

OASIS

Why European multinationals are offsetting their losses in Brazil

POSITIVO

Teaching the world a new way of learning

HALAL DIET

How to export food to Islamic countries

AN ANT ARMY

After assembling direct sales networks in Latin America, Natura is now internationalizing its production line



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FABIO JANOWSKI DA CRUZ, JOHANNESBURG



The country of the worker ants

However much the term suggests a phenomenon of major proportions, the truth is that, in almost every case, a company's international expansion process is the job of a worker ant. The Brazilian company Natura, one of the largest global companies in the cosmetics segment, is an excellent example. Only now, after having patiently built up direct sales networks in several Latin American countries, has the company announced that it will shortly start producing, via third parties, in three countries of the region. Nowadays, Natura, renowned for its door-to-door sales model, already has 160,000 international sales reps. Our front page report describes in detail the process of recruiting this army and its vital importance to the success of the next stages of the company's international expansion process.

Another Brazilian group, the Paraná-based Positivo, dedicated to education and IT, has achieved, with identical discretion and methodical work, a solid international presence with a highly innovative product: the so-called e-tables (or educational tables). Simple in their conception and admirable in their efficiency, these tables speed up and enrich the learning process and, even better, can be adapted for teaching various subjects in different languages. A product with a practically universal appeal and functionality.

As you will rapidly realize in reading this edition of PIB, Brazilian companies are advancing on several fronts in the globalized environment. The largest banks in the country, such as BB and Bradesco, are getting ready to set up shop in Africa. In turn, the Porto Alegre company Taurus, a traditional weapons manufacturer, is growing in the US market, where it has opened its own plant.

But globalization, as we all know, is a two-way street. A highway, in which companies from all over the world seek opportunities in all global markets. Brazil, in this aspect, is also doing very well. As he reveals in a sumptuous piece, the English journalist Richard House, ex-correspondent for The Independent in Brazil, our country has become one of the most attractive markets for multinationals from all over the world. It's in Brazil, he says, more than in any other country, that these companies are looking to (and, in most cases, managing to) offset the losses they continue to rack up in their home countries due to the 2008/2009 international crisis. Brazil, would you believe it, has become a savior for giant corporations. Thanks to the work of so many worker ants, we are finally becoming big players.

Nely Caixeta



TOTUM
EXCELÊNCIA EDITORIAL
Nely Caixeta



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GO INTERNATIONAL

A TWO-MONTHLY MAGAZINE FOCUSING ON
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PUBLISHER
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CONTENT EDITOR
José Ruy Gandra / Gandra Editorial

EDITOR
Marco Rezende

CONTRIBUTORS TO THIS EDITION
Alessandro Greco, Andrea Flores, Paris, Andressa Rovani, Adriana Setti, Barcelona, Antonio Carlos Santomauro, Arlete Lorini, Porto Alegre, Cláudia Facchini, Flávia Carbonari, Washington, Fernando Jacques de Magalhães Pimenta, Vancouver, Fabio Janowski da Cruz, Johannesburg, Michael Canon, Dubai, Miriam Karam, Curitiba, Nara Vidal, Londres, Paola Refinetti, Richard House, Londres, Suzana Camargo, Milan

PHOTO EDITOR
Max Nogueira

PHOTOGRAPHER
Gloria Flügel e Bia Parreiras, Paris

DESIGNER
Renato Dantas

COVER
Marcelo Calenda

COPYDESK AND PREPARATION
Mary Ferrarini

TRANSLATION
Kevin Wall

ADVERTISING
INTERNATIONAL AND BRAZIL
(55-11) 3097.0849

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ADMINISTRATIVE CONSULTANT
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 been reading **PIB** for around a year. We bought the magazine and offer it to our executives to read. I would like to congratulate PIB for its excellent article on Africa in the last edition. Marco Antônio Rezende brilliantly described the opportunities of Brazilian companies and the work they are doing on the African continent. As well as presenting a very rich and honest content on the international scenario, the magazine showed the opportunities, quality and competitiveness of Brazilian products and services abroad. Please keep up this outstanding editorial quality!

FLÁVIO CIVIDANES IZZO

EXPORT MANAGER

ROMAGNOLE PRODUTOS ELÉTRICOS S.A.

MANDAGUARI – PARANÁ

I congratulate **PIB** for the excellent quality of its reports. In a recent visit to Acirp (Commercial and Industrial Association of Rio Preto), businessmen from Pakistan were surprised at the extent of PIB's coverage of foreign trade reports. We told them about **PIB's** webpage, where they can obtain the English version. The Pakistani businessmen expressed interest in both PIB and in Brazil as a whole, where they are discovering major business potential.

MÁRCIO MARCASSA JR

GRUPO RIO PORT

SÃO JOSÉ DO RIO PRETO – SÃO PAULO



Who reads PIB

Due to my profession, I read several publications that discuss topics of interest to investors in Brazil. **PIB** is one of my favorite! I really like its innovative approach, thoroughly covering current affairs without becoming tiresome. The magazine is an easy and interesting read. I read **PIB** from cover to cover.

LETICIA S. LEWIS

DIRECTOR US SECTION

BRAZIL-U.S BUSINESS COUNCIL

WASHINGTON



I was able to read **PIB** at an event I attended in Brasília. I really enjoyed the magazine, both from an editorial and formatting standpoint. The articles are interesting and the topics diversified – which makes for an enjoyable, dynamic reading experience. Congratulations to all the team for their excellent journalistic work.

FLÁVIO RESENDE

PROATIVA COMUNICAÇÃO

BRASÍLIA – DISTRITO FEDERAL

Dear Editor,

I discovered the English version of PIB via a student of mine. When I saw the up-to-date content of the magazine, with well translated texts, focused on the expansion of Brazilian products in the globalized market, I envisaged in PIB an excellent instrument for teaching business English. I consider PIB a landmark in how it explores the corporate world, featuring key updates on the businesses that Brazilian companies are looking to enter in the international market.

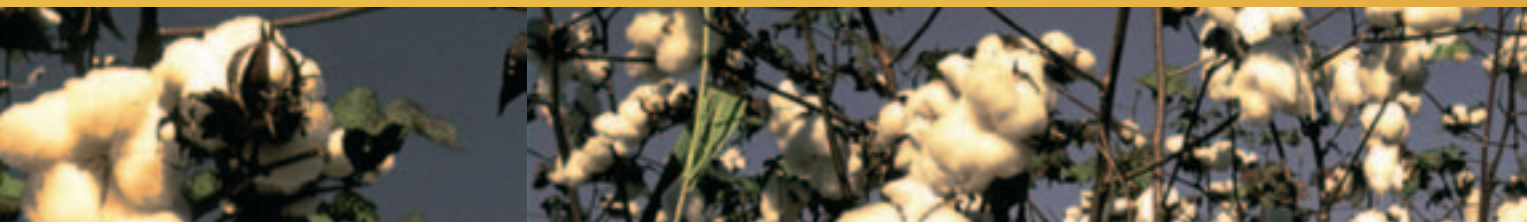
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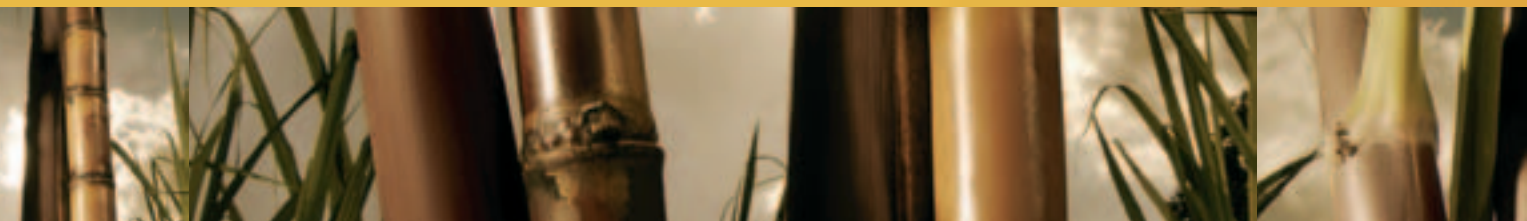
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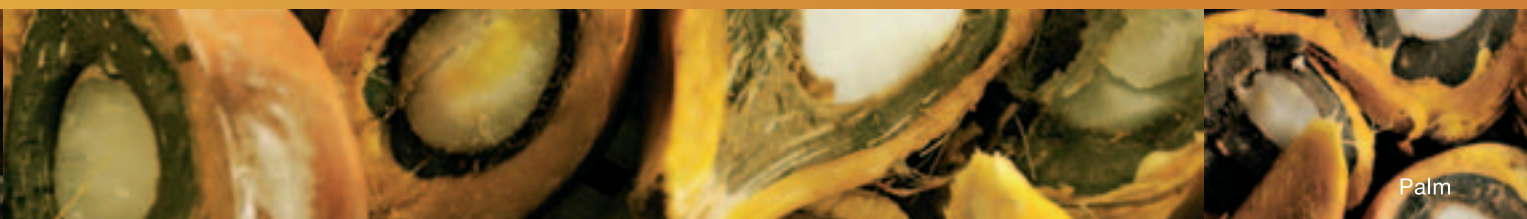
Castor bean

the future.

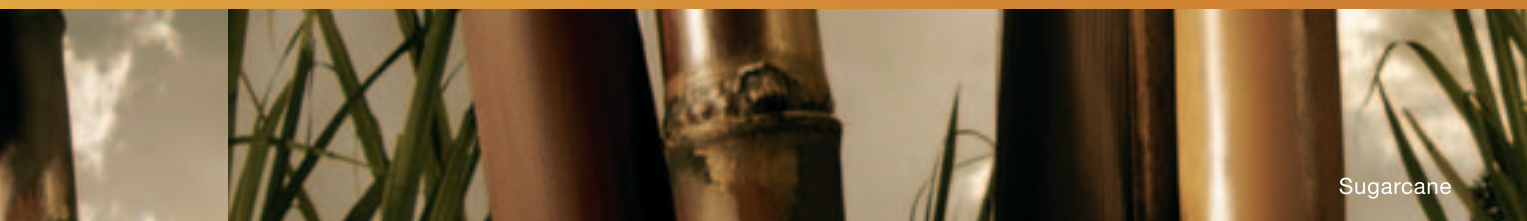


Cotton

be in the future.



Palm



Sugarcane



Sunflower

gain importance, new discoveries are under way: Petrobras is now researching the second generation of biofuels, capable of reducing environmental impact even further. If the future is a challenge, Petrobras is ready for it.



containing detailed information about Petrobras and the offering.

2

Questions for simon anholt

How much is brazil worth?

The British researcher and political consultant Simon Anholt, author of a global study on countries' "brands", explained to PIB some of his opinions on Brazil's current perception abroad. According to Simon, who recently attended a seminar in Brazil, the Brazil brand is currently worth US\$255bn, placing it 22nd in the global ranking. The aim of his research is to specify if and how a country contributes to or hinders its international recognition and the (good) acceptance of its products in the external market. Compared to its fellow BRICs, Brazil is still in last place. "China is the 9th most valuable brand, Russia is in 12th and India is 17th". The study analyzes attributes such

as export volumes, governance models, intellectual production, tourism, people and quality of life, as well as, obviously, external investments.

How is the Brazil brand progressing?

Brazil has a reasonably powerful international image. It is one of the few countries whose reputation has been gradually, but consistently, rising since I started my study in 2005. In terms of reputation, it is leader out of the "developing" countries. But its image has more to do with culture, landscape, music, sport, and is much weaker in aspects such as governance, economy and industry. In other words, Brazil is perceived as "decorative, but not

useful". I see this as a problem for a country planning to become a global power.

Could the World Cup and the Olympics help it improve this diagnosis?

Just holding the World Cup or the Olympics doesn't strengthen a country's brand. Both are of course a fantastic media opportunity, but what matters is how they will be used. If these events are simply nothing more than mega festive events, they will only serve to reinforce Brazil's current image. But, used intelligently, these global sporting events could strongly impact the image of a country. Not for always, but as the start of a virtuous cycle. (Antônio Carlos Santomauro)



Frescobol for export

For those in the know, the birthplace of Frescobol is Copacabana beach. The sport was apparently invented there, after the Second World War, by the businessman Lopes Mendes de Carvalho, a surfboard maker. In 2005, the FB Collection luxury brand (FB is the acronym of Frescobol) was created in Rio de Janeiro. It was shortly selling its rackets to the famous Le Club 55, in Saint Tropez. In recent years, the Rio brand has exported to Asia,



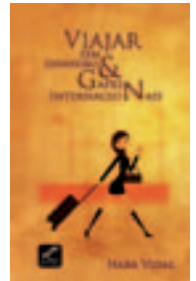
HANDOUT
ARQUIVO PESSOAL

01 Nara and the cover of her book: diversity

02 Frescobol rackets: frescobol in europe

Traveling the differences

After spending 10 years in Europe, Nara Vidal, part of the PIB team, will launch in August a book containing delightful tales. Published by the all print publishing house, traveling with no money and international gaffes brings fun stories, almost all of which are anchored on the cultural differences between Brazilians and Europeans. A good read for anyone interested in learning about the day-to-day lives of European families.



01

Europe and the Caribbean. The FB rackets, which have already been called Hermes of the Beach, can be found in department stores such as London's Selfridges. The Brazilian rackets are handmade, in Bahia, from leftover wood of carpentries and furniture industries. Only premium Brazilian species, such as ipê, maçaranduba and cedar (all certified) are used in the production process. The racket paddles are sold in three models: Guga, Ipanema and Lopes Mendes.

FB, based in the Rio district of Jardim Botânico and with an office in London, also sells Frescobol beach shorts. They all come in pastel colors and, in a discreet touch of charm, the inside of the pocket is decorated with the famous design of the Copacabana sidewalks created by Burle Max. The prices are very European. The kit containing the Frescobol racket paddles and two balls costs around US\$200; the same goes for the shorts.

Rio goes French

After launching the beach fashion brand Cariocalove at the prestigious International Prêt-à-Porter Showroom, in Paris, the Brazilian designer Magnólia Oliveira was chosen from 150 candidates to participate in the Lafayette Galleries showroom in Marseille, in the south of France – which is where she resides and has her own atelier. Of the 15 brands on display, Cariocalove was the most profitable: bringing in €3,800 in four days. The next stop for Cariocalove is the luxury French department store Printemps. (Andréa Flores, Paris)



Medieval iPad

That's right! "It's a medieval iPad", says Marcos Malafaia, director of the Gira- mundo group, in explaining the toy developed by Giramundo, a Minas Gerais puppet theater group, to encourage children to share stories. With characters, stories to tell and listen to and a scenario to stage all forms of imaginings, the toy kit was one of the nine Brazilian representatives at the Fresh from

Brazil expo, at the New York Design Week, held in May in the US. To develop the toy, Giramundo received the help of Universidade Fumec, which contributed with the design know-how. "Our interface with the university was the strength of the product", says Malafaia. After New York, the product should undergo some improvements before entering the export production line.

01 Example of the Cariocalove collection: now in Paris

02 The Carlos cube: a lot with very little

Magical box

From the outside, what we see is a cabin of transparent modules surrounding a spiral staircase. Inside, it is surprisingly wide, intriguing and with innumerable possibilities of use. Designed to be a space for performances, the cabin is draped in red curtains that give the visitor the feeling he is witnessing a spectacle. The space was developed by the Brazilian architect Carlos Teixeira, from the company Vazio S/A in Belo Horizonte, to serve as a stage for theater and dance. Teixeira is one of the 19 participants of Architects Build Small Spaces, on display at the Victoria & Albert museum in London. The idea started to take shape after a challenge laid down by the curator Abraham Thomas to architects from all over the world: namely, to create the ideal refuge within a space of 15 square meters. The proposal was to dialog with the concepts of escapism and privacy in a world invaded by information and indiscretion. It wasn't easy. "I had several sleepless nights due to my desire to produce something innovative and that surpassed expectations", recalls Teixeira. His cabin was on display until 30 August. (Nara Vidal, London)



02

Dipping its toes into European waters

They were already on the feet, in trendy store windows and magazine fashion shoots from all over the world. The missing piece in the puzzle is now complete: four months ago, the Havaianas flip flops brand opened an address to call its own on foreign turf. The first international Havaianas store, in Barcelona, aims to boost sales, which were previously only possible via distributors' stores and the Internet. "The main advantage is that we can show consumers the large variety of models and colors", says Carla Schmitzberger, business director at Alpargatas.

The store is located on one of the busiest street corners of Barcelona, between Catalunya square and Pelai street - at the heart of downtown Barcelona. "Barcelona is young and modern, and its proximity to our central European office, in Madrid, enables us to closely track the evolution and growth of this project", explains Carla.

The store selling the colored flip flops, now internationally famous, was previously occupied by the Godiva luxury chocolate store, and is next to the trendy Camper footwear store. A basic pair of Havaianas flip flops cost €16 (R\$35)

(Adriana Setti, from Barcelona).



Destination: Uruguay



02

Montevideo was the city chosen by the InterCity hotel chain to initiate the company's internationalization process. The first international hotel is being constructed in the capital of Uruguay. Factors that led businessmen to choose Uruguay included the fact that Brazilian

tourists visit the city and the absence of a Brazilian welcoming flag (i.e. a Brazilian hotel) in the region. With an investment of R\$10mn, the hotel should be ready in 2012 and will boast 71 luxury apartments. The hotel chain expects to obtain revenue of R\$4mn per year from the venture.

01 Havaianas store in Barcelona: tip of the iceberg

02 Scale models: Hotel InterCity in Montevideo

03 Lidio Carraro red wine: premium segment

The wine is on the table

The hotly-contested London wine market has just received another Brazilian competitor – and at a chic address. The wines of Lidio Carraro Vinícola Boutique can now be found on the menus of two of the main contemporary Japanese restaurants in the city: Roka and Zuma. Focused on the premium segment, the brand uses a special machine in its wine production process

that dispenses the use of agrottoxins. “Our presence in the UK market, the world's largest wine importer, is an important step for the internationalization of our brand. Wine consumption per capita has been growing in the UK, and UK wine retail sales should become the highest in Europe”, says Patrícia Carraro (marketing director). Lidio Carraro started exporting its wine bottles

five years ago to the Czech Republic. It was in 2008, however, that the international market started to discover its wine labels. “We started to participate in events and fairs in partnership with the Wines from Brazil project”, says Patrícia. The first English order is for 20 crates: 10 crates of Divinas Chardonnay (2009), and 10 crates of Lidio Carraro Merlot Grande Vindima (2005).



