The bank



**Embraer
Phenom 300:
plant in the US**

EMBRAER

North America. According to Forjaz, the pace of international investment shouldn't be slowed down. "We can't jeopardize our future", he says. Embraer also has a joint venture with China Aviation Industry Corporation, located in Harbin, north of the country, in which it has a 51% stake. The agreement foresees the production of the ERJ 145 model at this unit by mid-2011.



**Marcopolo
in India:
getting
round the
problem of
the strong
BRL**

HANDOUT



EVERYTHING RUNNING SMOOTHLY

INITIATED IN THE 1990s, the internationalization process of Marcopolo, a Rio Grande do Sul producer of buses, involved exporting unassembled kits from Brazil. With the crisis, production was reorganized, with the nationalization of parts and components in the countries where it operates. Also, the Portuguese (Coimbra) and Russian plants were deactivated. Marcopolo ended 2009

with 11 plants, seven of which abroad. These measures enabled Marcopolo to emerge from the crisis relatively unscathed, with its units protected by the fact that its costs and revenues are in the same currency. "Brazil has conditions to boost its participation in international trade, provided it can overcome the obstacles currently preventing it from striking new deals", says José Rubens de La Rosa, director-general of Marcopolo. "The depreciated BRL traditionally provided a boost to Brazilian exports. Now, with the appreciation of the BRL, Brazil has lost competitiveness, raising the debate on what its true vocation really is: a commodities exporter or to develop a serious policy for exporting higher value-added products?"

only has two branches in the US, in New York and Miami; but plans to increase its US presence via acquisitions, without losing sight, according to Toledo, of its main focus: Brazilian multinationals.

Banco do Brasil exploited the good momentum to expand frontiers. It is now present in 23 countries, with 44 branches or offices. "I can't recall having witnessed such a favorable moment, with structured companies, a strong BRL and so many business opportunities", says Toledo. "This is Brazil's best ever moment".



**Jorge Stuart
Milne, from
Patagonia, and
Aldemir Bendine,
from Banco do
Brasil: with its
acquisition in
Argentina, BB
kicks off
its international
expansion process**

HANDOUT

Emerging markets go shopping

One man's crisis is another man's bonanza. Companies from developing countries are exploiting the fragile economic state of developed nations in order to buy multinationals and extend their international reach

BRUNO REIS

In June 2009, the Chinese oil group Sinopec acquired control of the Canadian company Addax Petroleum for US\$8.8bn. In the same year, India's CL Technologie forked out US\$20.8mn to buy Control Point Solutions, an IT company in the US. This year, the acquisition of the US company Sunoco by Brazilian petrochemical giant Brasken and Votorantim's purchase of a stake in Portuguese cement producer Cimpor add to these other unmistakable examples of a new phase of corporate internationalization.

In reality, all these major moves have something in common: they were led by the main emerging markets at the height of the international financial crisis. These acquisitions, in such a volatile environment, indicate that, at least for these rapidly-developing countries, the crisis also brought positive results – at least for those harboring international expansion plans and who successfully exploited this period of international turbulence.

The opportunity to obtain economic gains in adverse situations is a deeply-rooted feature of capitalism itself. Referring precisely to

this premise, in a speech given in the state of Indiana back in 1959, then-president John F. Kennedy said: "When written in Chinese, the word crisis is formed by two symbols: one represents danger; the other, opportunity". This was interpreted as meaning that, in a crisis, one should heed danger; but, more importantly, exploit the opportunities. The phrase became famous, although linguists still debate the pertinence of translating Chinese ideograms to Western languages. At any rate, Kennedy's phrase, which has since been used by countless businessmen and political leaders from the Western world, is still very relevant in today's economic scene.

Relatively unscathed from the crisis, emerging markets, instead of going on the defensive and adopting a risk-averse stance (as they did on countless occasions in recent decades when the going got tough) seem to have envisaged the opportunities created by the current financial crisis. Blessed with major

reserves, resulting from their massive trade surpluses in recent years (and a clear strategic vision for the internationalization of their companies), these countries seem to regard the international crisis as a major opportunity to expand their strategic interests and the global reach of their companies.

This expansion seems to be based on two main principles. The first is the clear strategy of developing nations, especially China, to reduce their dependence on traditional investments in the greenback and US T-Bills. The second refers to the opportunities created in the international scenario by the crisis, which has enabled

companies from developing nations to find "bargain buys" abroad – or, in other words, which has enabled companies from developing nations, now with cash at hand, to go hunting for companies with key technologies and/or sectors considered strategic to their countries.

In terms of the strategy adopted by emerging nations in invest-

Companies from China and India are on the lookout for bargain buys abroad





Freescale buggy concept: Qiao Xing has got its eyes on US microchip producer

HANDOUT/FREESCALE

ing their reserves, it is important to consider the US dollar's weakness (with everything indicating the greenback should remain weak for some time to come) and the structural problems of the US economy – causing traditional investments to become less attractive and safe than they used to be. This situation has led developing nations to seek other forms of investing their reserves.

This new investment strategy is clear and is called diversification. In its essence, it means that, instead of accumulating short- and medium-term currency flows and financial assets, emerging markets have started investing in real (long-term) corporate assets, especially in sectors deemed strategic, such as natural resources (mining, energy and food), and sectors at the cutting edge of technology.

Economic history shows us that converting opportunities into real achievements is very rare in the international economy – and it is precisely this exceptional situation that seems to be currently facing emerging markets. With today's emerging markets now boasting strong and structured multinationals, governments' abundant finan-

cial volumes to support them and aggressive globalization strategies in a context of asset depreciation, perhaps it wouldn't be an exaggeration to say that we are at the start of a paradigmatic change in the breadth, scope and quality of emerging markets' corporate internationalization process.

The international expansion process of these companies, which tentatively got underway in the 1990s, has enjoyed a boom period in the first decade of the 21st century – a period featuring the purchase of traditional companies by emerging market groups. There are plenty of examples. The purchase of Brazil's very own Arcelor by the Indian company Mittal; the acquisition of IBM's PC division by Chinese company LeNo-vo, or the acquisition of Inco by Brazilian iron ore giant Vale.

What the current environment seems to be suggesting is that we are facing a new dynamic, whereby companies from developing nations now have the opportunity to make

significant technological progress in their products and services, add value to their product offerings and, mainly, to acquire companies from key sectors in tomorrow's world (e.g. sectors supplying raw materials, oil and state-of-the-art technologies linked to innovation).

The main new development here is that, perhaps for the first time ever, the opportunity to make a qualitative leap by acquiring key companies is now in the hands of emerging markets. The international economic recovery, albeit slow, indicates this situation shouldn't last. Countries such as China and India have taken the lead in this race, envisag-

ing the possibilities and internationalization of their companies as State strategy. It is now up to the other countries and companies to also take the measures needed to transform these companies into real global players – and, mainly, in a number compatible with the increased importance of these countries in the international economy. ■

Emerging market multinationals are enjoying a rare moment in economic history



Brazil is starting to export more basic products in relation to manufactured goods – and this has lit a warning sign in the economy and in the day-to-day operations of industries

**ANDRÉA ANTONACCI E
W.F. PADOVANI**

A major change has taken place on the Brazilian export scene – the country is now exporting even more basic and semi-manufactured products (commodities) in relation to industrialized goods. Five years ago, Brazil exported US\$118.5bn, with 29.3% represented by basic products. It now exports US\$153bn, and 40.5% comes from sales of basic products – between 2008 and 2009,

exports of manufactured products fell 27.3%. For many people, this isn't good news. For others, it isn't that bad. Those in the first group claim that commodity prices are more volatile than industrialized products, and that a sharper swing in market prices could leave Brazil in bad shape. Prices of industrialized products, on the other hand, are more stable. More importantly, industrial producers can, at least in part, dictate their price, while com-



Vale train carrying ores: record exports to China in 2009 contributed to commodity boom

Factories are losing market share

AGENCIA VALE

modity exporters have no control over prices and are subject to global market swings.