03

The creator of museums

Marcelo Dantas (from Rio) has many strings to his bow. Artistic director of the celebrated Portuguese Language Museum, in São Paulo; a renowned curator; filmmaker and film documentary producer. None of his facets, however, compares to that of a museum creator. Yes. Marcelo creates museums. He conceives them, sets them up and, sometimes, as in the case of the Portuguese Language Museum, he runs them. His multiple vocations aren't limited to Brazil. Marcelo has just finished work on the Museum of the Caribbean, in the Colombian city of Barranquilla. "It's the most spectacular thing I have ever seen", said Colombian president Álvaro Uribe, in an interview to El Heraldo newspaper. His latest international mission is to recreate, in a single space, the story of Colombia's independence. "The Museum of Independence, in Bogotá, tells the story of the birth of Colombians' desire to be free",

says Marcelo. "I love history and I love learning about other cultures from the perspective of a complete outsider with zero knowledge", he says. In his 20-year career, Marcelo has signed his name to over 110 projects, including new museums and curatorship ventures. One of the main features of his work is the combination of formal knowledge and the intense use of technology. With a film degree from New York University and a PhD in telecommunications, he studied art in Florence and diplomacy in Brasília. "I have always seen the world from a globalized perspective. We live in an age in which things are essentially interdependent and deeply related", he says. "I understood, from the outset, that I either perceived the world as territory, or I would be very vulnerable to local inclement conditions. With Brazil's increased global economic integration, this was even more natural."



02

HANDOUT



02

HANDOUT



01

HANDOUT

01 The Rio de Janeiro citizen Dantas: a history lover...

02 The Museum of Independence, in Bogota

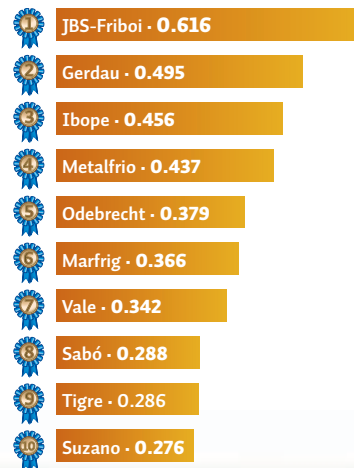
03 Meat producer JBS- Friboi: number one

Doing well

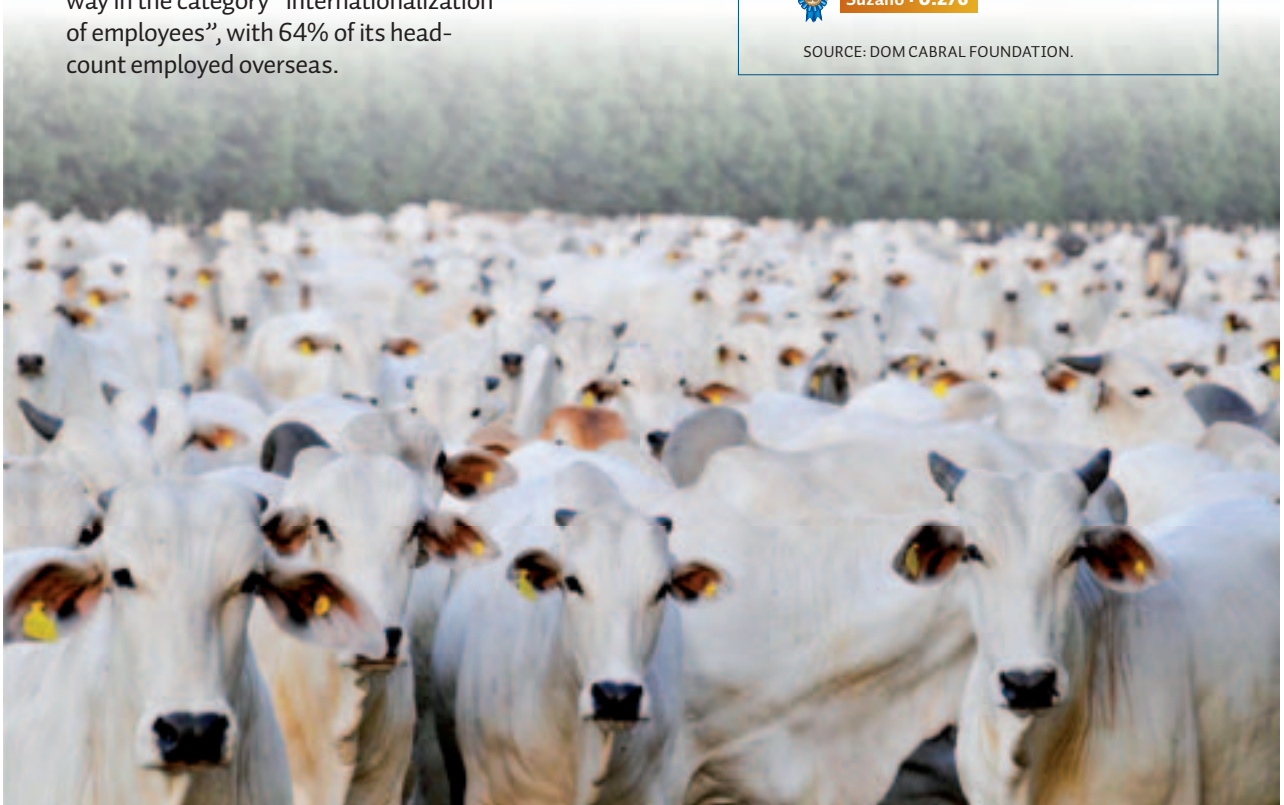
Despite some negative results in 2009, a year hit by the global economic crisis, the Ranking of Brazilian Transnational Companies, compiled by the Dom Cabral Foundation, signals light at the end of the tunnel. Even amidst the storm, some Brazilian companies managed to keep growing in international markets. These companies increased their headcount both in Brazil and abroad – from 40,000 to 45,000 hirings from 2008 to 2009. This means, according to the study, that they continue growing and expanding internationally. The Brazilian multinational that scores highest on the internationalization ranking is JBS-Friboi, with 0.616 (on a scale of 0 to 1), followed by Gerdau with 0.495. Friboi, the world's largest producer of animal protein, also leads the way in the category "internationalization of employees", with 64% of its headcount employed overseas.

BRAZIL'S BIGGEST INTERNATIONAL PLAYERS

Ranking of Brazilian companies with highest internationalization score



SOURCE: DOM CABRAL FOUNDATION.



DELFIN MARTINS/BANCO DA JBS

Globalized paradox

Is globalization a good thing? Most people think it is, according to an international Ipsos survey taken with 18,000 people in 24 countries. International trade is welcomed by the global population – 88% of respondents believe the increased exchange of goods between countries is positive. Four out of five people also said that investing in global companies in their countries is essential for economic expansion in the countries where they live. In fact, only 39% say governments should curb investments by foreign companies in their country, even if this means fewer jobs being created. There is, however, some controversy. Over 70% believe large corporations have too much say in government decisions and that they interfere in their countries' economies. The result is a paradox: globalization is good, but the majority approve government control over the large industries operating in their countries.



01
SXC

Pepper in the world

With 300 points of sale worldwide, the Brazilian sunglasses chain Chilli Beans opened its second store in the US at the start of August. The city chosen was Los Angeles, which already has one store. To celebrate the opening, Chilli Beans is launching a collection of sunglasses with the "L.A." logo, focused on more conceptual products and with exclusive sale in the US. "This store will offer the very latest in sunglasses", says CEO Caito Maia. With 5 years of international operations, Chilli Beans is also expected to touch down in Africa this year, opening a store in Luanda.



03
HANDOUT

Ya, danke!

Sip by sip, Brazilian wine is conquering the international market. The latest move: two Brazilian wine producers can now be found on the shelves of one of the main department stores in Germany. Four Brazilian wines (Reserva Cabernet Sauvignon, of Aurora; and Lote 43, Tannat and Pinot Noir, of Miolo) can be bought at KaDeWe (Kaufhaus des Westens, or "Department Store of the West"). Germany is the world's largest wine importer and the 4th largest consumer, at 24.3 liters per capita per year.

Clean oil

Brazil has made its own little contribution to growth in the oil industry in the Middle East. A month ago, the Brazilian biotech company SuperBAC opened a division in Oman, with the aim of offering a biotechnological system capable of reducing the hydrocarbon residues present in the water produced from oil of the main oil producers in the region. The expansion of the Brazilian business is the result of a joint venture with Partex, a Portuguese oil company. With investments of around US\$6mn, this move is the second operation of SuperBAC outside the country and is already in pre-operational phase. The treatment station is expected to start operating within a year.

ANDRIES OUDSHOORN



02

Walking faster

Between January and July, Brazilian footwear exports rose 15.2% versus the same period last year, with 89 million pairs exported. According to the Brazilian Footwear Industry Association (Abicalçados), this revenue growth in the first seven months of 2010 brings an end to a dark period of declines in the footwear sector. The US remains the main buyer (at 23.6 million pairs), followed by the UK (which imported 5 million pairs in the period), and Italy. In terms of the breakdown by Brazilian state, Ceará was the best exporter, with its factories exporting 38.9% more in volume and 39.2% more in revenue.



04

HANDOUT

01 Globalization: 88% are in favor

02 The Gulf of Oman: cleaning up the water

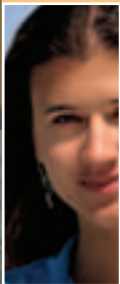
03 Chilli Beans: second store in Los Angeles

04 Footwear sector: finally, some respite

A View from Capitol Hill

News from the US with a Brazilian slant

FLÁVIA CARBONARI



Capitol Hill is buoyant

BP P.L.C./HARRISON MCCLARY

Brazil's day in the sun

IT'S NO LONGER just New York, Boston or San Diego that celebrate Brazilian culture in the US on an entire day dedicated to Brazil. The community of Frederick, located 80km from Washington, celebrated at the end of August its fourth edition of "Brazil Day". The event, which has been growing each year, attracted not just Brazilians, but also Americans from all over the country for a day fueled by samba and capoeira, coconut water and Portuguese-

se-only music. The Brazilian Embassy in Washington exploited the opportunity to send a mobile consulate to the location, represented by the vice-consulate Bernardo Brasil, to facilitate Brazilians' access to passport services, birth or marriage certificates and voters' card. Funds raised at the event, organized by the non-profit organization MissionServ International, will be used in medical and educational assistance for Brazilians living in the US.



The oil disaster in the Gulf of Mexico was the green light for the Obama government to pressure Congressmen to approve the highly controversial “energy law”, or “climate law”, but the debate is expected to drag on. The text under discussion in the Senate could affect Brazil on different fronts. On one hand, the proposal, which imposes emission limits and the institution of a market for selling carbon credits created from excess reduction, foresees import tariffs or the requirement for these goods to also buy licenses based on the carbon content of their products. “There is already a consensus that this law will feature instruments that could become trade barriers. What is now in debate is how they will be applied and the methodology to be adopted”, says Diego Bonomo, executive director of the Brazil Industries Coalition (BIC), which represents the interests of the



BP P.L.C./DAVE EISEL

01

Brazilian private sector in Washington. The law will be applied to four specific sectors: paper and pulp; chemicals, metals and non-metallic ores. The agricultural sector was thus left out. Even so, says Bonomo, inputs such as fertilizers may become more expensive. In compensation, agriculture will generate carbon credits that may be sold, for example, to the chemical industry. “In other words, a new form of subsidy via carbon credits may also be created”, explains Bonomo. The impact that this new form of subsidies could have on Brazilian agriculture has yet to be formally assessed.

The good side

ONLY TIME WILL

tell if the “climate law” will bring more benefits or more programs. The project in debate could benefit Brazil, by enabling the purchase of carbon credits of foreign companies, accepting forest credits, and foreseeing investments in combating the Amazon deforestation. The good news is that these advantageous points for Brazil are not sources of controversy in Congress.

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Uncertain partnership

THE EAGERLY AWAITED

consolidation of a new relationship between Latin America and the US is a long way off. In Brazil’s case, the two countries seem to have simply “agreed to disagree”, said Michael Shifter, president of the Inter-American Dialogue, at an event to assess the current status of bilateral relations between the US and the region. The tone of US policy for the region has changed, agreed those in attendance, but the desired strategic partnership has yet to be determined.

A No to Iran

THE PRESIDENT OF UNICA, Marcos Jank, stressed that the Brazilian industry has no interest in selling ethanol to Iran. This was a response to the message given by US Congress in approving the sanctions law against the country. For the first time, these sanctions restrict the sale of ethanol to the country. The US government will monitor ethanol exports to Tehran.

03



PRESIDENT I.R.

01 The oil-stained sea and birds: a tragedy

02 Brazil Day in Frederick: mobile consulate

03 Despite the smiles, Iran did not receive our ethanol

02

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Brazil's Ace in the Hole

While foreign multinationals up their investments in Brazil, young up-and-coming Brazilian companies are snapping up, locally and abroad, first-tier assets weakened by the global crisis

RICHARD HOUSE*

Fleeing crisis and turmoil at the heart of Europe, a ragged army of almost 15,000 aristocrats, administrators and would-be investors in 1808 made Brazil their temporary home, seizing sugar mills, choice farm properties and other economic trophies. It took over a decade before they felt confident enough to venture back to Europe, when Napoleon was dead and D. Joao VI once again sat upon the throne of Portugal.

Fast forward 200 years and a new flotilla of investors arriving on Brazilian shores is in flight from a terror just as great as Napoleon's: the looming dissolution of Europe's

single economy. And just like their forbears, today's European investors are going for the more obvious trophies. Energy, ethanol, communications (remember Dom Pedro II was the world's first monarch to own a telephone).

Brazil's robust economy is proving a lifeline for beleaguered European industries facing domestic meltdown. Consider Spain's fragile banking system, where 45 cajas or savings banks now resemble drunks propping each other up. Above them towers Banco Santander, whose robust 8.9 billion profits last year came thanks to strong growth in Brazil. Meanwhile Telefonica and Portugal Telecom are engaged in a bitter





01 Telefónica:
keen to do
well abroad

EUR 6.5 billion tussle for control of Brazilian wireless carrier Vivo Participações, now acknowledged as of core strategic value to Iberia's telecom companies, both experiencing difficulties at home.

Overseas investors have poured cash into Brazil's ethanol and sugar industries: In 2008 BP invested US\$ 560 million in Tropical Bioenergia. In 2009 it was global grain trader Bunge's turn to invest US\$ 860 million in Moema mills. Bunge's Asia-based lookalike Noble Group also made a US\$ 300 million investment. So did Shell and Louis Dreyfus. In just three years, investment in Brazil's bioenergy sector trebled.

TELEFONICA/HANDOUT



01 São Paulo sugarcane plantation: Multinationals have got their eye on Brazilian sugarcane ethanol

02 The Indian company Tata: owner of Land Rover and Jaguar

But in psychological terms, there's no more dramatic demonstration of budding confidence in Brazil -- and of no-confidence in Europe's future -- than the extraordinary corporate migration planned by France's Tereos. It's following in the exact footsteps of D. João and his fugitive Portuguese -- but plans to stay forever.

This huge cooperative has annual sales of over EUR 3 billion, traces its roots back to Napoleonic times and farms Europe's two most highly-subsidized crops -- wheat and sugar beet. In the first intercontinental "post-crisis relocation" of its kind, Tereos is moving the heart of its operations to Brazil following a monster IPO planned for midsummer 2010, which will give the company dual listings in São Paulo and Paris. Brazilian ma-

nagement will oversee some of its remaining European assets.

For French farmers and shareholders in Tereos Internacional, there's a more reliable future to be enjoyed collecting dividends from

Brazil is an emerging market superpower ready to go on the attack

Brazil's profitable sugar industry, than soldiering on in the muddy beetfields for uncertain charity handouts from Europe's CAP and a dwindling economy. Already, Tereos Internacional has persuaded Petrobras to invest US\$920 million in its ethanol activities, which will fold in the Guarani sugar mills.

But just as Portugal's pampered aristocrats mostly spent their Napoleonic exile close to Rio de Janeiro and showed limited interest in what was really going on in Brazil, today's commentators who watch the movements of international

capital, have failed to take notice of what's really happening beneath the surface of Brazil's resurgent economy.

More than a Tropical Playground

Brazil isn't just a handy tropical playground in which tired investors can safely ride out a recession and (Tereos excepted) go home when the EU's troubles are over. It's an emerging economic superpower ready to go on the attack, with aggressive and capable entrepreneurs already scooping up undervalued assets around the world. The fact that foreigners are investing in Brazil is yesterday's story: What's new is that Brazilian business are starting to invade for heartland of US and European industry, aggregating and buying up tired or overlooked assets with astonishing vigor.

History shows that under-estimating Brazil's independence and resourcefulness can be costly. The Braganza court -- safely back home

in Lisbon – tried to reintegrate Brazil as a crown colony and was humiliated in 1822 by Dom Pedro's declaration of independence. Imperial Brazil's wooing of British commercial interests led Portugal into an economic decline from which it has arguably never recovered.

Today, it's widely assumed by foreign investors that the economy is roughly divided into three parts. First come the "commanding heights" of the economy, where decades of state investment have produced national champions like Vale, Petrobras, Embraer. Then come industrial areas where foreign capital or expertise is needed – like the auto industry or bioenergy. Finally, come commercial areas like hotels, trade and manufacturing. Investors marked down those companies – like Votorantim or Suzano – that had survived four decades of economic and political turmoil as "solid bets." With predicted 6% GDP growth, it's hard to put a foot wrong.

Here come the Teenagers

This outside-in analysis neglects a wholly new class of Brazilian company which has come of age during the economic downturn and is now ready to go global – the "teenage mega-aggregator." A raft of companies that simply didn't exist a decade ago are going on a testosterone-fuelled acquisition binge around the globe.

Concentrating on largely overlooked economic sectors both at home and abroad, Brazil's "mega-aggregators" are now on the march and their investment bankers are crowding from the rooftops as they tussle for now-distressed assets. These are the ones to watch.

True, Brazil has yet to snare a trophy asset like the purchase of IBM personal computers by China's Lenovo, or the acquisition of Landro-

ver-Jaguar by India's TATA. Brazil's teenager multinationals just don't need that kind of expensive headache when there are softer targets aplenty.

The 2008 seizure of America's Anheuser-Busch brewery for US\$ 52 billion by InBev and the emergence of the world's largest beer company first identified the trend for Brazilian "mega-aggregators". After all, Brahma only bought Antarctica in 1999. ABInBev may be based in Belgium, but no one doubts Brazilians really still call the shots.

There's no more dramatic example than Hypermarcas, the self-styled "Brazilian Procter & Gamble" -- or perhaps "Brazilian Unilever" would be better as it has devoured so many former Anglo-Dutch assets. Seizing the Jontex condom brand from Johnson & Johnson for US\$221 million last fall was barely a milestone in the dizzying dealmaking history of Hypermarcas, which specializes in over-the-coun-

ter pharma products, cosmetics and personal care. In just a decade the company has acquired 170 brands and 4,000 products and as well as being Brazil's biggest advertiser, it sponsors Corinthians football team.