“Brazil is forgetting to do its vital homework: it isn’t advisable to reduce the share of industrialized products in a country’s trade balance, since these products (besides more stable prices) have high added value”, explains Celso Grisi, an economist from São Paulo University’s Economics and Business Management Faculty and an

expert on foreign trade matters. For added value, read gains resulting from the elements of ‘elaboration’ and ‘innovation’ incorporated into the products of a developed and diversified industrial complex – and everything this represents in terms of science, technology and education. In the view of Welber Barral, foreign trade secretary at Brazil’s Ministry of Development, exports of basic products were fundamental to Brazil in a crisis year such as 2009

– a period, albeit aggravated by the strong share of commodities, when exports fell across the board. Barral argues that demand for basic products is more stable than demand for manufactured goods, which is why demand levels, even in recessions, don’t fall as much as they do for industrialized goods. “The Brazilian government appreciates the importance of not just boosting exports of industrialized products but also increasing the technologi-

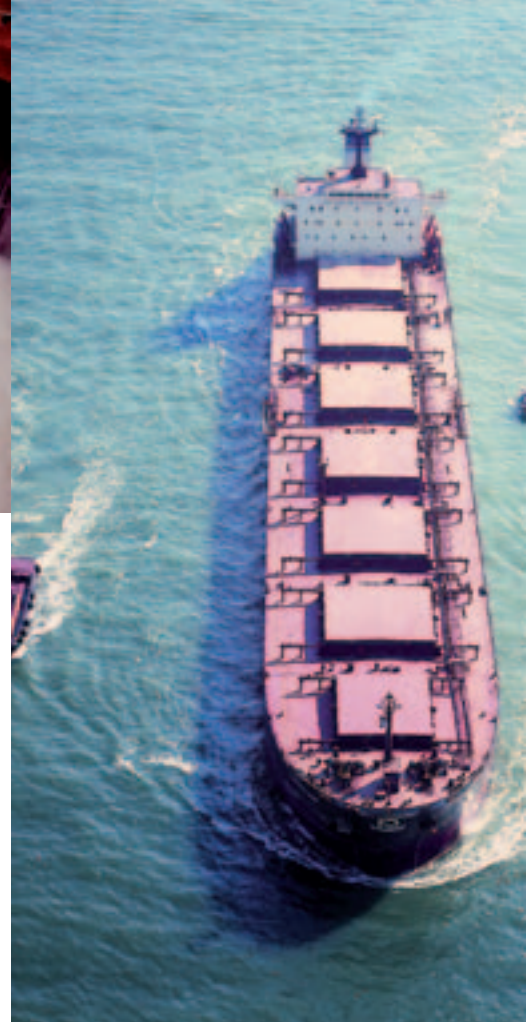
cal intensity of our exports”, says Barral. “But Brazil is a very competitive commodity exporter and if it weren’t for sales of basic products, Brazil would have suffered a much stronger export slump in 2009.”

Among those who, like Barral, see no wrong in itself in commodity growth is also one of Brazil’s main exporters: Roger Agnelli, CEO of Vale – the world’s second largest mining company and Brazil’s biggest private-sector company. Let’s not forget, Vale itself works with basic products. It is the largest producer of iron ore in the world and the second largest nickel producer. It also produces manganese, copper and bauxite, among other ores. “Some people play down the importance of primary products in exports, but they help drive growth in Brazil’s trade balance and improvements in a sector where Brazil is now a qualified player after investing heavily in technology and research”, says Agnelli. He also argues in favor of the search for added value. “What we should be doing is discussing how to make Brazil more competitive in other segments, repeating the achievements of the primary sector.” Agnelli gives the recipe to make exports of primary goods even more profitable. “In Brazil, the process of producing raw materials suf-

fers from high infrastructure costs and taxation, which reduces their competitiveness”, Agnelli told us. “Brazil has to cut production costs, improving its infrastructure. And it has to reduce taxes throughout the production chain of raw materials used to make manufactured items, such as energy, labor, transport, ports and fuel.” A specter looms over this debate – China, recently raised to the lofty pedestal of global economic leader, alongside the US. With the world’s biggest population (1.3 billion people - a fifth of the global population), and territory of almost 10 million km², the second biggest in the world, China has bet all its chips on a major educational revolution to become the world’s biggest production factory, making everything from bags, sneakers and lighters to electronic products – wherever you are you’ll be hard pushed not to bump into a Made-in-China label. This monumental productive machine needs, and boy does it need,

China is taking countries like Brazil to the cleaners

primary products. And Brazil has jumped in with all guns blazing to meet this Chinese demand. According to Brazilian federal government numbers, over 90% of the products Brazil exports to China are commodities. In the list of the top ten items in 2009, only aircraft, which rank 8th, are industrialized. In the



opinion of Grisi, China is a partner currently placing great stock in Brazilian commodities. But since it is a colossal buying market, it also has the power to change this scenario with the flick of a switch. All it needs to do is swap its allegiance for other suppliers. “And then, whatever was working for Brazil soon won’t be”, he warns.

China’s competitive foreign trade policy and the new commodity math are very real questions to companies such as Cerâmica Eliane, Brazil’s largest exporter in the porcelain and coverings sector. Based in Santa Catarina and with seven factories spread out between the state and Bahia, the company exports to 86 countries on five continents. Export manager Márcio Muller, who lives in Dallas in the US – says China and Brazil are respectively the #1 and #2 global producers and consumers of ceramic coatings.



Agricultural products and ores: substituting manufactured items in the list of Brazilian exports



RODRIGO LEAL/APPA

industrialized products represent 92% of its exports and they are gaining new markets at an alarming rate.

And you can say that again!! In relation to Brazil, what had seemed inevitable in recent years (and especially in 2009) ended up happening. China overtook the US in trade relations with Brazil and is now our main partner. Trade flows (Brazil-China exports + imports) rose from US\$35.8bn in 2008 to US\$36.1bn in 2009, while the Brazil-US number stayed at US\$35.9bn. Now, with the guerrilla warfare of subsidies declared by Brazil on US agricultural products (or the cotton cause)???, we need to wait to see what will happen. In 2009, Brazilian exports to China totaled US\$20.2bn while imports stood at US\$15.9bn (versus US\$15.74bn and US\$20.18bn, respectively, in the US case).

Brazilian exports to China have been growing since 2000, when China ranked a mere 12th. The stronger ties between Brazil and China are a result of the recent, and still not fully contained, global crisis. The crisis hit the US economy particularly hard, and Peking was quick to exploit this (see article on page Xx). The very growth of the Chinese economy and the stronger offer of Brazilian products have also helped strengthen relations, a

process aided by Brazil's initiatives to forge ties with President Hu Jintao and Prime-Minister Wen Jiabao. 'In return', China has invaded the Brazilian domestic market – according to statistics of Brazil's Ministry of Development, the number of Brazilian companies importing from China has tripled in the last five years, from 73 to 226 in the US\$10-50mn bracket.