Hypermarcas founder João Alves de Queiroz Filho, known as Junior, sold his business to Unilever in 2000 for US\$ 760 million – and immediately went into competition across a broad front of household goods and cosmetics, eventually buying back some of his original assets. He already dwarfs P&G's Brazilian operations with 2009 earnings of BR\$ 3.5 billion and the record of being Brazil's biggest "serial acquirer." In January, the state development bank BNDES announced it might convert debt to equity and take a capital stake in Hypermarcas to help it go global by making acquisitions in the US and Europe. Reports said Junior has been eyeing pharmaceutical laboratories in the US.

Multiple acquisitions have made Hypermarcas the Brazilian Unilever

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HANDOUT

Sophisticated Brazilians may consider Goiás state to be caipira (cowboy) country – yet it has produced another “mega-aggregator” that outranks even Hypermarcas. Consider JBS Friboi – now the world’s largest meat company with annual sales of over US\$ 30 billion and a presence in every continent. JBS is a veritable “T. Rex” scouring the world’s producers of animal protein for easy prey. In late 2009 it acquired Pilgrim’s Pride, the second largest US chicken producer, in a US\$ 2.8 billion bankruptcy court sale that perfectly called the bottom of

the US economic downturn. JBS has interests in beef, pork, leather, eggs, dairy – and now chickens too.

Although JBS was founded in a dusty Goiás butcher’s shop in 1953, it wasn’t until 2005 that the company actually started growing. In short order it devoured Argentina’s tired ranching names like Swift Armour, Bordon, Anglo, and then moved on to buy America’s Swift and Australia’s National Beef and

**“JBS
is a T.Rex
in search
of easy prey
in the global
market**

Smithfield brands. Amazingly, JBS was simultaneously negotiating the purchase of Pilgrim’s Pride and concluding a merger with its largest Brazilian rival Bertin.

Brazil’s highly successful “teenager multinationals” seem to eschew trophy brands or top technology, instead favoring household names no longer at the cutting edge, where they can extract massive value. Consider Alpargatas, producer of

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Havaianas -- the world's favorite beach sandal. Before long it may even snap up Timberland, whose products it licenses today. Or Natura, the "Body Shop-meets-Avon" cosmetics provider (founded 2000) whose income grew 32.1 percent to BR\$683.9m last year and which has almost one million sales ladies scattered across the continent. Or petrochemicals producer Braskem, now prowling the US oilbelt for unrecognized gems. In April it paid US\$ 330 million for Sunoco's old polypropylene operations. Steel-maker Gerdau -- whose quarterly

profits increased sixfold in May -- is spending US\$ 1.7 billion to take full control of Ameristeel. A recent Economist survey considered whether Brazil's well-capitalized banks might soon go hunting their weaker European cousins.

Funding Brazil's expansion

So who is funding this titanic acquisition spree? Brazil's solid economic upturn -- and heroic lending by state-owned BNDES -- simply can't meet all the cash needs from public and private growth sectors. BNDES finance for 80% of the BR\$ 20 billion Belo Monte hydro-dam leaves a hole elsewhere.

Brazil's equity capital markets have had a torrid 2010, with a string of IPOs priced below the indicated range and Eike Batista's OSX Brasil flotation raising less than a third of the expected BR\$ 9.9 billion. The "900 pound gorilla" lurking behind Brazil's equity markets is the planned pre-salt funding call by Petrobras, which would swallow up all available liquidity from Brazil's institutional investors -- and from foreign funds made timid by global markets' roller-coaster ride.

Cross-border commercial len-

ding by battered banks is hardly the "plat du jour" and Brazilian entrepreneurs anyway spurn high leverage. Private Equity funds talk an ambitious story but in real terms the funds they have available are small: according to the Brazilian Association for Private Equity and Venture Capital, funds had just US\$ 28 billion in Brazil by end 2008.

That's up from US\$ 6 billion in 2004 -- but still not enough to feed the global ambitions. Some issuers -- like the owners of the Viena and Frango Assado brands who raised US\$ 100 million in June -- are trying for private pla-

cements from bolder investors under US 144a rules.

Ultimately, there is only one source of capital sufficient to fund the growth and ambitions of Brazil's lusty generation of "teenage mega-aggregators." Faced by lackluster growth from American business and a stagnant Europe, US pension funds will find themselves tempted to fund the growth of Brazilian companies. Not just to help them build sugar mills in São Paulo state, but to acquire ever-increasing tracts of American industry in their own backyard.

So the gatekeepers of America's capital markets and protectionist lawmakers will learn to pocket their pride, as the warning bell to start NYSE sessions is increasingly rung by confident Brazilian entrepreneurs. D. João would certainly recognize the feeling. ■

Pre-salt will consume liquidity of Brazilian institutional investors

01 Shell in Brazil: strong interest in Brazil's pre-salt

**Richard House is a British journalist and partner of Nextar Communications, a Brazilian company specializing in reputation management, communications coaching and transformation programs for senior executives.*



SHELL/HANDOUT



After exporting its products and mounting an army of saleswomen in eight countries in Latin America, Natura is shifting into third gear in its international expansion process and investing in local production to drive sales in the region

ALESSANDRO GRECO

The international expansion of Natura, the largest Brazilian company in the cosmetics and perfumes industry, has been a long and often torturous process. Since it started, 28 years ago, putting creams, lipsticks and perfumes into the handbags of female consumers outside Brazil, Natura (one of the world's 15 largest cosmetics companies, with revenue of R\$4bn last year), has swapped strong progress with modest sales results. Initially, its operations were limited to meeting orders of distributors from neighboring countries interested in importing the products that were a hit with Brazilian

consumers. Thereafter, the company born in 1969 in a small store on Oscar Freire street, in São Paulo, started to outline its international expansion by using an in-house strategy, initiating sales operations in Chile, in 1982, and, gradually, over almost three decades, in five other Latin American countries. While it was growing consistently and cautiously in Latin America, Natura decided to attack the largest cosmetics market in the world: France. The courage to contest the cosmetics retail market in Paris, home of the industry, was equally tempered with a good dose of prudence. The objective wasn't to make the Paris operation a springboard



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01 Natura plant in Cajamar: exports give way to outsourced production in Latin America

02 Carlucci: taking internationalization up a notch

A perfumed expansion

to conquer the French and, in doing so, consumers from the rest of Europe. Instead, the intention was to use a single store as a window for its products and also to learn how to do business in the most competitive market in the world in this segment.

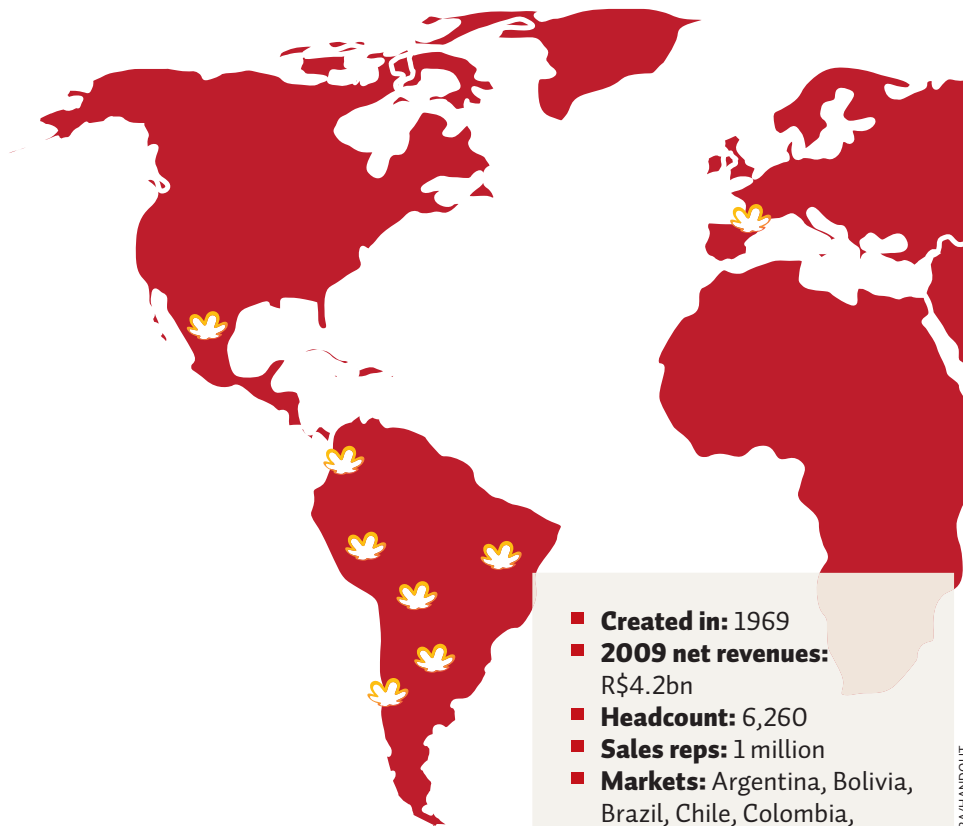
Now, Natura has just announced a change in the level of its internationalization strategy. The news was announced discreetly in the company's last quarterly earnings report, released at the end of July. Starting this year, Natura will produce part of its product line in a Latin American country and, in 2011, in another two countries.

So far, offshore operations were purely commercial. The company placed abroad its line produced at the Cajamar plant, in Greater São Paulo, replicating abroad its direct sales model, via sales reps – which are at the very roots of its commercial success in Brazil. Faithful to the style of growth with caution, Natura says it doesn't intend to install its own production in these countries – at least not in the foreseeable future. The objective is to outsource production, by hiring local cosmetics producers. The company won't reveal which products will be produced abroad.

It only said they will be the best selling ones.

So, what is leading the company to now take this step, which will intensify its degree of internationalization? The first explanation lies in the company's long-term view. In the opinion of Alessandro Carlucci, CEO of Natura, the international expansion goal goes beyond the desire to give the company a new business platform abroad, capable of becoming increasingly relevant over the next few years. What happens in Brazil currently is a fundamental part of this strategy. "All the large companies are eyeing oppor-

NATURA ABROAD



- **Created in:** 1969
- **2009 net revenues:** R\$4.2bn
- **Headcount:** 6,260
- **Sales reps:** 1 million
- **Markets:** Argentina, Bolivia, Brazil, Chile, Colombia, France, Guatemala, Mexico and Peru



PHOTOS: NATURA/HANDOUT

tunities in the Brazilian market”, he says. “While we need to start planting seeds of future growth abroad, we also need to learn to act globally in order to be competitive in a market such as the Brazilian one, which is large, growing and highly prized and coveted.” A second reason for producing locally comes from the maturation of the company’s activities in neighboring countries. “Previously, our model was exporting the complete package”, says Carlucci. “It made no sense to make specific products for the region because the size of the market didn’t justify it.” However, when market

share becomes stronger you have to perfect operations in order to continue growing. In other words, to be a more relevant player in the region, Natura needs to be closer to its clients to learn more about their desires and to seek to serve them more efficiently.

A third reason for the transfer in production to local companies is related to lower costs, efficiency gains and higher competitiveness. In selling the products imported from Brazil, the company ended up passing through to the consumer abroad part of the group of ills called the Brazil Cost – multiple taxes, high

01 Production line at Brazilian headquarters: learning to operate globally to defend domestic market share



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interest rates, expensive and inefficient transport and an over-appreciated exchange rate. “This was, in my opinion, the main reason for the transfer of production from Brazil to another country”, says Álvaro Cyrino, vice-president of the Brazilian School of Public and Business Administration (Ebape/FGV), in Rio de Janeiro. “The excessive appreciation of the real renders Brazilian exports unfeasible.” He calls attention, however, to the size of the challenge going forward. “Leading with third parties in an operation of this size is not trivial.” Finally, a fourth advantage singled out at Natura for transferring production: lower transport due to poorly-conserved roads reduces the issuance of carbon dioxide and helps the company score highly – one of the pillars of Natura’s mission is environmental sustainability.

The decision to substitute the export model with production in three countries crowns a lengthy organic process of constructing brand and sales channels initiated at the end of the 1980s and consolidated as of 2000. Gradually and without too much fuss, Natura ended up constructing abroad a network of over 1,000 employees and 175,000 sales reps – a true army of worker ants that take to consumers the products and DNA of the company. Natura currently has direct sales operations in Chile, Peru, Argentina, Colombia, Mexico and France, where, as well as the store in Paris, it also sells its products via the Internet and a group of sales reps that has been growing in number (see chart on page 36). More recently, it started operating via partnerships with local companies in Guatemala, El Salvador and Honduras – though it has suffered some setbacks. The company won’t



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reveal numbers, but international operations recorded strong losses. More recently, activities in Argentina, Chile and Peru, deemed to be in consolidation, finally reached financial breakeven, i.e. recovering the investments made. The second

block of countries, Mexico and Colombia, where operations are still being implemented, continues to rack up negative results.

The fact is that, almost three decades on from taking its first step in its internationalization process,

01 Latin American sales reps being trained: almost three decades later, an army of 175,000 “worker ants” operates abroad

02 Recognizing importance of Latin American sales reps: even today, only 7% of net revenues come from abroad

STARTING OUT FROM SCRATCH

WHEN IT started to take its products abroad, at the end of the 1980s, Natura had no deliberate internationalization plan. Things just started to happen, and our expansion simply happened. “Our beginning was not planned at all”, says Heriovaldo Silva, Natura’s sales management director for Latin America. “In most cases, distributors from Chile, Bolivia and Peru came to us asking for our products”. In these cases, the company simply exported the products to partners, who took care of the local distribution process and of sales in their respective markets. Since there were no networks in place at the time, distribution was granted to businessmen from other areas who opened a separate company dedicated exclusively to distributing Natura products. “We offered them initial training, information and advice necessary

to operate”, says Heriovaldo. In Chile and Peru the expansion was very slow, due to distributors poor knowledge of the business. To resolve the problem, Natura was forced to buy the businesses in the two countries, assuming the existing channels. At the same time, it opened a subsidiary in Argentina, constructing the direct sales channel from scratch. According to Heriovaldo, the process consisted of hiring the sales team (managers and supervisors) and then attracting and training the sales reps (see chart on page 39).

The same process occurred in Mexico, France and Colombia in the following years. In 1999, the company refined its strategy. It decided to create an international structure and local management teams focused on the markets where it operated. The aim was to ensure more efficient processes

and, consequently, better results. The plan paid off. With teams focused on local markets, Natura gained a better grasp and feel and started to expand more consistently abroad.

What never changes from country to country is the training of the Natura salespeople, which involves regular courses and meetings called Natura Meetings. “In both cases, the sales reps receive booklets and information over the Internet”, says the management director. “In both the courses and at the meetings, we offer training on products, sales techniques and socio-environmental education”. In both cases, says Heriovaldo, the model of communication with the sales reps is the same used by Natura in its relationship with its other strategic audiences. Each contact is considered an opportunity for this public to experience and experiment the very essence of the Natura brand.

PHOTOS: NATURA/HANDOUT







PHOTOS: NATURA/HANDOUT; ILUSTRAÇÃO: MARCELO CALEDA

Natura derives only 7% of its net revenues from international operations, which accounted, in the first quarter of 2010, for R\$70mn of total revenue of around R\$1bn. This percentage may be deemed modest vis-à-vis the efforts made over the years to grab a piece of the multibillion dollar global cosmetics market. This 7%, however, is double the result three years ago. Another unsuccessful venture is the Venezuelan operation, which once had 2,800 sales reps and 63 employees. In 2009, the company decided to shut down the operation after only two years, due to political insecurity in the country of Hugo Chaves.

Constructing these direct sales networks proved an arduous task, involving an endless array of variables, such as price, brand values, communication of the attributes and even differences in taste. Although Brazilians, Argentines, Chileans, Colombians and Mexicans are all grouped under the Latin American identity, aesthetic, cultural or even smell preferences of each one of these nationalities usually vary significantly. This implies the need to adapt the products to the taste of consumers. Local production will make this possible. Currently, the products sold there, with a few exceptions, continue to be produced in São Paulo, customized to meet the tastes of Brazilian consumers.

Even the advertising campaigns and publicity stunts to pro-

01 Patagonia and Andes: use of palo santo wood and paramela flower enriches products and reinforces regional identity



mote the products in Latin America are created and produced in Brazil and later translated, with small adaptations, into Spanish. It was this strategy of exporting not only the products, but also the mix of marketing and communication that enabled Natura, for many years, to expand organically in Latin America, without the need for major investments in constructing its sales network and brand. "I didn't have to make a large deal with Wal-Mart and spend 50 million on advertising to convince them to put my prod-

uct on the shelves", says Carlucci. With the growth in the operation, this comfort zone disappeared. "Up to a certain size no-one realizes your existence. You don't cause too many ripples", he says. "When the operation grows a

bit, however, you have to meet the specific desire of the consumer of that country – otherwise we cannot get through to him/her." In the Andean countries (Colombia, Peru and Bolivia) and in Mexico, stronger make-up colors and fragrances are a big hit. The first product in this action line was the Ritual perfume, launched three months ago in Mexico. "Our Mexican clients say they like to walk around and leave the

Mexican women like perfumes that leave a scent in the air

scent in the air”, says Carlucci. Such an intense fragrance would have the opposite result in Brazil. “Our sales reps would probably receive complaints of headaches”, he says. “The Brazilian consumer, in general, doesn’t like strong perfumes.”

Four years ago, Natura decided to exploit its presence in so many South American countries in order to recognize the value of local

identity and forge ties between consumers of the region. It did this by launching a new perfume line based on essential oils extracted from local biodiversity. A team of specialists scoured the region in search of inspiration. On five trips, it discovered palo santo, a woody perfume traditionally used as incense in certain regions of the Andes, and

paramela, an aromatic yellow-flowered bush, found in the icy fields of Patagonia. The essential oils extracted from both plants gave birth to a line of products called Amor América, recalling the title of a famous poem of the Chilean poet Pablo Neruda. With the advantages related to local production, Natura

FRENCH LESSONS

IN 2005, Natura decided to see what it’s like to operate in the world’s most competitive cosmetics and perfumes market and opened a store in Paris – its only store in France, so far. Its daring stance could suggest little caution – entering the lion’s den with an unknown brand to European consumers. In truth, the objective was precisely to be close to the best in the world in order to learn from them. A completely different strategy to that used in other countries, in which first of all the company built up the sales channel. The reason is simple: direct sales in the cosmetics segment have no important tradition in France – explaining the idea behind opening up a store in which consumers can enter, touch, test and express their expectations in relation to the products.

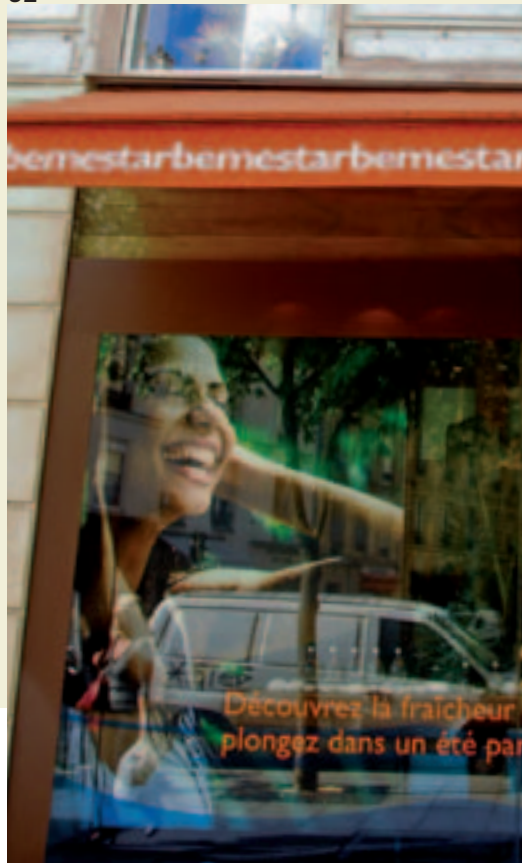
Natura only introduced the direct sales method two years after opening the store, in 2007 and, even then, featuring an integrated model that also involves online sales. The strategy seems to be paying off. In 2008, the company had 800 sales reps in

France. Now this number has grown to 1,400, a 75% leap in two years. The focus remains, however, on the learning experience – and, most often, has produced unprecedented and invaluable lessons. “Four years ago, a French client entered the store and asked if the product contained parabenes (a conserving agent heavily used in the cosmetics industry)”, recalls Alessandro Carlucci, CEO of Natura. “She immediately said she wouldn’t buy the product if we didn’t know the answer.” The company decided to investigate this consumers cause of concern and discovered that there was controversy surrounding the ingredient.

In fact, there were restrictions on a specific type of the compound, the so-called long-chain parabens, suspected of causing health problems. “For safety precautions, we decided to remove all the parabens from the formulas of our products”, says Carlucci. “We realized that this was a real concern that would one day reach Brazil, and so we took preemptive action.” Another aspect of the learning curve was to present a

new brand to a very demanding consumer. “In Brazil, we become complacent because the Natura brand is well known”, he says. “In France, you have 30 seconds to tell the consumer why he/she should buy your product and not the ones on offer in another 385 different cosmetics stores”, says Carlucci. The strategy chosen to

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hopes to see strong evolution in the countries where its operations are at a more mature stage – i.e. Argentina, Chile and Peru. The target is to achieve market leadership in direct sales and become one of the preferred brands of local consumers. This is no small challenge. “Building up an international brand takes years”, warns Professor Cyrino, from Ebape/FGV. If this task

weren’t enough, there is another complicating factor. While the largest Brazilian multinationals export or produce commodities (iron, like Vale; oil, like Petrobras; and steel and cement, like Gerdau and Votorantim), Natura disputes tooth and nail (or bottle by bottle, to be more precise) a piece of an ultra-competitive retail sector – which, in its essence, has ties with the luxury

market. “Natura is one of the few internationalized Brazilian companies at the top end of consumption”, says Cyrino. In other words: unlike companies from sectors where the price of commodities dictates, most often, sales success, Natura contests a market in which the fight

reach the French market was to take the Ekos line, inspired on the Brazilians that live in and depend on the land, the so-called “traditional populations” of Brazil. “Our differential was to use ingredients from biodiversity in sustainable fashion”, says Carlucci. Natura has expanded its products and sells another six lines in France. The results, although not relevant in terms of revenues, seem to be

pleasing the most demanding cosmetics country on the planet. “Most consumers at the store are middle-class French citizens”, he adds.

In 2007, Natura decided to expand its operations in France by including the direct sales model and online sales format. These two channels provided new lessons, according to Carlucci. France is the only place in the world where the

sales model is an integrated multi-channel. “It was born like this. When I recruit a sales rep, I say: ‘that’s how our model works. If the client buys online, you earn a piece of the commission if he recognizes your name. If he/she buys at the store, you also earn a piece of the commission and, of course, they can buy directly from you. OK? No? Let’s sit down and have a coffee then”, says the CEO.



PHOTOS: NATURA/HANDOUT



EXCLUSIVITY IN MEXICO

NATURA HAS created a perfume exclusively for Mexican women. Ritual, launched in March, is the first fragrance created especially by Natura for a Latin American country. The initiative represents another move by Natura to forge closer ties with its markets, offering products customized for the profile of each consumer.

A survey taken by Natura shows that, despite sharing the same passion for fragrances and the desire to always use perfume, Mexican women prefer a different fragrance to Brazilians. Mexican women seek a perfume that translates their true essence. They like to use the same perfume all day long. And, in terms of scent, Mexicans prefer floral fragrances (which represent 96% of direct sales). In Brazil, this same aroma is preferred by 53%, while 23% prefer an oriental fragrance.

With this in mind, Natura launched the Ritual perfume. "Ritual has an intense and long-lasting floral fragrance, combining jasmine, rose, apple and pear", says Fernando Del Mar, marketing services manager of Natura Latam.



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for consumer preference is determined by factors lacking any real objectivity and by imponderable elements, such as brand perception, values embedded in the product, tradition, aspirations, etc.

The choice of Latin America as the focal point of Natura's expansion was no coincidence. The region, which is enjoying economic growth, is the best global market for direct sales of cosmetics. In France, the share of direct sales in the cosmetics mar-

Latin America is the world's best market for direct sales of cosmetics

ket is only 3%; in the US, around 10%. In Latin America, a whopping 35%." Another important point is

the proximity of the neighboring countries with Brazil, which facilitates relations. There are clearly cultural differences, but they are less than in other regions. "Latinos are Latinos. They are closer and like to chat", says Carlucci, who speaks with conviction as someone who headed up the company's operations in Argentina for three years.

The customized action of Natura in Latin America has a very specific target, although the company doesn't disclose exact numbers. "We want to be one of the main direct sales players in the region within 5-7 years", says Carlucci. To finance this expansion, the company announced that it will use its own funds. Is there room to construct its own production plant outside Brazil? For the time being, the possibility is ruled out. "To invest in a factory, we would need a product line and a certain constancy to be efficient, to dilute costs and investments", says Carlucci. "At this moment, it doesn't make sense".

WORKER ANT FAMILY

ON A SUNDAY IN 2000, the Argentinean cosmetologist Virginia Cantariño, 38, was browsing through a magazine and thinking about the course of her professional life. She already worked as a cosmetics salesperson for Mary Kay, in Rosário, but she was looking for something more. “Upon reading the magazine I stumbled upon a phrase of an announcement that enchanted me. It was an ad by Natura inviting people to form a network of contacts, much more than a simple cosmetics brand”, Virginia told PIB by email.

The phrase prompted her to call Natura and to meet the Brazilian company she had heard nothing about. “At the first meeting with the products I fell in love with the fragrances and the make-up”, she says. This enchantment also extended to the company’s training model, which includes courses and seminars. “I couldn’t afford this type of training. Upon joining Natura, I started to attend the free courses recommended by my supervisor. At these courses, I learnt not only about make-up and skin care, but also to tell stories, describe the products as a whole and about sales strategies”, recalls Virginia. This focus on training, together with the company’s vision of constructing a network of people with common goals and values led Virginia to involve her entire family in her daily life. “I have three daughters, two teen-

agers and a 3-year old. At home, they all collaborate to ensure an enjoyable work routine and to provide the flexibility that we need”, she explains. And she rounds off by saying: “My husband takes the Natura magazines to his workplace, offers the products that he uses to his workmates and, since he drives our car, he often goes around collecting the payments”. The network of relationships also works as a big family. Consumers know everyone at Virginia’s home and vice-versa. “I seek clients who I can visit and who can visit me and talk about products, concerns and test the products, she says. “Just like in a family”.



All that is left to know are the next steps to strengthen the company’s global presence. Professor Cyrino expresses doubts on Natura’s capacity to move ahead with a successful international expansion based on its direct sales model. “The assumption that it is possible to replicate a business model for other countries underestimates the effect of cultural characteristics that vary from country to country”, says Cyrino. “The direct sales system may work in Latin America, where people like to talk to each other, but in France it is doomed to failure.”

At Natura, the understanding is that the model needs to adapt to the reality of the countries. And that’s why France is currently the only country with all three sales channels: store, internet and direct sales via reps. The French “worker ant reps” grew from 800 in 2008 to 1,400. In the view of Carlucci, the rest of the world is a market for which Natura has no defined strategy – which doesn’t mean that the company can’t see itself in Europe (beyond France) and in emerging markets such as China and India. “We have the will, but there is no model or plan for these regions”, he says. “We will do each thing in its own good time.” ■

01 Ritual: tailor-made for Mexican consumers

With what clothes?

What the Brazilian fashion industry still needs to do to become a global hallmark of quality

SUZANA CAMARGO, MILAN

Very few cities represent the fashion world as well as the ultra-Italian city of Milan. One of the most famous and visited points on its fashion circuit is the so-called Quadrilatero D'Oro (or Golden Quadrilateral). This block, bordered by the Monte Napoleone, Borgospeso, Sant'Andrea and Spiga streets, is home to the world's most famous clothes designers, such as Gucci, Armani, Dolce Gabbana, Prada and Luis Vuitton. The highly sophisticated region is also home to some Brazilian stores. One of them is Osklen. The Rio de Janeiro store has its own stores in Milan, New York, Tokyo, Lisbon and Rome. Close to Osklen, on the della Spiga street, the window of a children's clothing store stands out due to its bright and vibrant colors. It's Lilica Ripilica, of the Santa Catarina group Marisol. The company invested US\$5mn to open its Italian store. Other Marisol franchises

can be found in other European and Middle Eastern countries.

Brazilian fashion and design exports grew last decade – with the sector professionalizing its operations to such an extent that it began competing in international markets. 2003 saw the creation of the Brazilian Association of Fashion Designers (Abest),

Brazil still needs to improve the way in which it divulges its identity

with the mission of promoting and strengthening the segment both inside and outside Brazil. In Abest's first year, its members exported US\$1mn. In 2008, this amount rose to US\$20mn. Today, it has 54 members – 44 of which are exporters. “Due to the currently negative FX rate, the companies need a strong strategy in order to sell abroad”, states Evilásio Miranda, Abest project manager. Some are successful. The designer Carlos Miele, for example, owns a popular flagship store in New York and has just opened another one in Paris. Alexandre Herchcovitch has a beautiful store in Tokyo. As a result

of the 2009 crisis, Abest members' exports slumped to US\$12mn. In the first quarter of 2010, they have already sold US\$4mn. And they expect to sell US\$15mn by year-end.

And while several companies are already making their names abroad, it is still too little considering the sector's capacity in Brazil. What's the reason for this mismatch? “Brazil has enormous potential but, in my opinion, it still needs to improve how it divulges its own identity”, says Arturo Dell'Acqua Bellavitis, director of the departments of industrial design, communication and fashion from the Polytechnic University of Milan. “The problem is that, in Western countries, a lot of people still know nothing about Brazil or have the wrong idea about it, associating it only with beaches and soccer.”

Bellavitis, who has visited Brazil several times in the past, has a very critical vision of the Brazilian fashion market. “I attended the São Paulo Fashion Week and I believe there's still a lot to improve, compared with the Milan or Paris fashion shows”, he says. “Fashion parades aren't the be all and end all







havaianas

– you have to organize conferences, discussions on the fashion industry, for example. I also think that companies from the sector need to invest more in communication.” Another Italian fashion specialist, the economist and professor Enrico Cietta, shares the same opinion. “Brazilians have everything in their favor to be successful anywhere in the world”, he says. “However, I think some Brazilian designers don’t believe in their own potential and end up copying the same fashion trends in Europe and the US.”

They both believe that when it comes down to choosing between a good Brazilian fashion item of a little known brand and a Ralph Lauren item costing the same amount, the consumer will prefer the latter. “Osklen, for example, tries to sell a European image in Milan”, says Bellavitis. Sought out to respond to the criticism, Oskar Metsavaht, brand creator, said he “had no time on his schedule for interviews”. Also according to Bellavitis, the best thing would be to take the Brazilian spirit to the fashion world in a way that consumers can understand it. “Brazil isn’t just Copacabana, Rio de Janeiro and the Northeast. Brazilian fashion needs to promote the country’s diversity, and leverage on that”, he says.

A good positive example seems to be the Isabela Capeto brand. The fashion designer studied for three years at the Accademia di Moda fashion academy in Florence. “Almost 20 years ago, there were still very few fashion schools in Brazil. My Italian experience endowed me with life-changing artistic and cultural references”, says Isabela. Back in Brazil, she has worked with major national fashion brands such as Maria Bonita, Amor Perfeito and Lenny – and, in 2003, she flew

solo. A few months after opening her Isabela Capeto store, she was given the opportunity to attend a fashion showroom in Paris. “An agent saw some of my jackets and asked me to send some samples to London. “The English loved them”, she recalls. Ever since, exports of her clothing brand haven’t stopped. Today, Isabela sells her designs to about 20 countries, at trendy stores such as Barneys and Jeffreys, Co-

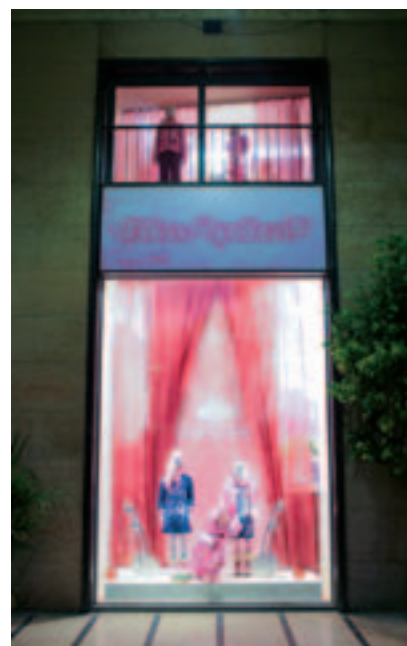


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01 Arturo Bellavitis: “confused identity”

02 Lilica Ripilica: in the famous Quadrilatero D’Oro (Golden Quadrilateral)

03 Carlos Miele: concept store in Paris



02

lette and Le Bon Marche, or Saks and Harveys Nichols in the United Arab Emirates. Currently, 20% of its production is exported.

Her designs, handmade, feature numerous lace, sequin, tulle and trimming inserts (or appliqués). According to Isabela, a store in Geneva has been a frequent customer since her first collection. The store buys both her summer and winter collections, and its customers look for an original design in the Brazilian fashion items. This is one point that, according to Enrico Cietta, makes all the difference when large

international chain stores invest in a new brand. “When a chain or department store decides to sell the collection of a new brand, it makes a long-term investment. This means that the brand needs to constantly innovate in its collections, while always maintaining the same quality”, he says.

Salinas is another brand that sells Brazil with a strong Rio de Janeiro accent. Since 2002, the brand has expanded its distribution network in the United States and Europe, gaining greater international recognition. It currently exports to 42 coun-



10 FASHION MYTHS

ENRICO CIETTA, research director of the Italian consultancy firm Diomedea, outlines the profile of the main global markets and their consumers



1 Unlike markets such as the US or Asia, Europe is not homogeneous, and each country has its peculiarities that must be explored.

2 Europe can be divided into three different regions: the Mediterranean (Italy, Spain and Greece), England and Northern Europe, led by Germany.

3 Spain has a very aggressive fashion market, with strong brands and very high-turnover collections.

4 US consumers are more conservative and less demanding when buying clothes – they hate “going out on a limb”. Department stores and large retail chains dominate the US market.

5 Italian, Spanish and Japanese consumers have more in common when it comes to fashion trends.

6 Smaller and independent stores are stronger and more influential in Italy, Portugal, Greece and Spain. In these countries, they are trendsetters.

7 In France and England, department stores are the sales leaders.

8 Young Asians consider department stores to be ‘square’.

9 Germans love colored clothes and hate looking traditional.

10 Italians enjoy the classic style, with good cuts and few colors.

Source: Diomedea - Economic Research & Communication.

03

tries, and its bikinis can be found at stores such as Victoria's Secret, Urban Outfitters and Anthropologie. It exports some 80,000 fashion items annually. The success was the result of a long learning curve. “We started exporting in 1983”, says Jacqueline de Biase, partner-director of Salinas' fashion design department. “It was difficult learning to deal with different cultures and tastes, but each year our experience grew”, she says. “Salinas has exclusive patternmaking for export, but the prints/patterns and colors are the same ones sold here in Brazil”.

In the opinion of Enrico Cietta, companies need to invest more in marketing and communication - in order to clarify the origin of the product. “You can still find people buying Havaianas flip-flops abroad who don't know they are a Brazilian product”, he says. Recently, the Australian Prime Minister praised the Havaianas brand and said he was proud they were an Australian product. “We sent him a letter thanking him for his kind words, while kindly pointing out that the flip-flops are Brazilian”, says Rui Porto, communications consultant

for the Havaianas brand. There is a possible explanation for the Prime Minister's confusion. The flip-flops are a huge success in Australia, with 3 million pairs sold annually to a population of 18 million. But are the Brazilian brand and tropical

buy clothes with poor fabric or trimming. Quality is undoubtedly key for Brazilian fashion to truly make its mark in the international market. Unfortunately, according to Isabela Capeto, Brazilian clothes still don't have that perfect trimming (or edg-

Brazil was a closed economy. This policy generated local industries focused on the mass market, with low requirements in terms of quality and services", he says. Brazilian brands currently account for a mere 0.5% of the global fashion industry,



01

style alone enough to ensure a successful product? "No. The 'Made in Brazil' adds value, but you also need quality, design and a good image", says Rui Porto.

Fashion trends are still dictated by the large fashion centers in Europe, especially Italy and France. European consumers are avid for the latest developments, but don't

ing) that you see abroad. "We still don't have the machinery to achieve some details, such as the flawless Italian trouser leg".