The Chinese economic tsunami has also invaded key markets for Brazilian exporters. Brazil was the main exporter to Argentina, but it has been losing market share to Chinese products – in 2003, it used to sell almost 9x what it sold in 2009. Even in the footwear sector, where Brazil has historically reigned supreme, China has taken over. Be-

tween 2007 and 2009, Brazil lost 12% market share in Argentina while China grew 14%. In global terms, a survey taken in 2009 by the IES (Sector Economic Investigations) consultancy firm shows

that everyone lost out in the crisis – but that Brazilian industries suffered more than the Chinese. Comparing data for the first 8 months of 2009, Brazil's global exports fell 44.6% in value and 46.6% in volume terms, whereas China suffered corresponding declines of 18.3% and 30.1%.

Embraer exports components for final stage of aircraft assembly in China

“The Chinese product is very price-competitive globally and in Brazil, despite all the transport costs and taxes”, he says. The competitiveness of the Chinese product largely stems from the fact that the Yen and the FX rate are controlled by the government as a way of keeping its products price-competitive in the international market. “As a result, China can export to the US products up to 30% cheaper than those made by Eliane”, he points out.

This is a perfect portrait of the Chinese way of doing business. China ends up playing countries such as Brazil for a chump. While, on the one hand, it encourages production of commodities by its trade partners, who put their industrialized products on the backburner to meet the demands of this giant client, China then uses the same commodities as raw materials to make industrialized products. Currently, Chinese



Grisi calls attention to other possible problems of an export stance that depends heavily on the Chinese market. He says there are doubts on the sustainability of the current policy of tax and financial incentives adopted by China in its economic recovery package. According to Grisi, the main risk stems from loans which, aggressively granted by State banks, could incorporate some sort of socioeconomic deterioration. "In this case, given the high volume of loans, default rates could require corrective measures that would lead China to post lower GDP growth

rates", he warns. In his view, the Chinese economy is so big that any slowdown, albeit moderate, would have major impacts on the global market, especially on commodity prices. "For Brazil, this would be a very negative shock", he concludes.

In a distant reality from that lived by an industry such as Cerâmica Eliane, which is feeling the impacts of Brazil's reduced competitiveness in the face of the Chinese hurricane, Vale increased its iron ore supply to China 53.6% last year, exporting a record 140.4 million tons to China in 2009. As one of the industrialized companies unblem-

ished by the crisis, Embraer signed a partnership with a Chinese aeronautical industry, exporting components to supply the end production line in China. And to boot it raised a US\$2.2bn loan from the Chinese credit company CDB Leasing to finance aircraft construction over the next three years.

But companies like Eliane and Embraer are swimming against the tide. Brazil's commodity roots date way back, and what's more...they're geographical. With such an abundance of natural resources, Brazil was born to be one of the world's largest suppliers of primary prod-

STRATEGIC MAP OF THE WORLD

BRAZIL'S ECONOMIC POSITIONING IN THE FACE OF AN INCREASINGLY GLOBALIZED WORLD

SINCE 2004, THE Lula government has invested in trade relations with China. This process of forging ties has even yielded capital injections such as the US\$10bn loan by China Development Bank to Petrobras, to be repaid in 10 years. In return, Petrobras signed an agreement to export 150k barrels/day in the first of these 10 years and

200k barrels/day in the following 9 years. China also opened up its market to meat and chicken imports. "It is important to recognize the involvement of our diplomatic teams, mainly from the embassy, who enabled new markets to be opened. The Brazilian government did its part", says Rodrigo do Val Ferreira, a lawyer at the Felsberg e

Associados law firm in China, which provides consultancy services to Brazilian companies. "If we want to add to the list of new, higher added value export products, the market is open and trade relations couldn't be better",

But while trade relations in the East are expanding, there are signs of smoke above the Equator. Brazil is losing its competitiveness with the US. "Since the start of the Obama government, there have been no trade missions with

**Cars for export
and Embraer
aircraft in
China: going
against the
grain**



EMBRAER

ucts – in addition to ores, let’s not forget soybeans and the still huge unfulfilled potential of sugarcane. Oil production expectations related to the much-vaunted pre-salt region are also an ace in the pack. But just because Brazil is abundant in natural resources shouldn’t make it just a commodities exporter, warn specialists such as José Augusto de Castro, vice-president of AEB (Brazilian Foreign Trade Association). “Exporting commodities is a merit” he says. “But since Brazil has vast land with abundant resources and high agricultural productivity, it needs to use this to leverage other

sectors”. Castro cites China itself as an example to follow, precisely because most of its exports are of industrialized products. With Brazil not doing its homework, the numbers reveal deterioration in the country’s terms of trade. ApexBrasil (Brazilian Pro-Export and Investment Agency) data reveal that the average price of Brazilian products exported to China fell 9.4% between H1 2009 to H1 2010. And while Brazilian products are generally cheaper for buyers, China hiked the prices of its exports to Brazil at the start of 2007. Chinese non-durables rose from US\$6.33/kg, in the period

Jan-July 2008 to US\$7.44 in the first seven months of 2009. In the same comparison base, durables leapt from US\$4.46 to 4.60. “This is surprising due to the global economic crisis and the consumption slump”, notes Grisi, who says this price trend seems to be consolidating for two reasons – the evolution of the Chinese industry, which has been able to make higher-value added products, and the higher costs triggered by the Chinese government’s changes to the country’s labor and tax laws. China truly is selling more at higher costs – i.e., it’s increasingly assuming its true status. ■

the US, causing a slight diplomatic distancing”, says José Augusto de Castro, vice-president of AEB. The result was growth of only 1.5% in Brazilian exports to the US between 2002 and 2009. It’s the game of international negotiations, where the playing field and rules are constantly changing. Part of this strategy of shifting away from the crisis in the US was also triggered by the emergence of new emerging markets, including India, Saudi Arabia, Russia and Turkey.

The attempt to prospect international markets outside the US-Europe axis is gaining traction thanks to the recent crisis in European countries such as Portugal, Ireland, Italy, Greece and Spain.

However, many specialists believe the initiative of maintaining the focus on new markets shouldn’t see traditional clients being underserved. According to Castro, Brazil’s trade distancing from the US is worrying since the US are the world’s biggest importers (the only country

to import over US\$2trn), plus major buyers of manufactured items. While Brazil is focused on China, other pieces in this international game of chess are moving over to the most traditional opportunities. Some countries from South America are already looking to make strong, advantageous moves by signing bilateral trade agreements and opening up new business fronts. Colombia, Peru, Equator and Mexico are growing their US market share, filling the void left by Brazil.

Going from Strength to Strength

The Ibope Group reacts to investments made by multinationals in the sector in Brazil, by acquiring one of the most traditional American market survey institutes

RUBENY GOULART, RIO DE JANEIRO

Over the past few years, the Ibope Group, a Brazilian multinational specialized in media, market and opinion research, and present in 16 countries (the Brazilian Institute of Public Opinion and Statistics), appears to have virtually ignored the inroads being made by its global competitors in its own territory. After seeing mergers finalized in Brazil with European and Asian groups, associations with the American firm, Nielsen, the French company, Ipsos and the English Synovate, Ibope strengthened its own operations in South America, and particularly Brazil. In January of this year, Ibope also went swiftly on the counter attack in the U.S. After consolidating its expansion in the Latin-American market, the company acquired control of Zogby International, one of the most traditional research institutes in the United States, based in Utica, in the State of New York.