In the opinion of Ricardo Ferreira, owner of Richards, another brand that spreads the Rio de Janeiro lifestyle in male and female clothing lines, the question has historical roots. "For a long time,

which is a US\$600bn annual market. Fernando Pimentel, director-superintendent of the Brazilian Textile and Clothing Association (Abit), also sees historical reasons for this lackluster performance. "Brazil has always been much more inward- than outward-looking. The Brazilian market only started to open up to the rest of the world in

THE FASHION WORLD

NATIONAL ENTITIES from the sector, such as Abit itself, have worked hard to promote Brazilian products abroad. In 2000, Abit and Brazil's Pro-Exports and Invest-

ments Agency (Apex-Brazil) created the Texbrasil program to stimulate and accelerate exports in the textile area. In 2010, the program intends to invest US\$44mn in about 380

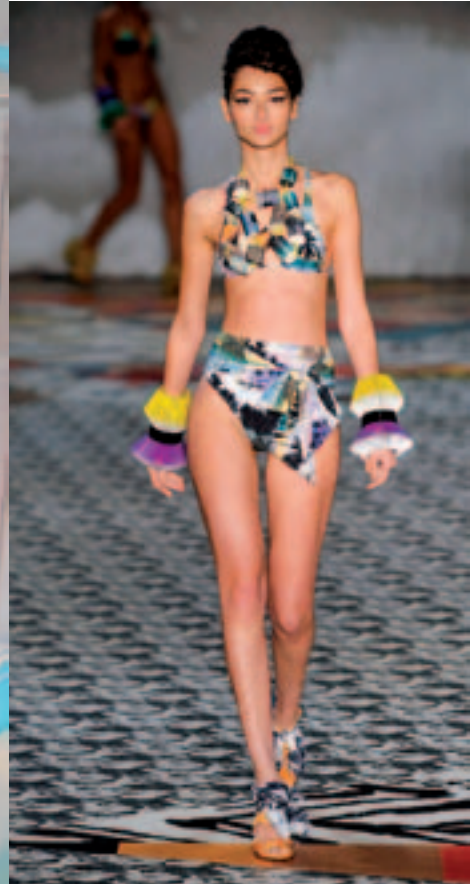
companies, helping them to internationalize. These companies, in turn, are expected to export US\$456mn.

In the apparel sector, Texbrasil has defined the following target



01 Osklen
in Tokyo:
flagship store

02 Salinas:
80,000 fashion
items exported
per year



02

the 1990s – which, in the history of a country, is nothing. Brazil's fashion exports have only a 10-year history". The so-called global expansion process should be gradual," says Pimentel.

The Italian Arturo Bellavitis believes it is possible to accelerate this process by investing in quality, analyzing market demands more

carefully and using social appeals – which are usually very attractive to international consumers. "Social responsibility always helps a brand to sell better, especially in Scandinavia, Germany and France. So why not use labor from Brazil's favelas (shantytowns)?", he suggests. It is virtually consensus that Brazil is still learning to walk in the compet-

itive and glamorous world of fashion. But potential is something that is definitely not lacking. "I bet that in another five or ten years we will see a second generation of Brazilian designers achieving great success abroad", says Cietta. "As host of the 2016 Olympics, the country will become a great showcase for the international market". ■

markets: Angola, Australia, China, Colombia and Central America, UAE, USA, France, Greece, Italy, Iberia and the UK. One of the goals of the project is to increase the visibility of the Brazilian fashion industry's image. The country is mainly a reference in swimwear,

underwear and jeanswear.

According to Abit, exports in 2009 totaled US\$1.20bn in textiles and knitwear – last year was a bad year for the global economy as a whole. In 2008, Brazilian sector exports totaled US\$1.72bn. Argentina, Paraguay and the US are the

main importers of these products. Its status as the world's sixth largest textile industry, second largest denim producer and third largest producer of knitted fabrics make Brazil a giant in the sector. But there is still much more global market share to be captured.

Interview

Afonso C. Correa Fleury and
Maria Tereza Leme Fleury



GLORIA FLÜGEL

Scouring Brazil abroad

Students of companies' internationalization process, the two researchers have included Brazilian multinationals in the map of global academic production

NELY CAIXETA

Multinationals have always been synonymous with companies from rich countries. As they emerged in Brazil and in other emerging markets, the phenomenon took the world by surprise. The perplexity of seeing them challenging long-standing global corporations shortly gave way to a curiosity that academic books and the best business schools in the world weren't ready to answer. Do these new giants from emerging markets have different characteristics to the classic multinationals we are used to seeing? What factors explain their competitiveness in global markets? To help answer these questions posed not only in the academic world but also among managers of companies, investors and public policymakers, a group of Brazilian researchers spent the last six years analyzing the question. This research has been led by the couple Afonso Carlos Correa Fleury and Maria Tereza Leme Fleury – Afonso is a professor of production engineering from the

Polytechnic School of the University of São Paulo, while Maria is a director at the Business School of the Getúlio Vargas Foundation, in São Paulo. Afonso coordinated the Ginebra Project (Business Management for Internationalization of Brazilian companies), an extensive research program co-financed by FAPESP, with the aim of understanding the dynamics of the internationalization process of companies from emerging markets, in general, and of Brazilian companies, in particular. The research, which spawned 15 dissertations and 23 theses, was a watershed. Previously, there was little research on the topic in general – even less on the specific question of management and organizational capacity. The couple

The management style developed by Brazilian multinationals gives them a competitive advantage

compare their work to scouring for gold. “When we started the project, in 2004, there were only 18 Brazilian multinationals – in other words, companies that, in our definition, were capable of adding value in their international operations”, says Fleury. “Since then, we have developed an empirical base signaling a list of one hundred Brazilian multinationals.” The couple spoke to PIB about the gigantic project that included Brazil in the field of relevant studies on multinationals from emerging markets, and whose main conclusions feature in a book to be shortly launched by the Editora Atlas publishing house.

What is the key point of your studies?

FLEURY – The most interesting thing is trying to grasp the logic of the game being played. From time to time, we see a major change in the global production structure. We can clearly see today what we call the “third wave of internationalization”. The first wave was led by companies from developed countries, especially the US, after

World War II. A major inequality of resources and capacity between countries led to an almost spontaneous movement of internationalization. The second wave was led by Japanese companies, in the 1980s. In this case, the Japanese government figured prominently, implementing a series of programs and mechanisms suited to the situation in place at that time.

What characterizes this third wave of internationalization that we are currently experiencing?

FLEURY – It is led by companies from the so-called BRICs (Brazil, Russia, India and China). Since 1979, when it initiated its political and economic restructuring, China set a target of having 50 of the world's 500 biggest companies by 2010. As of last year, there were 26. India and Russia have other logics, but the list of their international companies is starting to grow. In Brazil, the planning of this internationalization movement is different: the decision to go international is the company's and the company's alone.

Didn't the first movement occur in the changeover from the 19th to the 20th centuries?

FLEURY – Actually, the internationalization process dates back to the 17th century. But its relative importance was very small. Up until the 1950s, the term “multinational” didn't even exist. The international operations of companies fell under the responsibility of one of their departments. It is important to highlight the pioneering stance of Ford. Its rapid internationalization, and that of other US companies at the start of the 20th century, should be credited to the fact that they had a new management model for the time: the so-called “Ameri-

can Manufacturing System”. What provides a sustainable competitive advantage in internationalization processes is a management model capable of producing a differentiated performance vis-à-vis other models of the same nature.

Is this what is happening now with the Brazilian companies that went international?

FLEURY – Yes. Their main advantages are the organizational capacity that they developed and which supported their trajectories in the domestic markets, and a Brazilian-esque style of management. It is similar to what happened with Japanese companies – which, due to cultural and institutional character-

Our internationalization process is similar to that of Japanese companies decades ago

istics and the country's availability of resources, developed a specific profile of organizational capacity and their own style of management. This group of characteristics, in turn, produced competitive advantages in the 1980s that supported their internationalization process. The same thing is now happening with Brazilian companies. They have also developed a group of organizational capacities and a style of management that gives them a competitive advantage and supports their international expansion.

What differentiates this capacity and Brazilian-esque management style?

FLEURY – It is important to differen-

tiate between organizational capacity and management style. This is determined by the company's track record, the location where it developed its operations and reveals the company's character. Companies operating in environments of major political and economic turbulence develop unique organizational capacity, termed “wait mode”: they don't engage in long-term planning, but they are able to respond rapidly and efficiently to unexpected events; this gives Brazil a competitive differential versus a company from a stable and transparent country.

What concrete examples can you give?

FLEURY – Embraer was a company that responded rapidly to the changes that emerged after the attack on the World Trade Center. Ambev, Votorantim, CSN, Weg, etc, gained international renown for their production capacity. Organizational capacity has more to do with capacity to mobilize, integrate, transfer know-how, resources and talent. Here the benchmark is the competition rather than the country: a company only survives if its capacity is equal to or superior to its international competitors.

What explains the growth in Brazilian multinationals?

MARIA TEREZA – There is a very important historical and situational element, which began in the 1990s with the restructuring of Brazil's productive system and the privatization of some of its companies. This change gathered steam in the following decade, to the point that in 2006 the value of direct investments by Brazilian companies abroad exceeded the value of foreign investments in Brazil. I believe companies went through a

learning curve, whereby they started to realize that if they didn't do something they would suffer from such strong competition that the chance of surviving in Brazilian territory would be more difficult. It was an economic, cultural and even political movement, since the Brazilian government started to provide more support to internationalization. This expansion, thus, results from a group of factors.

FLEURY – This institutional aspect is very important. In the current government, the question only started to be positively assessed after 2005, with the change in the board of the BNDES (Brazilian National Development Bank). In the government of Fernando Henrique Cardoso, there was a prevailing idea that Brazil didn't need industrial policy. Since industrial policy necessarily involves several ministries, there was a certain degree of "demobilization". With no integration, each party was left with its own piece of the pie. Now we are seeing that, gradually, government entities are starting to get involved.

Recently, Ipea (Institute of Applied Economic Research) itself announced that it will start to operate abroad in order to support Brazilian companies in their internationalization process.

FLEURY – Not just Ipea. Several ministries are taking moves, at national level, to support the internationalization of Brazilian companies. This is a major effort, which needs to untie some knots before it can really be effective. We are currently seeing an effort to reorganize this inter-ministerial network to verify the type of support to be given to the internationalization of Brazilian companies. This has emerged as a crucial question to our future.

Looking back, what drove this movement of internationalization?

FLEURY – At the start of the 1980s, the then minister Antônio Delfim Neto tried to resolve Brazil's balance of payments problems by creating a program called "Exporting is what Matters". This led Brazil to export anything, with no concerns over quality. Literally, anything! Brazil exported thermometers to Peru that had no reliability in terms of accuracy. Meanwhile, Japan was implementing a very rigorous quality control program for its exports, with the aim of upgrading the Made in Japan seal. So, either our own Made in Brazil seal had value or we were doomed to failure. From 1984 onwards, we coor-

Our researchers are acquiring know-how that is increasingly recognized abroad

minated a major project financed by the World Bank and organized by the Trade Ministry, to understand how to introduce industrial quality into Brasil. Thanks to this study, the first studied into quality in Brazilian industry appeared, and later resulted in the creation of the Brazilian Quality and Productivity Program. This is at the heart of Brazilian companies' competitiveness nowadays.

So this isn't an overnight phenomenon?

FLEURY – Absolutely not. Once again, Brazilian companies' internationalization process is similar to what Japan did. The Japanese geared up for a long time before spreading

their wings and going international. Today, the major discussion when analyzing Chinese companies' internationalization is the perception that their transition was very swift. Brazilian companies, in contrast, had time to learn which criteria qualify them as multinationals.

How do companies evolve as they go international?

FLEURY – First, they need to do their homework, which in itself poses a certain challenge. Second, there is a moment in the internationalization process featuring a massive internal change. We're talking about the transition between two states – being totally national and starting to go international. The third is the challenge of expansion. We started analyzing these moments and the challenges that internationalization poses to companies in terms of the management process. It's impressive. It's one thing playing the São Paulo soccer championship. It's another thing wanting to play in the Champions League. This process is very important to improve our capacity. Just going international won't necessarily trigger a superior financial performance in a rapid space of time. It's much slower, but it's a process of learning and developing new skills, which makes the company much more competitive in its country and the countries where it sets up shop. This is a major lesson. Much of what these companies learn internationally ends up being repatriated and reinserted into the management system in Brazil.

What are the examples of this transfer?

MARIA TEREZA – In the technological arena, we have the case of Sabó, from the auto parts industry, which bought a company in Germany to develop new products and proces-

ses. Upon refining this capacity, it brought them back to Brazil. Sabó won the Finep Innovation Award for its international learning curve in the area of retainers. Its interest in buying the German company came from the fact that this company had strong interaction with universities that carried out research of interest to the Brazilian operation.

And what about people management?

MARIA TEREZA – It's possible to learn about people management in developed countries where the unions are usually much stronger. All this is a learning curve. The company even starts reviewing its practices in Brazil. There are lots of examples, such as the Votorantim group, which bought companies in developed countries (US and Canada) and started to undergo a very important learning process, which ended up being reflected in its Brazilian operations. Odebrecht, for example, in working with situations of operational and political risk, uses know-how and knowledge that ends up becoming part of the company's common knowledge and is used by the parent company itself and its subsidiaries around the world. This produces new capacities. Our studies have shown that internationalization will not necessarily trigger a better financial performance in a short space of time. It's much slower. But it is a process of learning and developing new abilities. That's a great lesson to learn.

What are the sectors with the best chances of achieving success abroad?

FLEURY – We performed a study to compare the activity sector of Brazilian, Indian and Chinese companies with those from companies of

developed countries. The intersection is small. In the 1990s, this discussion sparked the idea of "sunset industries" and "sunrise industries". The "sunset industries" were more labor- and resource-intensive, while "sunrise industries" were those with new technologies, in which innovation is a crucial competitive weapon. In general, companies from emerging markets are generally part of the "sunset industries" group. Indian companies dominate steel, the Chinese are trying to monopolize natural resources, etc. And Brazilian companies (such as Friboi and Marfrig) are located in sectors in which some local factors are more conducive.

Is starting the process in Latin America, due to physical and cultural proximity, still the best path?

FLEURY – It used to be. This has changed now, since the challenges that arise when moving to less developed countries don't necessarily result in significant experience. What we currently have is, to say the least, a mixture involving simultaneous investments in less economically developed countries, such as Africa, and in developed countries - which is where this entire learning process lies. As soon as it dips its toes abroad, the company needs to start moving on the so-called "value scale". You'd be hard pushed to see a company that ventures abroad, makes an acquisition and then does nothing. You have to rapidly improve capacities to move on to higher value-added types of production. It's what happened to companies from developed countries - i.e. there is a new rule of competition.


Is the internationalization of Brazilian companies a path of no return?

FLEURY – It's paradoxical. In the history of our economic development, the importance of the subsidiaries of foreign multinationals has always grown. Currently we have around 420 of the 500 largest companies in the world operating in Brazil. To enter into the process of international negotiation, it is absolutely vital that our companies have international renown and presence. We can't continue to be seen as a major market to be explored and exploited by foreigners. We need world-class companies producing goods to serve global markets, managed in accordance with the best practices, that innovate in products and processes, and with whom foreign multinationals can compete and cooperate.

What interest does the international academy have in the research carried out by Brazilian universities?

MARIA TEREZA – For the first time, we had the opportunity to hold in Rio de Janeiro, in June, the Academy of International Business – the largest congress in this area. It was a difficult thing to organize, but we managed to carry it out via a group of schools. This is a sign that we are also in the debate not just as listeners but as active agents, producing know-how and knowledge.

FLEURY – The questions that the international community is asking us are: "Is the internationalization process of Brazilian companies different from other multinationals? What contribution do these studies make to general knowledge on multinationals?". Gradually, we are managing to respond to these questions. Clearly, we are producing know-how and knowledge that is increasingly appreciated abroad. But it's a long process. We have to be persistent. ■

A close-up photograph of a human hand, palm up, holding a small, dark, irregular piece of what appears to be a mineral or ore. The hand is positioned in the center-right of the frame. The background is a blurred image of green foliage, suggesting an outdoor, natural setting. The lighting is soft, highlighting the texture of the skin and the surface of the mineral.

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In the soil, with fertilizers that help increase food production.
In the air, by using clean, renewable energy.
And we are with people everywhere,
respecting and promoting diversity.
We don't have all the answers,
but we're not afraid of the questions.
Because questions inspire us,
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For today and for tomorrow.

**There is no future
without mining.
And there can be
no mining without
caring about the future.**

Future

How to be big

Marketing is trying to eliminate sugarcane ethanol tariffs and is fighting to make it a commodity

ANTONIO CARLOS SANTOMAURO

The mundane routine of filling up a gas tank in the US gained a Brazilian touch in May. After receiving a discount of US\$0.85 per gallon (3.78 liters), consumers at a gas station were told about the economic and environmental benefits of sugarcane ethanol. The promotional event was more of a protest against the high tariffs preventing Brazilian sugarcane ethanol from competing with the US product, extracted from corn and blended into the gasoline sold to the US. And what's more: this gas station is in Indianapolis, home of the Indy 500, one of the stages of Formula Indy and considered the most famous US car race. Backstage race passes and other prizes were on offer to consumers filling up their gas tanks at this gas station.

Formula Indy currently has a strong Brazilian accent – and not just because of the high number of Brazilian race drivers. One of Formula Indy's main sponsors is the Brazilian Pro-Export and Invest-

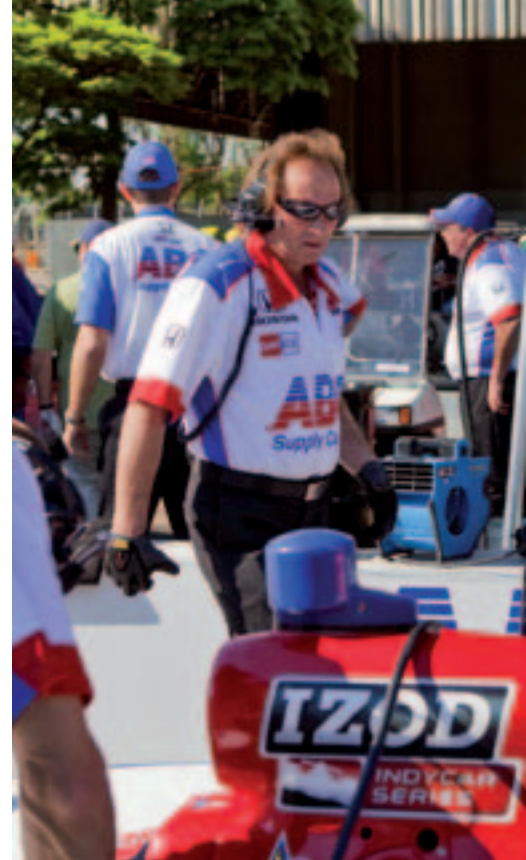
ment Agency (Apex-Brasil), while the fuel used by race teams is supplied by União da Indústria de Cana-de-Açúcar (Unica - Brazil's Sugarcane Industry Association). As well as Indianapolis, the Miami and Alabama racetracks have already staged promotional events by Apex and Unica. In 2009, they both aired a radio campaign on the 4th of July (US Independence Day), telling consumers from Washington, California and Florida about the economic and environmental advantages of sugarcane ethanol.

In the US, where Unica has an office in Washington, the decision to lift (or not) ethanol tariffs is expected to be taken this year. But the strategy of producers and the Brazilian government to make ethanol an internationally-used fuel (and, thus, a global commodity) also features marketing actions in Brussels, home of the EU and of another Unica office.

In addition to the advertising side, this strategy involves actions by PR and lobbying offices, and is

grounded on three appeals: economy (i.e. saving), energy security and environmental preservation. The choice of Washington and Brussels is obvious, as both are the capital cities, respectively, of the US and EU. "Increased demand for ethanol is heavily dependent on public policies being formulated", explains Eduardo Leão de Souza, executive director of Unica. "We also need to communicate with consumers and society, since these two groups influence public policy-makers", he adds.

The funding set aside this year by Apex-Brasil and Unica for international activities totals some R\$ 8mn. Part of this money was used to launch, around 2 months ago, a site targeting US consumers (www.sweetalternative.com), while other activities included advertisements in Washington newspapers and radio stations and TV commercials during the Indy 500 race. "We will perform promotional stunts in gas stations at upcoming Indy races and advertise more in Washing-





01 Unica at the Indy 500: a great way to advertise

02 Magazine ad: appealing to sustainability

01 02

ton newspapers”, said Joel Velasco, chief-representative of Unica for North America.

Nevertheless, the funding for sugarcane ethanol marketing is 10x less than that of the competition, says Joel, referring to corn ethanol. And less funding isn’t the only problem facing Brazilian ethanol. An event offering discounts, scheduled to take place in May at two Washington gas stations, was cancelled the day before because, according to Unica, the company controlling the gas stations alleged that “political influences” were at play. Both the date (eve of Memorial Day) and the locations (gas stations near US Congress) had been carefully and strategically chosen. The 54 cents discount that would have been offered to consumers is equivalent to the amount at which each gallon of sugarcane ethanol is taxed in the US. “Fortunately, we managed to make the most out of this”, says Velasco. “The cancellation of the event created even more positive news on sugarcane ethanol

in Washington newspapers and TV.”

An important question needs to be asked. Are communication and marketing effective in promoting a commodity around the world, or is this process exclusively related to factors such as price, logistics and tariff disputes? “Marketing can be important in this process”, says Bruno Melcher, CEO of LDC-SEV (the world’s second largest sugar and ethanol producer). “It can strengthen awareness of a cleaner, renewable and, at the same time, a more economical fuel, such as sugarcane ethanol”, he explains.

Equipment and certifications

Producers of equipment for sugarcane mills are also looking to expand the international use of ethanol. Dedini, the largest Brazilian company from the sector, is struc-

turing an operation in India with a local partner. Besides the obvious interest in generating new businesses, this move also has a strategic goal: expanding the possibilities of strengthening ethanol’s status as a global commodity by increasing the number of markets capable of supplying it. “Brazil is still, by a country mile, the main ethanol supplier, and the international market is always wary of sectors where there is basically only one supplier”, says José Luiz Olivério, vice-president of technology and development at Dedini.

Dedini already derives 10-15% of its revenue (R\$ 1.5bn in 2009) from abroad, especially the Americas, where the company is already selling its products in virtually every market. But Dedini products can also be found in countries such as Thailand, the Philippines, Sudan and Sweden. However, if it mate-

Marketing is boosting interest in a more economical and renewable fuel



rializes, the Indian operation will mark its first direct presence in another country. The details of the operating model have yet to be finalized. “We could set up a sugarcane mill there, and basically export; or, we could divide our operation into exports and products of local suppliers”, says José Luiz.

The global strengthening process of ethanol should also overcome other obstacles, one of which is

the lack of programs for developing technologies capable of using this fuel source. “For the time being, Brazil is one of the few countries with a consistent program for developing flex-fuel cars”, recalls Bruno, from LDC-SEV. Certification of the sustainability of the sugarcane ethanol production chain should be granted by year-end, says Leão de Souza, from Unica. And it should be granted by the Better Sugarca-

ne Initiative, a forum in which Unica participates. “We are currently seeing demand for certifications proving the sustainability of both Indonesian sugarcane ethanol and biodiesel”, says Eduardo.

Support and outlook

The effort to internationalize the use of sugarcane ethanol is now receiving an additional boost from the increased interest of countries

LOBBY, FUTEBOL E ÁLCOOL

UNICA EXPLOITED THE soccer boom that took hold of Washington during the World Cup to transform one of the city’s most routine and apparently formal activities – “lobbying” – into a stage for alternative marketing, by simultaneously promoting two of Brazil’s “quasi-commodities”: ethanol and soccer. It was a two-pronged attack. First, the company paid for giant TV screens to be installed during the first four soccer matches of the US national team in the middle of

Dupont Circle Park, a bohemian district considered the home of the city’s pro-environmentalist group. The event spread via Facebook, local media and attracted around 20,000 people. The second strategy was targeted directly at congressmen, their aides and specialists, who can influence the trade policies discussed in Congress. Unica paid to hire out a bar next to Capitol Hill during all the Brazilian and US soccer matches for this select group of guests, served caipirinhas, Brazilian finger food and distributed pamphlets and

coasters containing a whole host of interesting facts on Brazilian ethanol and the impact of ethanol tariffs on the US economy. Guests received Brazilian soccer team shirts with the number 54 on the front, in reference to the US\$0.54 import tariff, and on the back the name “cutthetariff.com”. If with so much caipirinha (which contains two thirds of Brazilian sugarcane byproducts – i.e. sugar and cachaça), congressmen aren’t convinced of the advantages of the third sugarcane byproduct (i.e. ethanol), well then it’s down to the WTO.



COURTESY UNICA/TADEU FESSEL

01 Ethanol, sugar and bio-energy mill: cleaner energy

02 Giant screens sponsored by Unica: shouts of “goal!” on Capitol Hill

newable fuels used in the country to rise from 45bn liters (estimated for this year) to at least 136bn liters in 2022. Many consider this target unachievable without the use of sugarcane ethanol.

The fight to eliminate sugarcane ethanol tariffs is also receiving the support of large companies (not necessarily Brazilian or even directly related to the sugarcane industry). This is the case, for example, of Shell and JBS. “Shell will be a key distributor of ethanol abroad, while JBS is strongly affected by corn ethanol subsidies, which raise the cost of the grain used to feed its cattle in the US”, says Joel, from Unica.

In the opinion of Bruno, from LCD-SEV, sugarcane ethanol will indeed become a global commodity, since global demand for renewable fuels will grow strongly and sugarcane ethanol (in addition to being environmentally

more sustainable) is cheaper than corn ethanol. Concerns over social development in various regions will also favor this movement, believes Eduardo, from Unica. “Sugarcane ethanol turns a lot of the cogs in the productive chain, requires the industry to be taken to rural areas and involves a lot of labor”, he explains.

According to Eduardo, the current M&A movement in the sugarcane ethanol sector will also favor the international dissemination of its use, since it involves companies

the size of Bunge, Shell and Louis Dreyfuss (the latter a partner of LDC-SEV). “These companies have know-how and a logistical structure for global trading of commodities, and massive lobbying power”,

says Eduardo.

If this outlook materializes, Brazil should benefit the most since “no-one dominates this technology as much as we do”, stresses Plinio Nastari, CEO of Datagro Consultoria. He adds, however, that out of the +100 countries producing sugarcane, several others already recognize the importance of sugarcane ethanol. “We can already see projects to use sugarcane ethanol in countries from Africa, Southeast Asia and Latin America”, says Nastari. This advance of Brazilian sugarcane ethanol may not be happening as fast as its defenders imagined, but nor has it stalled. The main challenge, in this case, is to offset the slow rate of progress with a firm sense of direction, strength and skill to remove the obstacles standing in the way. And that’s where marketing comes in. ■

US Environmental Protection Agency considers ethanol to be a clean and advanced bio-fuel

from regions such as Latin America and Africa, due to the possibilities of producing energy from biomass. At the start of 2010, this effort received the backing of the Environmental Protection Agency (EPA), which termed Brazilian sugarcane ethanol “an advanced bio-fuel” capable of collaborating significantly to the efforts to reduce emissions of greenhouse gases. Also, US legislation requires the volume of re-



COURTESIA UNICA/FOTOS IAN WAGREICH

Everyone's invited to the

With the support of Sebrae, micro and small Brazilian companies are including internationalization in their agendas

ANTONIO CARLOS SANTOMAURO

Brazil's strengthening as an oil and gas producer will most likely trigger a virtuous cycle generating bigger and better international opportunities for other (national) members of this chain, such as equipment producers and suppliers of specialized services. As Petrobras, currently the world's 8th largest company in terms of market cap, grows abroad, many other Brazilian companies are accompanying it in this expansion. And these opportunities are not just the exclusive domain of the big boys, such as Rio Grande do Sul company Lupatech, which currently obtains some 20% of its revenue (R\$550mn in 2009) from the international market. These opportuni-

ties are also spreading to the smaller players, such as those integrated into Prointer P&G (Internationalization Program of the Oil & Gas Productive Chain), implemented around 18 months ago by Sebrae (Brazilian support service for micro and small companies). "Last year, the companies participating in the program increased their exports by 160%", said Miriam Ferraz, manager of the Prointer P&G program.

As well as exporting, these companies also have the chance to forge ties with international partners: in May, the Rio de Janeiro company

Subsin (a member of the Prointer P&G program, which posted revenue of R\$1.2mn last year from submarine structure and surveillance consultancy services) teamed up with the French consultancy firm Principiá in a joint venture currently targeting the Brazilian market, but with solid plans to expand into other regions, such as the Gulf of Mexico.

"Principiá already has a foothold in this segment via a project developed in partnership with Chevron", says Melquisedec Santos, director-president of Subsin.

The companies involved in the program exported 160% more last year



PIPEWAY/HANDOUT

SUBSIN

arty

01 Pipe inspection by Brazilian company PipeWay: headquarters in Houston and services in Canada

02 Subsin: robotic surveillance of submarine structures

03 Prointer P&G: 150 companies already take part in the program

The contract between the two companies was sealed at an oil industry event in Texas, which Subsin attended as a member of the Sebrae program. The company is now negotiating another joint venture (also with a French partner) to structure a new operation in the area of robotic monitoring and surveillance of submarine structures.

Around 150 companies have already signed up to the Prointer P&G program. Most of them are based in Rio de Janeiro, but some are from São Paulo or Rio Grande do Sul. As well as visiting events and rounds of negotiations with potential clients from other countries, Sebrae offers a training program in international business, and support in the area of

market intelligence. “We want to strengthen the internationalization culture of these companies”, says Mirian, adding that “this is by no means a straightforward task in a sector that is used to working basically with Petrobras as its only client”.

Partnerships such as the Subsin-Principia JV are also part of the Sebrae program’s targets, which seeks international partners capable of enhancing the competitive potential of Brazilian companies and adding value to their portfolios of products and services. “These

partnerships bring financial and technological resources into Brazil”, stresses Miriam.

Even companies who have already established a relatively strong presence abroad participate in the program. This is the case of Pipeway, whose oil & gas pipeline inspection services are already being provided in several countries from the Americas.

“We participate in the Prointer P&G program in order to improve our methodology, and to obtain more information”, says operations manager Vinicius de Carvalho Lima.

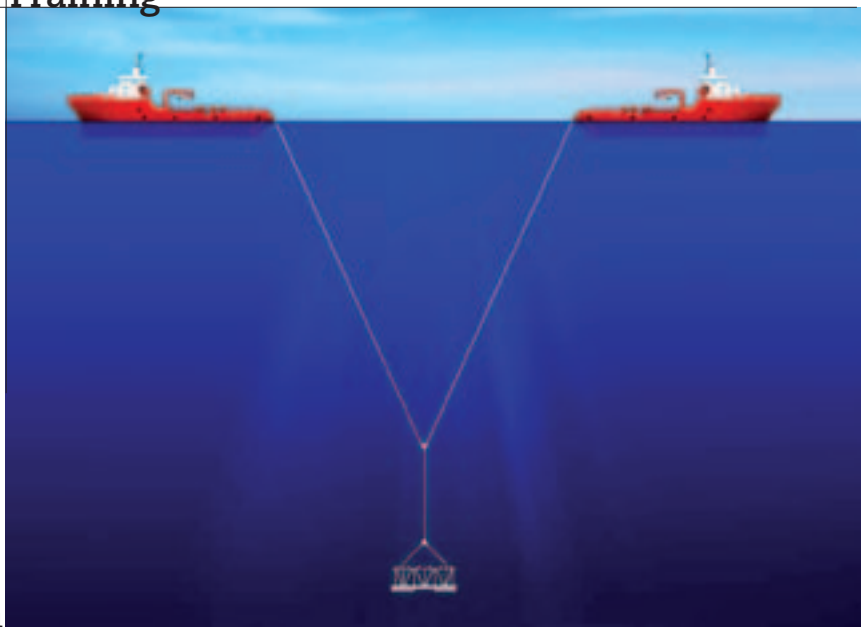
Prointer trains the companies to compete in international markets



SEBRAE/HANDOUT



01



SUBSTIN

01 The challenge of preserving deepwater oil & gas pipes

“Also, the exchange of experiences with other businessmen is an enriching one and, in the Prointer P&G rounds of negotiations, we made several contacts and even received some requests for a price quote”.

Vinicius believes that Brazilian suppliers from the oil and gas sector are internationally competitive, despite suffering from some obstacles. The main obstacle is a legal one: “Most companies par-

ticipating in the Sebrae program are service providers, but Brazilian legislation adheres almost exclusively to exports of products”, says the executive. “In order to be able, for example, to send money to hire someone abroad, we are submitted to very high taxation”. Nevertheless, Pipeway continues to plough ahead in its internationalization process. Last year it opened a subsidiary in Houston (epicenter of the oil industry in the Gulf of Mexico), and is now targeting Europe. “We have already initiated contact with European companies, with the aim of becoming their suppliers”, says Vinicius. Such progress shows that, when it comes to internationalization, size definitely doesn’t matter. ■

LESSONS AND SUPPORT

THE PROINTER P&G IS ONE of the six internationalization projects of small and micro companies that Sebrae started to develop in 2009. Similar initiatives have been implemented for Rio Grande do Sul producers of hides and leathers, and for a whole host of sectors from the states of Ceará, Sergipe, Espírito Santo and Santa Catarina. These multi-sector programs provide support to companies from segments as diverse as wood and furniture, metal-mechanics, textiles and apparel, among others. In 2009, according to Sebrae estimates, micro and small companies accounted for only 8% of total Brazilian exports, versus 60% in Italy. Louise Machado, coordinator of these projects,

believes Brazil has a countless number of micro and small companies with export potential: “Many already export via postal services. Our objective is to provide sustainability to this process”, she says.

According to Louise, the question of sustainability depends on strengthening the internationalization culture at micro and small companies, on more access to information and more financing. With the aim of getting round these two obstacles, Sebrae, as well as investing in its own research, has a partnership with Banco do Brasil whereby, by paying a monthly fee of R\$ 200.00, companies signing up to these programs receive a

package of services including, among other items essential to internationalization, access to databases on the international market, information on FX rates and international prices, taking out insurance and an exclusive channel for requesting export financing.

Also according to Louise, 1,650 companies have already signed up to Sebrae’s internationalization programs. The target is to raise this number to 5,000 by year-end 2010, putting 1,100 of them in concrete stages of the internationalization process. Louise, however, qualifies this statement. “Perhaps we need to lower this target”, she says. “With last year’s crisis and the strengthening of the Brazilian economy, small and micro companies are now focusing more on the local market”.

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1 Just sit down and learn

E-blocks (educational desks) of paran  computer manufacturer positivo are capturing markets abroad as an e-learning tool

MIRIAM KARAN, CURITIBA

01



Children from around 40 countries are learning math using technology developed and produced in Brazil. Positivo Informática, a division of the Curitiba group Positivo, is conquering the international market with its E-Block (or educational desk), a totally innovative piece of equipment, also used for teaching how to read and write in Portuguese, and teaching English and Spain as a second language. The Portuguese reading and writing course comes in two accents: Brazilian Portuguese and Portuguese Portuguese.

The company began exporting in 2004 and, since then, exports

have posted constant, strong growth (+62% in 2007-2008 and an impressive +252.6% in 2008-2009). “We export our E-Blocks to 38 countries, some of which are at the heart of technological innovation, such as the US, China and India”, says André Caldeira (vice-president of Positivo Informática’s Educational Technology Division). According to Caldeira, this implies recognition of the “quality and efficiency of these solutions”.

The Positivo group truly appears to be riding the crest of a

“This is a new, award-winning and internationally patented product

wave. “We are growing very strongly”, said Juliano Fontes Fornasaro (export manager of this division) enthusiastically. “We have a new product, with an international patent and a series of awards to its name.” One of

these awards was given by the UN, in 2005, which considered E-Blocks to be the best e-learning solution.

Another prize, in 2008, came in the form of the prestigious Worlddidac Award, one of the main global awards for the E-learning business, given by The Global Trade Association for the Education Industry. “These awards encourage us to keep seeking creative, collaborative and globalized alternatives”, says Caldeira.

The E-Blocks are a hardware-software hybrid, and can only be operated by schools already using Positivo computers. As shown in the photo, we are talking about an electronic module fusing the concrete and the abstract. Visually, the E-Block is formed by a monitor with a magnetic board, simulating a very large keyboard, and cubes

01 On the giant ‘keyboard’, removable cubes replace the keys



with letters, numbers and images to be inserted into “holes” of the console. The same equipment can be used to provide language and math teaching. Only the E-Block kits are replaced. In Brazil, the E-Blocks can also be used to teach geography, while users can organize tasks and activities as they deem fit.

This detail seems to be what most pleased teachers from the municipal network of schools of São Paulo, who took part in a pilot project during a 2-month period back in 2008. A partnership between Positivo Informática and São Paulo City Hall enabled ten nursery schools to test the E-Blocks. Around 2,600 children aged 5-6 and 70 teachers used the E-Blocks and, according to a report of the São Paulo Municipal Education Department, the Alphabet Desk posted outstanding results. While two groups of students who didn't use the desk posted zero progress in the same period, those using the E-Blocks made strong progress. This success was repeated in Colombia, Mexico and the US – some of the main importers, and who registered a “major impact” on their students' educational development, according to Fornasaro.

Abroad, Grupo Positivo uses a local distributor to negotiate with governments and private schools, offering training and technical assistance. Before signing contracts, the company usually performs a study in the country in question, to assess if the teaching method will function locally, or if some adjustments and fine-tuning will be needed. This is important, since

“Method speeds up teaching process”, says the São Paulo

the E-Blocks are exported to countries such as China and some Arab-speaking countries. The math E-Block is trilingual (Portuguese, Spanish and English) and can be customized based on market demand.

They are targeted at children aged 3 to 10 in kindergarten/nursery or primary schools.

The E-Blocks were designed to be used by several students at the same time. In a school lab, they are used, on average, by 4-6 children. The idea of the E-Block creators was to encourage socialization and col-

laboration. “It's a lot different from being stuck alone in front of a computer; each student has some role at the desk”, says Fornasaro, recalling that the strategy is to mix children, combining the most advanced with the least advanced children, or the quick with the slow, in order to stimulate equilibrium between them.