With this move, Ibope has become the sixth largest Brazilian company in terms of foreign assets, behind the sector giants like Petrobras, Vale and Gerdau. The acquisition of Zogby was a bold move in the Brazilian research institute's internationalization plan, and which perplexed many regional research market analysts. With affiliate companies in Argentina and Mexico, offices in Chile and Porto Rico, and just about to inaugurate a unit in Colombia, it was only natural that the company prioritized the expansion already underway in Latin America. However, with increasingly globalized and integrated transactions in the segment, Ibope is now looking at a truly intercontinental scope of operations. "Our clients, most of whom are global players themselves, require an international and integrated network of services", explains psychologist, Nelsom Marangoni, CEO of Ibope Inteligência, the group's division in

the area of public opinion polls, and political and market research.

The first steps in Ibope's internationalization were taken in 2008, with its association with Worldwide Independent Network of Market Research (WIN), an entity that comprises of 30 companies around the world, and which aims to stimulate business in the sector. After planting its banner on the world map in terms of research, Ibope began to study opportunities in the United States, even reaching the point of sounding out certain companies. At the end of last year, the English Group, WPP, one of the major players in the global marketing sector, acted as an intermediary in the start of talks with Zogby International. "We talked and closed the deal, as we believe that Zogby's profile combines perfectly with ours, and that there is an abundance of cultural identity", explained Marangoni.

And there were undoubtedly plenty of similarities between the

HANDOUT



**Marangoni,
from Ibope
Inteligência:
“Our clients
demand an
integrated
network of
services”**

two companies, particularly in the area of methodology and their focus on market research, the business segment that is growing the fastest around the world. There is also common ground in that, rather like the Brazilian institute, Zogby is popular, has a good reputation with the press and considerable credibility among American universities. Its chief executive, John Zogby, is a well-known figure in the media, as well as being a researcher, writer, television commentator and contributor to magazines and newspapers with huge circulations in the United States. “Zogby and Ibope easily identify with each other, as they do virtually the same thing”, stated Marangoni.

More than representing simply finding its other half, the acquisition gave Ibope the access code to the largest research market in the world. Despite its popularity, Zogby does not have a significant market share in the American research segment. With offices in Washington

D.C. and Miami, and an annual revenue of US\$70 million, the institute accounts for less than 1% of the estimated US\$8.8 billion research market in the U.S., equivalent to 27% of the US\$32.4 billion global market. It is also true to say that the American market’s position in the segment is still fragile, as it shed 2.1% in terms of market share in 2008, as a direct result of the international financial crisis.

However, Zogby’s business portfolio has other built-in attractions, of particular note is the fact that the institute (founded by John Zogby in 1984) has a presence in 74 countries and 20% of its business is allocated in the Middle East, a region with huge growth potential. With the American and European markets literally saturated, the research market is now expanding in other locations around the globe, and Brazil is at the forefront of this expansion. “As of now, after consolidating our operations in our local markets and expanding them into the Asian

market, the large research corporations are turning to Latin America”, explained Waldyr Pilli, president of the Brazilian Association of Research Companies (ABEP).

The appetite of multinationals in the region is easy enough to understand, as the demand for market research has grown the most here in the past few years. With more open and democratic governments, the region has been a rich source of business for companies in the sector, so much so that in 2008, growth in the Latin American segment reached 5.6% compared with the global average of 0.4%. Ibope has 14.7% of this market, which registered a total annual revenue of US\$1.7 billion in 2008.

Compared with the rest of the world, the Latin American market is still modest in terms of its size, less than in England, France and Germany, but approximately the same size as in Japan and represents a third of total sales when combined with the Middle East and

Africa. Nevertheless, as the region has such enormous growth potential, one can only imagine that the acquisition of assets in more distant markets will not stop Ibope from following its main expansion in Latin America. The company's strategic plan includes the opening of a new unit in Colombia in the near term. "The distribution of business will likely be through regional units, in which the stronger markets will cover the smaller neighbors", added Marangoni.

However, the expansion model outlined by Ibope is more ambitious than it first appears, as acquisitions of research companies are planned in any global market where an interesting opportunity arises. Riding the global wave of consolidation among the companies in the sector, the Brazilian institute has already ensured that it will not be an acquisition target, and is itself on the acquisition trail for assets in the area as a hunter and not the hunted. "Europe is certainly in our sights; but perhaps a little further down the road", said Marangoni. Revenue in the research segment in the Old World totals US\$16.6 billion, equivalent to 49% of the global market.

Whichever path is chosen, it is certain that Ibope will expand its

business in a market with a completely new set of dynamics. Projects have been diversified, increased in terms of scale and costs have been reduced. The increase in access to digital technologies has also altered the way of doing research, as most business is now done using the Internet and telephone. But the most significant changes can be seen in the clients. "The qualitative expectations associated with client requirements are much higher and more focused on strategy", explained Marangoni. "Rather than merely providing information, the research we now offer helps politicians in their campaign strategies, and corporations prepare their marketing approaches, and so on".

In addition to this new scenario, there has also been a boom in research to support the development of public administrative policies, particularly in England, France, Germany and the United States. And it is in this new environment that Ibope aims to set up a network that offers homogeneous services and products to its clients, anchored in Ibope's own research culture and identity, which would be disseminated among its affiliates from Brazil. "It is logical that

any local differences will be respected", emphasizes Marangoni. "But a research agency nowadays has to be at least regional, as are many of our projects".

The logic of integrating operations to take advantage of the associated synergies involved, including on an intercontinental stage, will soon be applied in the recently-acquired American institute. In principle, Ibope wants to make the most of Zogby's experience in the field of information gathering, particularly using the worldwide web,

where, as Marangoni recognizes, the United States is more advanced. But, on the flipside of the coin, Ibope also intends to use Brazilian technology in the company it has acquired, particularly in the areas of consumption and product development. Another area where there is a sizeable interface is electoral research, even though voting is not obligatory in the United States as it is in Brazil.

However, the jewel in the crown is Zogby's business portfolio; and the institute's influence in the American market, more often than not linked directly with the charismatic company founder, John Zog-

Ibope has decided that it isn't the hunted but the hunter of assets in the area

Zogby: always in the media to close major business deals with companies



HANDOUT

THE MEDIA MAN

THE AMERICAN, JOHN Zogby, CEO of Zogby International, is a well-known figure in the U.S. media. A writer, television commentator and contributor to magazines and newspapers, he has frequently appeared on the main television networks and on cable-TV programs in both the United States and international. His profile has been published in the main media vehicles, such as The New Yorker, Fortune Magazine and Inc., and being written about in these media sources is part of Zogby's successful strategy to leverage his research

by, CEO and Chief Insights Officer, and who will retain these job positions. The same logic, of not adding to a recipe that is selling well, was applied when the decision was taken to maintain Zogby's name in the United States market, now associated with Ibope, largely as a strategy to spread the Brazilian name internationally.

Concerned about not letting the company's memory and identity die, a fatal error committed during so many incorporations, Ibope has been setting up its new team with extreme care. In principle, nobody will be laid off, made easier by the fact that with a staff of 50 employees working at its offices in New York, Washington and Miami, Zogby is already a streamlined operation. The changes made are likely to be restricted to hiring a Dutch executive with considerable international experience, who will report directly to Brazil.

Ibope's strategy of regionalization in its research does not in any way preclude growth in Brazil. So much so that the company recently acquired control of one of its national competitors, IDS Marketing Intelligence, an ad hoc, Data Mining operation, with 23 years of ex-

perience, as well as the Institute of Market Research and Development (IPDM), a specialist in geo-demographics for shopping centers, the retail and real estate sectors.