The E-Blocks have been studied and evaluated by several Brazilian and foreign universities. One of the studies was performed by teachers from the School of Communication and Arts of the University of São Paulo (ECA-USP), while another was carried out by the Catholic University of Paraná (PUC-PR). Both studies conclude that the E-Blocks



create strong motivation, are easy to use and facilitate integration between concrete and abstract concepts. According to a report published by Positivo, the E-Blocks “provide learning with fun, challenging and collaborative proposals, expand socialization, encourage research and creativity in decisions and cater to both workgroups and individual challenges”. Fornasaro says that a series of research studies revealed that the main utility of E-Blocks is for developing language skills and understanding math. But new modules, helping teach other subjects, are set to hit the market. Each year, a new module is presented. “The E-Blocks are our main product, and

we are expanding our portfolio”, he says.

The forecast for export growth in 2010 will probably be similar to last year, says Fornasaro, without going into numbers. With this in mind, the group’s IT division is a constant presence in all global education and technology trade fairs. At these events, according to him, the equipment “always arouses a lot of curiosity”.

In the balance sheet published in March, Positivo Informática announced 2009 growth of 16.1% in the Brazilian computer market (vs.

“E-Blocks are Positivo Informática’s flagship product abroad

2.2% in 2004), implying 2.5 p.p. growth in market share. The company has been the #1 Brazilian computer market player for five consecutive years, and last year it beat its sales record, selling 1.78 million

computers (+10.9% vs. 2008, despite a 6.4% drop in Brazilian GDP). This growth was reflected in revenue of R\$ 2.513bn (+12.7% y/y). Net profit came in at R\$ 127.7mn, with net margin of 5.9%. If computers are the domestic market sales flagship, the E-Blocks are the group’s international flagship product. ■



FOTOS: DIVISÃO DE TECNOLOGIA EDUCACIONAL DA POSITIVO INFORMÁTICA



01 Colored and fun-to-use equipment is grabbing children’s

02 Fornasaro: “E-Block success should drive growth in our product portfolio”

Efficiency in check

First, the good news: Brazil is climbing up the global competitiveness ranking. Now for the bad news: we've still got a long way to go

CLAUDIA FACCHINI

Although not at the desired speed, Brazil has been making strong progress on the pro-ductivity front. Some chronic problems, however, especially the government's low infrastructure and education investment capacity, are preventing Brazil from really rising up the rankings. One piece of good news is that Brazil gained points by rising another two spots (from 40th to 38th) in the 2009 Global Competitiveness Report, compiled by the Institute for Management Development (IMD) and published annually by the World Economic Forum. The bad news is that, according to the same ranking, Brazil has made lit-

tle progress much in terms of State (i.e. government) efficiency in key issues, such as reducing the amount of red tape or better tax administration – and in fact, on this latter point, Brazil is one of the worst placed (52nd out of a list of 58 countries analyzed by IMD).

In terms of tax management efficiency, Brazil ranks 52nd out of 58 countries

According to the economist Carlos Arruda, from the Dom Cabral Foundation, which coordinated the IMD survey in Brazil, the factors that led Brazil to become more productive in 2009 and that were used in the 2010 ranking were the inclusion of the C and D income groups in the consumer market, increased household purchasing power, higher employment and the Brazilian government's effective response to the economic crisis – with the implementation of

successful anti-cyclical measures, including the reduction in IPI (industrial product) tax for vehicles and household appliances. The improvement in these indicators enabled Brazil to climb a few positions in the global ranking, despite the fact that Brazil's GDP did not grow last year.

"This year, Brazil will very likely continue to climb the ranking (due to GDP growth)", says Arruda. In Q1 2010, Brazilian GDP grew 9%. But the economist envisages problems further down the road, starting in 2011, due to the lack of any signs of improvement in aspects critical to the evolution of Brazil's competitiveness in the medium and long term.

The main obstacle is still the poor quality of public budget administration. According to the economist Sergio Vale, from the MB As-sociados consultancy firm, the Brazilian government is inefficient both in generating revenues

01 The “taxometer”, in São Paulo: showing just how much taxes Brazilians pay

(due to a complex and disorganized tax revenue collection system) and in putting resources to work – with the bulk of funds going on current expenditures such as civil servants’ wages. Vale says that taxation in Brazil is concentrated in production and not income –representing a cost burden for companies. “In other countries, it’s the other way round”, he adds.

The current state of affairs means there is little left over to invest in essential projects (e.g. roads, ports and energy supply) in order to make Brazilian companies more productive. Almost every economist agrees that Brazil’s main weak points are still its massive infrastructure deficiencies and high energy costs, a taxation system that penalizes exports and a deficient educational system.

Logistics and energy investment requirements should soar over the next decade, with a serious risk of aggravating the current deficit in Brazil. The World Economic Forum estimates a global infrastructure deficit of US\$2trn p.a. over the next 20 years. In this study, the four main infrastructure markets were analyzed: Brazil, China, India and the US.

Another worrying aspect is technological development. In the global IT infrastructure ranking compiled by the World Economic Forum, Brazil fell two positions (from 2009 to 2010) to 61st place. In Latin America, it trails countries such as Barbados (35th), Chile (40th), Porto Rico (45th) and Costa Rica (49th). Not exactly a very flattering position.

In the opinion of André Saccona-to, partner-director of the Ten-dências consulting firm, the large room for competitiveness gains does not lie in the private sec-



MAX NOGUEIRA

tor or in the (currently over-appreciated) FX rate, but instead in the lack of microeconomic reforms. “The government has high tax revenues, invests almost nothing and it hasn’t offered the concessions that would allow the private sector to make the necessary investments”, he says, while adding that the recreation of a state-owned company (Telebras) to implement a nation-

debt (62.8% of GDP) received praise from no less than IMF director Dominique Strauss-Kahn herself, in a visit to Brazil. It also removes fears of a Brazilian version of the Greek tragedy. “Brazil had already carried out a reform of its financial system some time ago, with the Proer financial restructuring program”, recalls Sacconato.

The main villain of the crisis, for

is known as “Dutch disease”. Although not that obvious, the two economists believe “Dutch disease has already resurfaced”. Another section of economists, however, reject this notion.

Those who believe Dutch disease is back identify at least two symptoms coherent with a diagnosis of deindustrialization. According to Bresser and Marconi,



01

wide broadband Internet project reflects the state-control line of the Lula government.

Compared to other countries, however, the Brazilian government has done well, gaining the confidence of international investors by doing its homework and reducing its debt levels – which helped Brazil to emerge relatively unscathed from the global crisis. Its low gross

Brazil, is the strengthening of its currency (the real) against other global currencies, in a process that has strongly reduced the competitiveness of Brazilian exports. According to a series of academic papers published by the economists Bresser Pereira and Nelson Marconi, a strong real makes Brazil a “victim of deindustrialization” – a concept that, in academic jargon,

between 1997 and 2008 exports of primary goods rose 366%, easily outpacing growth in manufactured items (+244%). Between 2003 and 2007, the share of manufactured goods in total production fell 12.7% (in value) vis-à-vis the period 1996–2002. The decline is much stronger (-14.4%) in the case of media and technology. Primary goods and by-products, however, increased their

01 Poor basic education standards are preventing any technological progress

02 Precarious infrastructure: a complicated logistics web

share (in total production) by 2.3% in the same period.

Sergio do Vale disagrees with this analysis. “It’s simply not true to say there is no technology in (basic-) sectors such as ethanol, for example, or mineral ores”, he says. In some markets, there really is no way of escaping the Chinese competition. “And this competition is killing the footwear and textiles

idea is questionable. “The FX rate is always the first thing exporters complain about, but it is what it is. It’s a burden that businessmen have to deal with. Intervening in the FX rate would only be a subterfuge to mask the lack of State efficiency”, says Sacconato.

Arruda believes Brazil’s loss of export competitiveness as a result of the FX rate wasn’t all bad, since



RODRIGO LEAL/APPA

02

industry everywhere. Not just here in Brazil”, says Vale. In other segments, however, Brazilian production is growing (i.e. in the vehicle and construction industries).

Some Brazilian exporters are pressuring the Brazilian government to intervene in the market and adopt a fixed FX policy, instead of the current floating FX rate regime. But the efficiency of such an

idea is questionable. “The FX rate is always the first thing exporters complain about, but it is what it is. It’s a burden that businessmen have to deal with. Intervening in the FX rate would only be a subterfuge to mask the lack of State efficiency”, says Sacconato.

Arruda believes Brazil’s loss of export competitiveness as a result of the FX rate wasn’t all bad, since

are working in different directions. While the Central Bank is keeping economic growth in check by jacking up interest rates, the BNDES is investing in production. “And while these two actions may seem paradoxical, they ensure dynamic and not static balance. Demand is controlled while investments are made in boosting production capacity”, says the economist. ■



Slam-dunk

The Porto Alegre weapons manufacturer Taurus is growing in the US, where it already has 15% of the pistol and revolver market

ARLETE LORINI, PORTO ALEGRE

At the start of July, Jorge Py Velloso (engineer, 62), vice-president of Porto Alegre-based weapons manufacturer Forjas Taurus, was all packed and ready to go to Miami. Velloso had traveled a lot to the US in 2009, ever since the company decided to increase production at its US subsidiary, Taurus International Manufacturing, Inc (TIMI). With investments of US\$10mn, by the end of 2010 the company plans to produce around 15,000 weapons per month in the US – starting to produce locally over 10% of the weapons that it sells in the US. This would represent growth of 650% in local production (given current volume of around 2,000 firearms), and is a new step in the company's internationalization process, which began in Miami back in 1981.

The US division was basically an importer of the weapons produced by the Brazilian parent company. It made some adaptations to adjust

products to local market needs and produced in low volumes (around 2,000 low-caliber guns per month). Things have improved considerably. In 2009, the best news for Taurus came from Miami. While the company's sales in the Brazilian market fell 13%, the Miami subsidiary grew some 50% in 2009. "To grow in the weapons segment, Taurus realized that it has to be increasingly present in the US market", says Velloso. Taurus' overall revenues totaled R\$679.4mn in 2009.

Considered the largest firearms market in the world (a quarter of the US adult population is estimated to have a firearm), the US was mainly responsible for Taurus' recent growth. "Historically, sales to the US represented 50% of our weapons production, but this rose to almost 70% in 2009", says Vello-

so. "Guns are part of the US culture. Over there, no-one is surprised to see you walking around carrying a gun."

Some of the factors that drove this growth in recent years include the easing of firearm legislation by the George Bush government, and fears that President Obama could reinstate some of the restrictions imposed by Bill Clinton. Events such as the 9/11 terrorist attacks and the post-Hurricane Katrina looting also led

the population to feel less safe and to buy guns to protect themselves. Even the global crisis, which hit the US hard, helped Taurus grow. In the last three years, its Miami operation has doubled in size.

After the strong growth in the US gun market in recent years, the trend is for stability going forward. "Despite lower market growth, it

In 2009, sales to the US accounted for 75% of Taurus' entire production

01 Taurus' The Judge - RT 410: a hit in the US



01

ARQUIVO TAURUS

will not be a bad year”, says Wagner Salaverry, partner-director of (also) Porto Alegre-based Banco Geração Futuro. “Taurus is expected to grow 15% in the US in 2010.” To beat the competition in the US, Taurus has adopted a strategy of constantly innovating. The company made its name in the US in the 1980s, when it used a fantastic marketing strategy. In 1984, Taurus made the pioneer-

ing move of offering free lifetime technical assistance for all weapons sold to civilians in the US. “This innovation sent our sales skyrocketing”, says Velloso. “In the mind of consumers, only a company confident in its own ability could make such an offer.” The competition didn’t take long to copy Taurus.

Another (more recent) innovation of Taurus was to offer a weap-

MORE ON OFFER ABROAD

Taurus’ net revenues and share of imports and exports*

* IN US\$MN

2007	429,3	39%/61%
2008	599,2	47%/53%
2009	679,4	59%/41%

SOURCE: TAURUS

on that ended up being called The Judge, since it is commonly found on judges' desks. It is a revolver for self defense, which uses hunting rifle cartridges (ammunition) – thereby increasing its range and, in most cases, ensuring that the target is not killed. In 2008, The Judge was voted “Weapon of the Year” by the National Rifle Association (NRA), the ultra-powerful US association of gun users. “Taurus’ efforts to launch new products helped it stand out from the competition and gain market share in the US”, says Salaverry. Since Americans consider weapons to be a consumer good, they are always open to new developments. “In some US regions, gun users always covet the latest model or a firearm made from a different material”, says Salaverry. The image of firearms in the US is similar to the image of mobile phones here in Brazil. In both cases, innovations lead consumers to constantly swap and upgrade products. In terms of upcoming innovations, Taurus highlights a revolver made from polymer, whose main attraction is its lightness.

Reinforcing its strategy of expanding its penetration in the US, Taurus has developed a product especially for the US market, and manufactures it in Miami. We are talking about the Taurus Compact Pistol (.380 ACP). “We detected a buyer market for this product in the US, but due to local laws we couldn’t import it from Brazil”, says Velloso. “It’s a small weapon, for self defense, but which could also be used as a backup gun for police officers.” According to Salaverry, production growth in Miami is also due to Brazil’s lower competitiveness, reflecting appreciation of the Brazilian real, and higher labor and steel costs – indeed, steel can be bought

at a lower price in the US. “Producing niche products abroad ended up proving feasible, offering margins similar to Brazilian products”, says Salaverry. In addition to strengthening its presence in the world’s biggest firearms market, where it

RAPID PROGRESS

Evolution of net revenues* and of number of employees of Taurus International

* IN US\$MN

2007	99,7	100
2008	132,8	120
2009	198,2	170

SOURCE: TAURUS



02



01



03



FOTOS: ARQUIVO TAURUS

has 15% share in the pistol and revolver segment, Taurus may also be paving the way to enter the coveted segment for supplying the US police force. “Taurus sees the US police market as a major opportunity, but a very difficult one”, says Salaverry, from Banco Geração Futuro. “Local production may help Taurus in this process”.

Taurus currently sells around 250 firearm models in the US, mainly for civilian use. In addition to the police market, the company also sees major potential in the sale of hunting rifles – a segment it entered in the last decade with the acquisition of Rossi (another Brazilian brand). “We are adapting the Rossi product line to increase our sales in this segment”, says Velloso. The strategy, according to him, is to maintain the Rossi brand name, which is also a renowned product in the US market. Due to production growth in Miami, Taurus has added around 100 new employees to its ranks – and should end 2010 with 270 employees in the US. Over 90% of this labor force are Cuban descendants. According to Velloso, the similarity between Spanish and Portuguese ends up facilitating communication at the factory. There are only three Brazilian employees, and the president and vice-president are American. Many employees from the Florida unit were trained at the company’s Brazilian headquarters, in Porto Alegre.

Founded in Porto Alegre, in 1939, Taurus started making firearms in 1942. At the start of the 1970s, it was acquired by the US group Bangor Punta, which at the time also

01 Taurus International headquarters in Miami

02 Estima: leveraging on its tradition as an exporter

03 Velloso: presence in the US is imperative

Taurus already has 270 employees in the US. Only two of them are Brazilian

controlled the weapons manufacturer Smith&Wesson – which was once one of the main competitors of Taurus in the international market. It was the US that introduced the technology to make weapons and implemented the exporting culture at Taurus. In 1977, Taurus was bought back by senior management, including the current CEO Luis Fernando Costa Estima. Despite having been “renationalized”, the company never once took a backward step in its international expansion. “Inter-

nationalization was the path we found in order to grow”, says Velloso.

In 2009, offshore revenues accounted for over 60% of Taurus’ businesses, which currently comprise five companies that, in addition to

weapons, also produce motorcycle helmets, machine tools, containers and toilet paper holders, tools, forged and machined metals. Despite the company’s recent efforts to branch out its production, weapons remain its main product, accounting for 80% of total exports in 2009, channeled to around 70 countries. After the US, to which Taurus exports 70% of its production, the company’s main export markets are South America, Singapore, Indonesia, Thailand and Malaysia. To these latter countries, Taurus basically sells weapons to the police – which is something it very much hopes to shortly be selling in the US market. ■

01 Blueprint of the airport city of Dubai: global logistics center

02 And it is also investing heavily to make Dubai an exclusive tourism spot

Set to be unveiled

The Dubai World Central is an airport city that promises to revolutionize global fast-cycle logistics chains

MICHAEL CANON

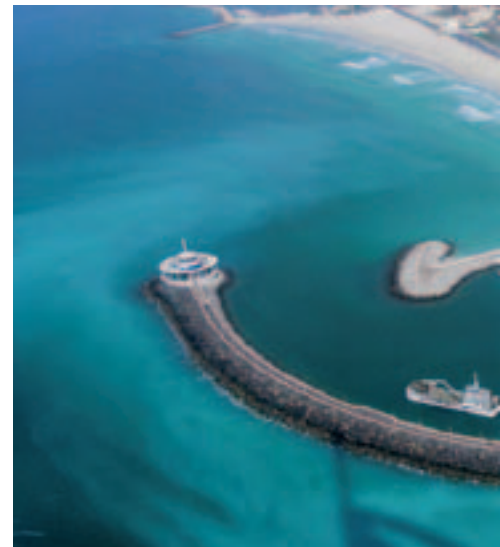


01

Dubai's recent financial difficulties have generated news stories that have often raised the specter of its demise as a center of trade and commerce. Admittedly, there are problems that have been created by the global financial crisis and the irrational exuberance of some of the development in Dubai. However, Dubai is not alone in this dilemma. Historically, many thriving cities have over-built, regressed in their growth rates, but then consumed the excess commercial, residential and industrial space as their economies resumed historical growth rates. This will occur in Dubai.

During the crisis of 2008-2009 Dubai's economy did not stop. The government continued to invest in its infrastructure and many areas, especially those related to international trade and transportation, have continued to prosper. Passenger traffic growth in Dubai International Airport is 14% over the first quarter of 2009. Air cargo is up 17%. And Emirates Airline, which serves Sao Paulo with a daily nonstop service to Dubai, has recently assumed the first position in revenue per passenger kilometer for all airlines in the world.

Dubai World Central is part of this infrastructure and work on this mega project has continued unabated.



02

ed. It is a 140 square kilometer, purpose-built airport city (built around the new Al Maktoum International Airport) that will be a multimodal logistics hub for supply chains that require fast-cycle logistics.

Multimodal transportation and fast-cycle logistics may appear to be distant terms in the reality of small and medium Brazilian exporters, but those are far more entwined together with the expansion of foreign trade than one may expect.