The expansion of Ibope's business in the domestic market can also be seen as an answer to the recent investments made by international competitors. Nielsen has acquired assets in Venezuela and Chile as well as increasing its presence in Brazil, where it has been operating for 40 years. Ipsos, which in 2001 incorporated Marplan, acquired Alfacon in

2008, a company based in São Paulo, specializing in research in the auto sector. Despite the advances being made by its competitors, Ibope still leads the research ranking in Brazil, followed closely by Nielsen.

Even though growth has been limited in the past few years, the Brazilian research industry still felt the lingering after effects of the international financial crisis in 2009. As in many other activities, the level of overall business remained practically unchanged

from 2008, in the region of R\$1.5 billion, equivalent to 0.5% of GDP. The outlook for this year is brighter, as growth will be spurred by the elections. "In previous years, growth in this business was higher than GDP, although we saw this cycle interrupted last year", explained Pilli, of ABEP. "The projected growth rate this year, although atypical, should be higher again: at between 10% to 15%", says Marangoni.

The growth at Ibope Inteligência as a result of electoral research should mean that its revenue contributes to between 25% and 30% of 2010 revenues, estimated at R\$110 million. But the company's core business is market research, largely for the corporate sector. To provide the services required in the diverse segments in which it operates, Ibope has 200 permanent researchers in Brazil and another 100 in Latin America. And this does not include the army of professionals hired by specialized cooperatives and companies that, in 2008, were responsible for carrying out more

than 600,000 interviews. So it appears that the order of the day for Ibope is to expand as and where the opportunities arise, either here or overseas.

Purchase of Zogby is a reaction to Nielsen's and Ipsos' moves in the Brazilian market



business directly through his media exposure. Among his main clients are MSNBC and CNBC, the cable channel Fox News; and newspapers such as the New York Post, Houston Chronicle and Miami Herald

His election analyses are pub-

lished on the opinion pages of the New York Times, Wall Street Journal and Financial Times. TV or radio presenters in the United States refer to him as "the Prince of researchers" or "the general of research". A graduate in History from Le Moyne Col-

lege and Syracuse University, Zogby has lectured in history and political science for 24 years and his books include: *The Way We'll Be: The Zogby Report on the Transformation of the American Dream*, published in 2008 by Random House.

Made in Minas

In the space of five years, Minas Gerais tripled its exports (in terms of value), killing off the stereotype that they only export landscape

JOSÉ MARIA FURTADO, BELO HORIZONTE

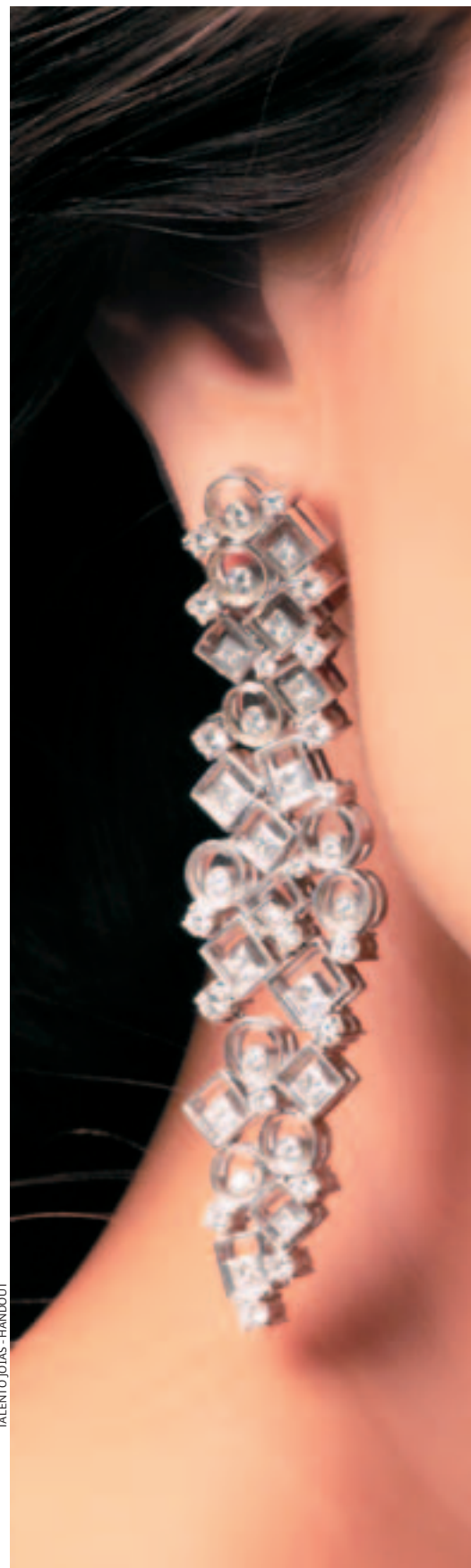
Poking fun, in a malicious but humorous way, some Minas Gerais citizens used to say that Minas Gerais only exported coffee and countryside. The joke referred to exports of ores, especially iron ore, the systematic digging of which disfigured many of the state's iconic mountains. Two decades ago, it was common for cars in Belo Horizonte to carry stickers with the words: "enjoy the mountain view", leaving between the lines the obvious conclusion: "before they disappear".

20 years later, Minas Gerais still exports landscape, since most of

its export revenues still come from ores. A lot, however, has changed in these two decades. Especially in recent years, the Minas Gerais economy has been growing above the export average and its list of exports has diversified strongly. Today, 12.7% of Brazilian exports originate in Minas, making it the second biggest Brazilian exporter (in terms of volumes) last year. This evolution is clear in the statistics (see table 1). We are talking about a movement, initiated some time ago, to diversify exports and, in parallel, evolve from supplying primary products to other higher value-added items. Up to 1970, Minas Gerais basically

MINAS GERAIS EXPORTS (USD BILLION)

	2003	2008	VAR %
⌘ Exports	7,4	24,4	229,4%
⌘ Exporters	1 313	1 727	31,5%
⌘ Exported products	2 609	2 858	9,5%



TALENTO JOÍAS - HANDOUT



Jewels:
sales
steady
despite
crisis

exported coffee, ores, gold, precious stones and a few steel products. Today, they export auto parts, vehicles (Fiat and Mercedes Benz), helicopters (Helibras, located in Itajubá) and sophisticated biomedical products, such as artificial heart valves and insulin.

But perhaps a better example comes from gold and precious stones – ores that are confused with

the history and strong identity of Minas Gerais from the days of Portuguese colonization. The state exported and continues exporting lots of gold (US\$884 million in 2009) and precious stones. But the state's jewelers are an example of the changed outlook. Whereas before they only exported precious stones in unrefined state, now these same stones are exported in refined condition. Many become jewels. The amount we're talking about here is still small (US\$20 million in 2009), but sales should rise.

Vancox, from Belo Horizonte, is one of the Minas Gerais jewelers to do well on the export front. Recognized by renowned international publications, Vancox, according to owner Ricardo Bronfen, exported around US\$3 million in 2009 to Arab countries, the US, Russia and Latin America (Vancox jewels cost from US\$1,500 to US\$75,000). To access the export market, the company surrounded itself with distributors located in strategic points.