44% of Brazilian exports are of manufactured products. Brazilian companies are thriving in the foreign trade of high value goods, growing international businesses beyond the usual agricultural and

mining portfolio. High value products, in contrary to typical commodities, have different supply chain requirements, which may be summarized into three things: speed, connectivity and predictability.

A supply chain that is fast and predictable translates into benefits such as reduced inventory levels, shorter product life-cycles and greater ability to attend market fluctuations. These are the basic



attributes of fast-cycle logistics. In addition to it, connectivity brings the facility to access a variety of markets and to seamlessly use all of the required modes of transportation -- air, sea, land and rail. This is multimodal transportation.

If an exporter of dental equipment from Ribeirao Preto, for example, would like to serve the Middle East, North Africa, the CIS countries, and South Asia from one location they would require performance characteristics of their logistics service providers. Their products and their critical spare parts are likely to have a high value to weight ratio and justify speed in replenishment. Their service providers

would probably be third-party logistics companies (3-PLs) or freight forwarders. These service providers must feel reasonably certain that the regulatory environment will not impede their provision of speed, connectivity and predictability in transportation and logistics in order to deliver the performance characteristics required. The objective of Dubai World Central and is to create that regulatory environment.

History tells us that trade hubs (ports, rivers, roads, and airports) drive economic development. Today airports build cities.

Dubai has clearly taken this into consideration and Dubai World Central is another stunning example of its foresight in this regard. You only need to look around other parts of the world to realize the potential that this model holds. The likes of Singapore, Hong Kong, Shanghai, Seoul, Amsterdam, Frankfurt, Dallas, Memphis and other global cities have demonstrated their will to build them. Belo Horizonte is developing its own airport city.

At the recent Airport Cities Global Conference in Beijing, there were over 450 delegates from airports from all over the world sharing insights and learning about the attributes required to build appropriate hard and soft infrastructure in their airport cities to generate maximum productivity and wider economic benefit. Dubai clearly seems to have several factors working in its favor.

Most of the cities listed above suffer from some type of restraint.

Dubai does not have these restraints. Dubai's Aerotropolis is a green field project without environmental constraints, encroaching population, lack of land, etc. Dubai's planners recognized this opportunity in 2005, made the plans and now it is ready for inauguration.

Dubai has always been a trade and logistics hub and as the world's economy begins to recover and trade accelerates and inventories are replenished that position will only be strengthened.

The performance of the supply chains strengthens the vitality of the brands

In modern commerce, companies compete on the basis of their supply chains. Without exception, all businesses have them. Consequently, an efficient supply chain contributes immensely to an efficient production and distribution cycle. It also builds brand strength.

Brands have measures of strength that are dependent upon the performance of their supply chains. If the product is not on the shelf at the time the customer wants it, the brand suffers.

Freight forwarders, 3-PL's, airlines, shipping lines, and other important stakeholders all believe that Dubai's economy will thrive because of its relevance in impacting the performance of supply chains. Traders from around the world see Dubai's Aerotropolis as the multimodal logistics platform they need to serve their customers. Brazil and the rest of the countries of South America are indeed a long distance from Dubai. But if one measures the speed of trade they are really very close and relevant to each other. ■

** Michael Canon is Chief Commercial Officer of Dubai World Central*

In the name of God

The religious principles for obtaining the Halal seal, which enables foods to be exported to islamic countries

PAOLA REFINETTI

In the name of God, the clement, the merciful. With this phrase uttered in Arab and the head of the animal facing Mecca, the holiest Islamic city, a Muslim executioner initiates the Halal slaughtering ritual. And while this is probably the most emblematic act, it is just one of the numerous singular precepts of the so-called “Halal diet”. It results from a series of norms, laid down in the Koran and in the traditions of the prophet Mohammed, which are rigorously followed by over 1.5 billion Muslims around the world. We are talking about a growing, and keenly contested, market in which some Brazilian food sector companies have already acquired admirable experience.

The members of Islamic communities from all countries, Islamic or not, are extremely disciplined when it comes to meeting the requirements of the Halal diet.

They only eat chicken or beef if the animal was killed with a single cut, in order to mitigate its suffering. In addition to its religious fundamentals, this ritual also improves the quality of the meat. In the traditional slaughtering process, the animal’s head is pierced – and, in addition to the suffering caused to the animal, due to the intense stress, its organism also releases hormones such as adrenaline that affect the meat’s softness and flavor.

This discussion would appear irrelevant if it weren’t

for the fact that Brazil is the world’s largest animal protein exporter, a leading position that is confirmed (and in fact strengthened) in Middle East countries (which, with the exception of Israel, are all Islamic). Although consumption of pork meat is strictly prohibited by Islam, other meats, especially chicken, are highly valued by Muslims – provided, of course, that the meat product pack-

aging features the word Halal.

But what do the Halal diet requirements mean, in practical terms, for an effective or potential meat exporter to Muslim countries? The term Halal itself, which in Arab means “permitted”, already provides the first clue. “The food should comply with the Shariah, the sacred law of Islam laid out in the Koran and consolidated in the traditions of the prophet Mohammed”, says Sheik Jihad Hassan Mohammed, president of the World Islamic Youth Association and one of the main leaders of the Brazilian Muslim community.

The initial step for those interested in establishing a presence in Muslim markets is to obtain the so-called “Halal seal”, certifying that its products strictly comply with the laws of the Koran. In Brazil, this certification seal is awarded by the Brazilian Islamic Center of Halal Foods (Cibal), which is part of the Brazilian Federation of Muslim Associations (Fambras). The seal confirms that the certified company correctly slaughters its animals: with a single cut in

01





the trachea, esophagus, jugular or carotid. And that's not all. All the blood must be removed from the animal's meat. There are a series of other requirements in a whole host of different areas, such as the food eaten by the animals, their transportation and feedlot.

Here, however, is a territory in which Brazilian companies have gained admirable experience. Brazil was one of the pioneers in exporting food to Muslim countries. In a formal e-mail statement release, the international marketing team of Brasil Foods (the company created from the merger of Perdigão and Sadia) said that "the Halal slaughter is confirmation of a religious responsibility to Allah and gratitude for the confidence placed in Perdigão by millions of Muslims from around the world".

A giant in its segment, Brasil Foods exports to Saudi Arabia, the United Arab Emirates, Iraq, Egypt, Yemen, Lebanon and Syria, and other Muslim countries – which all import fresh chicken or parts (such as thighs, breasts, wings and giblets). These countries also im-

port frozen foods, such as nuggets, hamburgers, chicken sausages and also, on a lower scale, beef and dairy products. Pork meat consumption is strictly banned by Islamic religious authorities and the governments of these countries (even the

THE DONT'S

Islamic religion strictly prohibits consumption of the following foods:

- **Pork meat and byproducts, in all forms and in any product;**
- **Animals slaughtered incorrectly or killed before slaughter;**
- **Animals slaughtered in the name of polytheism (i.e. the belief in multiple Gods);**
- **Foods containing blood or blood byproducts;**
- **Alcoholic beverages;**
- **Yeast produced from breweries; and**
- **Biodegradable packaging using pork gelatin.**

most secularized). The population itself repels pork meat. Any product containing an ingredient of pork origin, even if not a food, is strictly prohibited.

In the last two decades, due to the fast growth in fresh meat exports to the Islamic world, export products have been refined. Some products were developed especially for Arab markets. Perdigão and Sadia have also developed specific packaging, in English and Arab, where the Halal seal is invariably present. The Rio Grande do Sul poultry producer Frango Sul, controlled by the French group Doux (global leader in poultry and cold meats exports), is another heavyweight player.

Data compiled by Brazil's Ministry of Agriculture indicate that exports to Arab countries totaled US\$610mn in May alone, 7.8% higher year on year and already representing 8.5% of total Brazilian exports – encouraging numbers for the giant Brazilian meatpackers engulfed by the decline in their exports to the US and, mainly, to Europe. ■

PEKING

Cigars with a view

OPENED IN THE 1990S by a Chinese-American lawyer, The Courtyard is a forerunner of Asian fusion cuisine in Peking. This in itself should be enough to turn on the warning signs – no-one should waste their time with fusion cuisine in the land of the fabulous Chinese food. But The Courtyard does have some secrete weapons. Located in a grey brick two-storey house next to the walls of the Forbidden City, it blends in with the surrounding remnants of yesteryear. Inside, however, it is a triumph of contemporary design. More than the food, The Courtyard is worth a visit due to its ambiance, the beautiful people frequenting it during happy hours and the bar on the second floor, which boasts a view of the palaces and temples of Peking. China is one of the last few places in the world where you can still pretty much smoke anywhere, and The Courtyard, to the delight of cigar lovers, offers a cozy cigar room with comfortable leather armchairs (www.courtyardbeijing.com)

COURTESIA THE COURTYARD



MARRAKESH



COURTESIA LA MAISON ARABE

Arabian luxury

THE ITALIAN PRINCE

Fabrizio Ruspoli (a genuine prince, from those old, noble Italian families) bought, reformed and decorated perhaps the most charming Marrakesh riad (or hotel). Within the walls of Medina (the old part of the city, where the souk market is located), the mansion with a garden has now acquired the look of a sumptuous Sultan's Palace, boasting a dozen luxury suites and a swimming pool. Called La Maison Arabe, it is easier to find celebrities rather than executives staying there. Prices are reasonable at upwards of 200 Euros per day (www.lamaisonarabe.com).

01

AVIATION



HANDOUT

Perfect sky

TAM and Continental Airlines, partners in Star Alliance, have entered into a code-sharing agreement. The deal includes domestic flights in Brazil and connections between South America and the US. In the second half of the year, American Airlines will add another 11 flights per week on the Brazil-US routes, including the first direct Rio de Janeiro-



02

PARIS

The king of the bistros

THE REVERED MICHELIN GUIDE is still the gastronomy bible – but it only covers the big restaurants. For everyday food, the famous bistro cuisine, no one beats the Le Petit Lebey des Bistrots Parisiens guide (updated annually). Its Staub Lebey prize for “The best Bistro in Paris” was awarded this year to the Claude Colliot bistro, opened back in November 2009. (Restaurant Claude Colliot, 40 rue des Blancs-Manteaux, Paris IV.

(site under construction).



HANDOUT

03

01 La Maison:
The most famous
hotel (or riad)
in Marrakesh

02 The
Courtyard:
View of the
Forbidden City

03 Le Petit
Lebey: the
Michelin Guide
for bistros

04 Star
Alliance:
11 new flights
to Brazil



04

New York flight by a US airline
and a new flight from Brasília to
Miami.

United Airlines, one of the world's
largest airlines (with 3,400
daily flights) now also flies to
Africa, via the route from Dallas
to Accra, the capital of Ghana –
one of the richest African countries
(thanks to its agriculture and
mineral resources).

(www.staralliance.com/pt/).

GREAT TIPS

How to travel without being robbed

AFTER TALKING TO SAFETY specialists and frequent travelers, the
journalist Sarah Pascarella, from the SmarterTravel.com site, made a
five-point list to reduce the chances of being robbed when traveling.
They are simple and effective measures:

- **WHAT NOT TO TAKE** – don't carry around glamorous items that look chic and expensive or that attract attention. It's much better to be just another face in the crowd than to stand out like a sore thumb. Don't make yourself an easy target!
- **WHAT TO TAKE** – Copy of passport and other important documents, kept in separate places. Use a steel padlock to lock your laptop or suitcase when staying in hotels with no room safes. And take out anti-theft travel insurance.
- **ON THE STREET OR ON A TRIP** – You and you alone are responsible for your belongings. Don't carry large volumes and bags and, especially, don't relax in public places and don't fall into the trap of drinking with strangers. In fact, on the topic of strangers, don't accept offers to exchange money in the street. Hide your money, credit cards and documents. It's a good idea to carry a wallet designed exclusively to be handed over to any would-be robber, containing just a bit of cash and, why not, some fake credit cards, like the ones with made-up names that banks send as a marketing tool.
- **AT THE HOTEL** – The lower the price, the less safe you are. Even at more expensive hotels, check if the safe offers adequate protection (digital locks are better than manual ones). Never leave the “Please tidy the room” sign hanging on your door: you're telling everyone that you aren't in the room. Do the exact opposite: When you leave your room, hang out the Do not disturb sign.
- *** IF YOU ARE ROBBED** – Report it to the police, go to the nearest consulate with a copy of your passport, and notify your credit card companies immediately. And don't let it ruin your trip.

Vancouver

Fernando Jacques de Magalhães Pimenta

Vancouver aims to be the world's greenest city by 2020. With over 200 parks, encircled by the Pacific Ocean and mountains, the city, located on Canada's West coast, takes pride in its wildlife and quality of life. With 2 million people living in Greater Vancouver, the population goes to work by bike (on bikeways) and are concerned with eating organic, healthy food. Many use SkyTrain (on elevated tracks), a rapid and non-polluting means of transport. The metro line, safe and comfortable, was opened up for the 2010 Winter Olympics, which put the city on the global map in February 2010.

With so many parks to visit, your itinerary will always feature one, however much (or little) time you have to spare. If you have the luxury of choosing when to visit, the colorful spring or autumn seasons, with the countless reddish tones of the tree leaves, are the most recommended. This itinerary was prepared specially for PIB by Fernando Jacques de Magalhães Pimenta, Brazil's Consul General in Vancouver.

If you've got a few hours...

A TOUR OF DOWNTOWN Start by visiting downtown Vancouver, especially Gastown (the historic part of the city), whose most famous feature is its steam clock, as well as countless stores selling local products.

Gastown is also home to Canada Place, the convention center that has become the city's postcard, with its ceiling in the shape of sails.

Then take a tour of **Yaletown**, a coastal area with many restaurants and, finally, **Stanley Park** - one of the world's largest parks, with over 400 hectares and 200km of footpaths. Adjacent to Stanley Park is **English Bay**, the most famous in the city - which also offers a path for running, walking and bike rides.



CITY OF VANCOUVER

EPIXSTUDIOS/LE CROCODILE



2009FOTOFRIENDS/SHUTTERSTOCK
CITY OF VANCOUVER



01 Vancouver:
between
the Pacific
Ocean and the
mountains

02 Butchart
Gardens:
Victoria's
jewel in the
crown

03 Sunset
Beach:
relaxing by the
English Bay

04 Flavors:
dessert at
Le Crocodile
restaurant

01 02



04

If you have the whole day...

CONHEÇA, TAMBÉM, A ROB-SON STREET, no centro, famosa por suas lojas e bem próxima da **Vancouver Art Gallery**. Para o almoço, três recomendações próximas: o italiano **Don Francesco**, o francês **Le Crocodile** e a brasileira **Samba Brasil Steak House**. Outras atrações, fora do centro, são o parque Queen Elizabeth, com sua vista privilegiada da cidade, a ponte suspensa de Capilano, em North Vancouver, e os *campi* das universidades da British Columbia e Simon Fraser (esta em Burnaby, na Grande Vancouver).

If you have the entire weekend...

WITH TWO DAYS, SET ASIDE one of them to visit Vancouver and the other to go to Victoria, the capital of British Columbia. Victoria is located on the island of Vancouver, 110km from the city. The main attraction are the **Butchart Gardens**. Another aesthetically pleasing option is the **Royal Museum**. For your trip to Vancouver, the city offers a non-stop agenda of music and cinema festivals, with the famous Vancouver Symphonic Orchestra a real must. In the evening, include a trip to the **Seasons in the Park** restaurant, located in **Queen Elizabeth Park**. Reserve a window table with a view of the city

01 Fabio with his wife Sandra and their two children, Leticia and Bruno: lessons from Johannesburg

The African exception to the rule

Understanding the different local cultures was crucial to our executive's professional success in the South African city of Johannesburg

IN 2006, WHEN MY WIFE AND I TOLD our family and friends that we were moving with our two children from Curitiba to Johannesburg (South Africa), almost everyone was taken aback. They all said it was a place of great poverty and misery. In a way, this statement does hold true for many African countries, which lack basic things such as food, health, sanitation, roads, transport... South Africa, however, is the exception to the rule. Currently, it has the strongest economy in the region, thanks to its vehicle industry, gold and diamond mining companies, and vineyards from the Cape Town region - globally renowned for the excellent quality of its wines. In general, the country has a solid infrastructure system and a decent quality of life. But, unfortunately, it still suffers from very high levels of violence.

When I received the offer to take over as the CEO of the South African subsidiary of the Brazilian multinational Marcopolo (a Rio Grande do Sul-based producer of bus bodies), I accepted in a heartbeat. It was a major opportunity both for my professional career and for my family. Sandra, my wife, would have more time to help raise our two children, who would also have the benefit of learning (at least) two languages: Portuguese and English. This was indeed the case and, now, as well as these languages, Leticia and Bruno are learning Afrikaans and Zulu at school.

My first challenge as CEO was communicating with the factory floor workers. South Africa has 11 official languages. And while most

people spoke English, on some occasions I was forced to request help from translators with the local languages. Another challenge was the shortage of qualified labor. Replicating the model at the Brazilian parent company, we created a training center for qualifying and recycling employees, which proved to be an invaluable investment in improving productivity and quality.

Another cultural shock, for me, was to still find traces of the apartheid era. Although it came to an end 16 years ago, to say there is no more racism between whites and blacks would be a lie. Unfortunately, I still come face to face with uncomfortable situations that cause me to reflect as a human being. I strongly believe that equality and respect should exist between all men, regardless of race, color, religion, sex, etc. Understanding the local cultural differences was essential to my professional success. It was a time-consuming process that demanded a lot of patience, the will to learn and an open mind. At the end of 2009, I left the company to start up my own business in South Africa. Together with my partner, Miguel Arrata, ex-executive of Volvo in Brazil, I created BRAF Automotive. We supply auto parts to assemblers and to the commercial vehicle replacement market, in both South Africa and in other African countries.

I have to admit that it wasn't easy at the start, but, with time, you end up adapting to the new environment, culture and people. The professional learning curve and the personal and family life experiences have been very rewarding so far. Of course we miss our friends and family in Brazil and Portugal a great deal, but we try to get over these tough moments by spending even more time with our family and friends here in South Africa. If you ask me today would I do it all over again, my answer would be: Yes! Absolutely!

* Fabio Janowski, 37, is partner-director of BRAF Automotive, a South African company that supplies auto parts to vehicle assemblers and to the auto parts replacement market.



01

FABIO JANOWSKI/ARQUIVO PESSOAL



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To Gerda, recycling doesn't only mean reusing. It means transforming.

As one of the world's largest recycling companies, every year Gerda removes millions of tons of scrap from cities to make steel that is used in your homes, schools, and your life. But it goes far beyond simply reusing materials: everything is done in accordance with environmentally sustainable industrial processes. In fact, some of our construction products were the first in Brazil to be certified with the Ecologic Seal from the Falcão Bauer Institute of Quality, which attests to the use of sustainable production practices in the production of steel. This is because, besides turning scrap into steel, Gerda is also focused on making the planet a better place for humankind.