FIAT - HANDOUT

MAIN TRADE PARTNERS

(USD million)

China	4 007
Germany	2 630
US	2 551
Argentina	1 633
Japan	1 547
Holland	1 062
Italy	929

One of them is in Dubai, in the United Arab Emirates. "We conquered markets and we even excelled in the eyes of the World Gold Council by developing new techniques", says Bronfen. "Intertwining threads of very fine precious metals is one of these techniques." The Middle East and the US are also key markets for another company from Belo Horizonte, Talento Jóias, which 8 years

Exportaminas service desks: helping small- and medium-size companies

HELP FOR THE SMALL AND MEDIUM PLAYERS

MUCH OF THE merit for the growth in the number of Minas Gerais export companies and products, a slow and difficult process, goes to Central Exportaminas, which centered its programs on helping small and mid-sized companies – those with the least resources and knowledge to venture into the export market.

Exportaminas is a public-private alliance involving BM&F Bovespa, the Minas Gerais



EXPORTA MINAS HANDOUT



ago internationalized its operations. Its 18-carat gold jewels, handicraft and other products cost between US\$100 and US\$100,000.

This year the company, which doesn't have distributors (it sells its products at international trade fairs), expects to export US\$100,000, practically the same amount as 2009. "We won't grow, but we also won't lose ground, which is great given the



Much more than ore: Fiat cars and Helibras helicopters are now attracting external buyers

HELIBRAS - HANDOUT

Government and entities such as the Minas Gerais State Industry Federation (Fiemg). BM&F has similar partnerships in other states, but so far the most successful is Exportaminas. "We've been operating for 5 years already. Our achievements are still modest, and there's potential for much more", says Jorge Duarte de Oliveira, director. Exportaminas provides safer guidance, step by step, on what companies should do to export. "Via our programs, we provide all the necessary advisory services to micro and small companies", explains Duarte. One of its most promising programs is PEIEx (Industrial Export Growth

Project, developed by ApexBrasil), which aims to cater to the needs of 1,340 companies in 18 months. None of them are currently exporters, and the plan is to train them to export. "If we identify 5-10% of them with export potential, that alone will be a great achievement", says Oliveira. Another program, in partnership with World Bank, is focused on the Valley of Jaíba, where the largest irrigation project in the whole of Brazil was implemented. From Jaíba, companies can export lemons (Jaíba has the enviable ability to produce all year round, something other countries find very difficult), mangoes and other

fruit. The plan is to put a logistical system in place to ensure constant exports. An international tender, already in final phase, will retain a consortium specialized in perishable product logistics and in the international fruit market. In cooperation with the Brazilian Association of Industrial Development (ABDI) and the European Union, Exportaminas is involved in another program aimed at training 100 food, footwear, metal-mechanic and cosmetics companies to export to the EU. The companies are already in sales promotion phase. "Shortly we will have around 2,000 exporters in Minas Gerais", says Oliveira.

crisis in the US market”, says Maria Tereza Géo, director of Talento.

To hang on to its national #2 position and continue to boost export growth, in 2004 the state government created Central Exportaminas (see text on page x.), which offers aid programs to exporters or companies looking to start exports, especially small and medium companies. The results are still modest: the 100 main export products continue to account for around 90% of exports. But we are starting to see results: the 2,758 products that account for the remaining 10% of exports already total US\$1.5 billion – whereas in 2003, this group totaled only US\$724 million. The efforts led to growth in the state’s exporting municipalities. Almost a third (266) of Minas Gerais’ 853 cities exported some type of product in 2009, 16 more than in 2008. The income derived from exports, although seemingly little in absolute values, helps keep these local economies in good shape.

**Minas Gerais
biotechnology:
exporting
medications,
cosmetics and
beauty items**

NOVO NOVARTIS – HANDOUT



Alvinópolis, in Zona da Mata, is an example. With around 15,000 inhabitants, the city currently has 27 export products. Beauty items account for 90% of the US\$162,000 exported in 2009. The municipality of Alfredo Vasconcelos (also from Zona da Mata), with 6,000 inhabitants, exported US\$62,000 in roses. Águas Vermelhas, in

Gerais exports to China – in 10 years, they rose from US\$162 million to US\$4 billion, a whopping 2,373% rise!

**Almost
853 cities in
Minas Gerais
State
are now
exporting**

The price paid by the Chinese for the best chicken feet is practically the same paid for chicken breasts – a premium cut for Western taste buds. And what about the taste? The Chinese make specific, different dishes.

MAIN PRODUCT GROUPS – 2009 (US\$ million)

■ Iron ore	6 565
■ Coffee and byproducts	2 911
■ Alloys	1 077
■ Unrefined gold	805
■ Vehicles	708
■ Sugar	598
■ Semi-manufactured iron/steel	514
■ Rolled iron/steel products	510
■ Soy	450
■ Pulp	396

the North, with 13,000 inhabitants, exported US\$166,000 in granite. Other products are making their mark abroad, such as Minas Gerais fashion, fruit, industrialized foods, biotechnological products and medical drugs. Some of these items may be slightly bizarre for Brazilian consumption standards. Pif Paf, from Belo Horizonte, and a supplier of chicken feet for Hong Kong restaurant tables, will certainly attest to this. Consumed as a delicacy by the Chinese, they helped boost Minas

“The process used leaves the bone very crunchy and tasty”, guarantees Gustavo Henrique Dias Untar, commercial manager of Pif Paf. In the past, and as determined by Brazil’s Ministry of Agriculture, chicken feet went to the rendering plant. Now, Pif Paf alone exports some 3,400 tons per year, resulting in revenue of US\$4.7 million. But this slaughtering house’s talent to occupy unusual market niches goes further. The company has prepared itself to exploit the demand of the different customs of other countries. For example, animal genitalia, also highly appreciated by the Chinese. Or rectum – another Chinese delicacy. These are examples capable of convincing even the biggest skeptic that Minas Gerais no longer exports just landscape. ■

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Iraq is back in the

Doing business with an old partner still has its tricks, but exports of 'made-in-Brazil' products are on the rise

ANTONIO CARLOS SANTOMAURO

Iraq is that country invaded and occupied in 2003 by ex-US president George W. Bush, stage of a bloody war and still a victim of major violence today. So far, nothing new there – what's surprising is that Iraq, with all this going on, is becoming an attractive destination for Brazilian products, heavily present in Iraq in the last two decades of the 20th century. Brazil currently mainly sells food to Iraq (especially meat and sugar), but medications and cosmetics as well. So what's it like doing business there? Some con-

cerns plague potential candidates: security, transport logistics, and export market financial and institutional conditions.

In all these aspects, Iraq is definitively still not a conventional partner. On the question of security, for example: what are the risks of a trip to Baghdad, or to the rest of the country for that matter? At least the situation in the North and in the green zone (home to downtown Baghdad, the government and most representatives from other countries) has already improved significantly, says Michel Alaby, secretary-

general of the Arab-Brazil Chamber of Commerce (CCAB). "But outside these areas, it will be reassuring to have the services of a personal security company", he stresses.

The environment is completely safe at trade fairs and trips by delegations featuring representatives from various companies, adds Jalal Chaya, president of the Chamber of Commerce and Brazil-Iraq Industry (CCIBI). In the green zone, he says, visitors can now find international-level hotels and 43 banks to wire funds; of these, five accept Mastercard and Visa. "Credit card usage remains limited, but some sort of financial structure is starting to rear its head", says Chaya.

While this abnormal state of affairs continues, some peculiarities benefit exporters. Take, for example, the triangulation operations

Brazilian flag at Baghdad Trade Fair in 2009: back in the game

market

with neighboring countries – a formula discovered in the harsh days of the war years. CCIBI reckons that around US\$470mn in Brazilian products entered Iraq last year via triangular (or three-way, if you prefer) operations with distributors from Jordan, Syria and Kuwait.

That's almost double the US\$250mn in direct exports in the same year, according to official Brazilian numbers (135% more than in 2008). This shift in direction hails from peculiar historical conditions, explains Chaya. "During the years of conflict and trade embargoes placed on Iraq, many Iraqi businessmen set up their business foundations abroad", he says, which is why exports officially registered as going to distributors from other countries could actually end up in Iraq.

This is the case of Erwin Guth (from Barueri, São Paulo), which produces surgical and dental equipment. "We export to Saudi Arabia, the UAE and Kuwait, and we know that from there some of our products go to Iraq", says export director Karin Guth, who took part in a trade fair in Iraq back in 2006.

Rio Grande do Sul group Randon, which sells Frasc-le auto parts, (towing) trailers and other equipment in Iraq, is in a slightly different situation. Since the main Iraqi port is still heavily damaged and Randon's Iraqi distributor is situated north of

the country, in a region close to the Turkish port, it ships its products to Turkey (since it works with a local distributor, this operation doesn't classify as triangulation).

According to Jascivan Carvalho, Randon's Middle East operations manager, shortly after the second Gulf War business deals with Iraq slumped. "But five years ago they started to gradually pick up again, and are now growing nicely", adds Carvalho, who currently works out of Randon's Dubai office, from where he pays regular visits to Iraq. CCIBI, in partnership with ApexBrasil (Brazilian Pro-Export/Investment Agency), has already helped Brazilian businessmen participate in trade fairs in Iraq, and is

now working on putting together a permanent show room of Brazilian products in North Iraq. But a partner in Iraq itself, familiar with the local procedures to bid at local tenders, would be great for companies looking to supply the Iraqi

government, which is now a major client, points out Alaby. According to Alaby, the bureaucratic procedures required for exporting to Iraq are no different from those needed to export to any Arab country, and include certifying documentation at one of the Chambers of Commerce. Meat exports also require Halal certification, which attests that animals were slaughtered in

Iraq has oil, is starting out from scratch and is attracting companies from all over the world

Chaya, head of the Brazilian-Iraqi Chamber of Commerce: ability to overcome difficulties



accordance with the precepts of Islamic religion. The Chambers and the trade office financed since 2009 by the Iraqi government in São Paulo will give you lists of importers and information on the size and potential of the Iraqi market. But after gathering this information, you have to visit the country, stresses Jascivan Carvalho, from Randon. "Local businessmen want to meet the people they hope to do business with", he says.

"Major companies from all over the world are now seeking business deals in Iraq", adds Chaya. "The country has the world's second largest oil reserves, 30 million people, it imports 98% of its consumption and it is starting out from scratch". The main risk, here, is of (better prepared) competitors getting in first – just like in any business, in fact. ■

THE MAGICAL MOUNTAIN

The discreet charm of Portillo

IT'S WHEN THE drop in temperatures threatens to make the São Paulo air unbreathable (and the end of the semester suggests a pause for rest) that the appeal of the Chilean ski resort Portillo proves irresistible. Portillo is not a city, like Bariloche, or a ski resort like Megève (France) or Cortina d'Ampezzo (Italy). It's merely an old hotel at the top of the Andes, on the banks of the carretera linking Santiago to Medonza, in Argentina. But what a hotel! It's so refined in its simplicity that it only sells full-board weeks, while meals (rigorously gastronomical) are à la carte.

Although the hotel rooms don't have a telephone or television, the hotel's massive living room offers an array of entertainment while the bar serves the best pisco sour in the three Americas. It goes without saying that Portillo is ski in-ski out. In other words, put on your skis, leave the hotel and immediately start skiing, on slopes with all levels of difficulty. www.skiportillo.com



DIVULGAÇÃO/SKI PORTILLO

EUROPE ON THE RAILS

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THE EUROPEAN NETWORK

of high-speed trains will practically double in size over the next 15 years. But already, the current network has done away with the competition from aircraft on most routes of up to 500-600km. By train, it takes precisely 2 hours from Brussels to London and 2h15m from Paris (Gare du Nord) to the spectacular Saint Pancras station in the heart of London. Organizing train trips is now much easier following the Portuguese website launch of Rail Europe – a consortium of European train ticket sales. You can receive your train ticket at home or pick it up at the first station visited | www.raileurope-world.com.



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THE COMFORT OF a flat, with kitchen and everything else to boot, decorated with good taste (including nice wine glasses) and with that fresh smell beats out the best hotel for long stays, especially from a cost-benefit standpoint. In London, the Cheval Group offers an outstanding collection of good serviced flats. For upwards of US\$1,200



TO CHEVAL GROUP

Skiing in Portillo:
refined simplicity



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FLYING CARPET



Boeing Qatar Airways aircraft: best business class flights in the world

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AFTER THE EMIRATES, Israel's El Al and Turkish Airlines, all rookies in Brazil's skies, another Middle East airline is touching down in Brazil. On 24 June, Qatar Airways will start flying the Guarulhos-Doha route, via the Persian Gulf, with Boeing 777s – offering economy and business classes. In 2009, the company was voted the world's best business class airline at the 16th World Travel Awards in London, the Oscars of the airline sector. The Doha-São Paulo flight continues on to Buenos Aires. So now, in addition to TAM, GOL, LAN, Aerolíneas Argentinas and British Airways, travelers will also have the option of flying the Guarulhos-Buenos Aires route via Qatar Airways (www.qatarairways.com).

per week (3-suite flats are much more expensive), you can stay at flash addresses such as Knightsbridge (near Harrod's and Harvey Nichols), Thorney Court, Hyde Park and South Kensington. From the terrace of the 7th floor of the Gloucester Park flat, you can see iconic London locations such as the dome of Saint Paul's cathedral, Big Ben and the giant London Eye wheel (www.chevalgroup.com/Properties.asp).

Flat for rental in London: from US\$1,200 a week



IT'S YOUR CHOICE

The world's 10 most dangerous cities

CNN CROSSCHECKED DATA obtained by the Foreign Policy and Forbes magazines, Citizen's Council for Public Security (a US NGO) and Mercer Global Investment reports to produce a series on the world's most dangerous cities in terms of personal safety. Put on your bullet-proof vest if you have business to conduct in any of these cities. Note: it's not a ranking and the order is random.

- **Bagdad** – do we really need to explain why?
- **Caracas** – Highest number of homicides per capita in the world's large city
- **Detroit** – According to the FBI, the highest annual ratio of violent crimes per 100,000 inhabitants in the US: a staggering 1,220.
- **New Orleans** – highest ratio of homicides in the US.
- **Juarez, Mexico** – Local drugs cartel isn't famous by chance. It kills by the truckload.
- **Moscow** – With the men from the former KGB in power, record personal insecurity on the streets.
- **Karachi** – The capital of Pakistan is now part of Kabul: terrorist attacks, kidnappings, male and female bombers.
- **Cape Town** – One of the world's most beautiful cities also has a high murder rate: six per day
- **Kinshasa** – Capital of the Democratic Republic of Congo (ex-Belgium Congo) is at the top of the list of the worse assignments for an international executive.
- **Beirut** – The civil war is over, but violence and attacks continue to rage on.

Shanghai

by Gustavo Rabello

Welcome to Shanghai, the “Pearl of the East”. China’s financial cosmopolitan capital city is the poster child of the country’s helter-skelter growth, and a thriving city with state-of-the-art infrastructure fit to make any Brazilian jealous. Which is why life in Shanghai, with its 20 million population, is easier than you would think. Your immersion into the new Eastern world

quickly begins upon arrival at Pudong International Airport. Visitors can go to the city by cab or take the famous magnetic levitation train, **Maglev**, which takes passengers from the international airport to the financial center at a speed of up to 430Km/h – the train can do a staggering 32km in 8 minutes. Our guide will be the partner representing the Noronha Advogados Law firm, Gustavo Rabello – a Brazilian lawyer who has spent the last three years in Shanghai. Here are his tips:

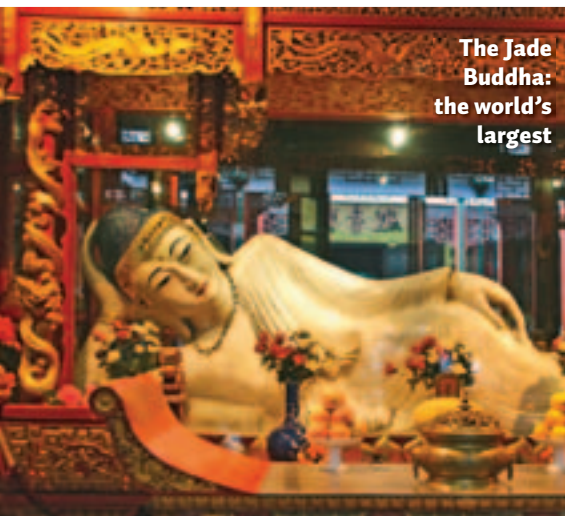
If you have a few hours...

YOU MUST VISIT THE Yu Yuan Garden, one of the few remaining locations in the city preserved in the style of traditional Chinese architecture. It is a garden built in 1368. While you’re there, why not buy some Chinese handicraft at great prices and eat at some of the authentic restaurants. The garden is close to the Huangpu River, which cuts the city into two parts: Puxi and Pudong (West and East of the river). Have lunch at the famous **Din Tai Fung**, a Taiwanese restaurant that serves up delicious Chinese dumplings, which come in various flavors. On the way back to Pudong Airport, you must stop off at **Pearl Tower**, an ultra-modern postcard of the city, for a photo session. It reminds you of something out of the Jetsons, but is a symbol of Shanghai’s progress.



ISTOCKPHOTO

Yu Yuan:
traditional
architecture



The Jade
Buddha:
the world's
largest

If you have the whole day...

A VISIT TO THE Jade Buddha temple, featuring the world’s largest jade statue, is also well worth the while. For lunch, you must visit **Xintiandi**, a region full of restaurants and well worth taking a walk around. Yearning for a barbecue? Brazilians are catered to by a typical eat-all-you-can Latina steakhouse. But hey, we’re in Shanghai to discover China, right? So it’s best visiting the **Crystal Jade** restaurant, which serves up delicious local dishes. Then travel down the Huangpu River to visit the east side of the city. Going up to the 100th floor of the **Shanghai World Financial Center** is an unforgettable experience. As the tallest building in China, it also boasts the world’s highest observatory on its top floor (choose a nice sunny day to make the ‘climb’). To round off a perfect day, I suggest the **Kabb** bar/restaurant.

CUPERTINO/SHUTTERSTOCK



Pearl
Tower:
Shanghai's
futuristic
look



The Shanghai
Museum:
ancient
Chinese art

JIANGING GU/DREAMTIME.COM

If you've got the whole weekend...

STICK TO THE ABOVE itinerary but also work your way through the **People's Square** and the **Shanghai Museum**, to really delve into Chinese culture. Close to the People's Square, the **Urban Planning Museum** features a scale model of the city's planning for the next 20 years – a nice little (excuse the pun) example of how the Shanghai government thinks, works and (literally) plans ahead.

In the region close to the People's Square, you will also find the **Barbarossa Bar & Restaurant**, which serves up Asian dishes in pleasant garden surroundings – a very attractive and romantic evening spot. Since the People's Square is located on **East Nanjing Road**, you can walk to **West Nanjing Road** where you will find renowned Chinese and international stores. I recommend a trip to the **Fabric Market** to buy silk ties and accessories.

The Pudong side (east) of the city is home to the **Shanghai Science and Technology Museum**, and also offers tourists a splendid clothes, toys, shoes and pearls market on its underground floor – access is close to the entry of the subway station that leads to the museum. To round off your trip, you must visit the traditional Chinese circuses – offering up stunning acrobatic extravaganza. The most famous is **ERA**. Another excellent circus is located inside the **RitzCarlton** hotel, on West Nanjing Road.

Real life is different

Globalization is a fact, but countries and cultures remain very different. This was what the Brazilian executive Paulo Salvador found out in his Parisian adventure

IN 2006, WHEN I WAS WORKING in São Paulo for a large French multinational hotel chain, I was invited to participate in a global project at the group's head office in Paris. Working at the heart of a global company and leading people of another nationality (all in a foreign language) left me feeling a bit like the circus juggler who tosses up plates in the air while at the same time conveying tranquility to the audience.

Despite the degree of globalization of the business world and the fact that management references appear to be standardized, when we arrive in a new country we see that the reality is completely different. At home, we learn about cultural differences; it is only abroad that we start learning about contextual differences. Things seem slower, we make mistakes without realizing, nothing is simple, we work a lot more, no-one understands us and we don't fully understand what they are saying. Everything seems cloudy.

One example: when I worked in Brazil and took part in meetings in Paris, I was never asked to speak any language other than English. Upon assuming my new job title in France, the very same people who I used to talk to in English in our meetings now only speak to me in French. The influence of my new environment and context meant that now only the French language was allowed. After some time, whenever I spoke in English at the company I felt like a fish out of water.

Entering and fitting into a new context takes time, requires an open and flexible mind, cultural interest, creativity, optimism

and energy. And the entire family has to participate in the effort. When we arrived, my wife and I read about French history and sociology, and we enrolled our children in a French school. In the beginning it was tough. Very tough. I left behind my old friends and it took time to make new ones, as if we had opted for schools and ghettos of expatriates.

But the fact is that today, four years later, we have formed a group of French friends who, undoubtedly, will accompany us for the rest of our lives. And we can now also confidently say that we have truly discovered the French *savoir vivre*. The project that took me to Paris ended in 2009. I decided to hand in my resignation and interrupt my executive career to realize a long-standing dream of studying sociology. And in France, there's no better place.

Here in Europe, everyone is saying that this is an historical moment for Brazil. Four years ago, the newspapers only commented on violence and social inequality. Today, I read reports about stability, responsibility of government leaders, the value of the pre-salt and the explosion of Brazil's new middle class. Seminars on Brazil fill the auditoria of universities, and Brazilian executives enjoy an excellent reputation: we are seen as friendly, cool, resistant to pressure and skilful negotiators.

For those on the move, I offer two pieces of advice. First: plan your next step. In any international experience, executives should devote some time to foreseeing the next stage of their careers. Secondly: be confident in your Brazilian identity, but avoid any arrogance. Delve deep into local culture (especially of the company where you will work). The philosopher Mario Sergio Cortela says one of the smartest things a person can know is to know that he doesn't know. This phrase should feature in the luggage of anyone setting off to work abroad.

Paulo Salvador is a journalist, lives in Paris and is on his sabbatical year, studying Business Sociology at Sciences Po.



Paulo Salvador and family in France: nothing is simple for expats

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