

PIB

BRAZILIAN COMPANIES GO INTERNATIONAL

■ ■ STARTUPS

The various paths leading to Silicon Valley

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Brazilian multinationals deal with political risk situations

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New crop of Brazilian authors attracts the interest of international publishing houses





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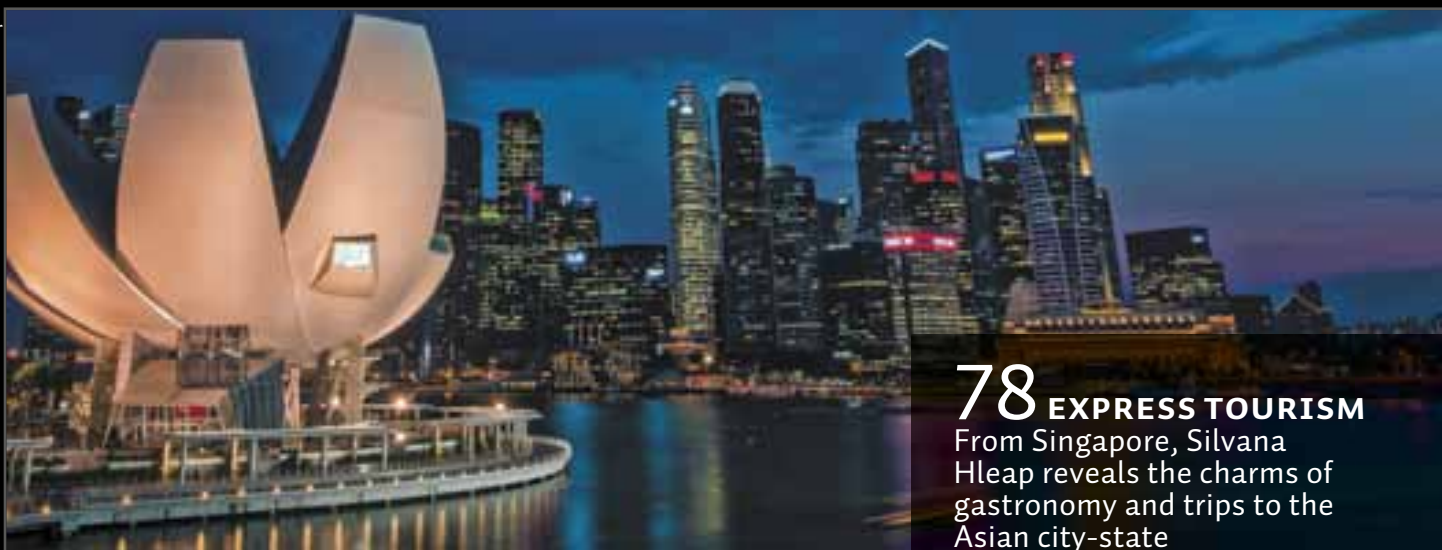


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Books and bytes

The architect Oscar Niemeyer passed away when this edition of PIB was being wrapped up. In the foreign press, more than one obituary recalled that no one had done more than Niemeyer to truly put Brazil on the map as a modern country. For our part, we like to think of PIB as a magazine devoted to Brazil's international presence. So, what could be more appropriate than to express our sorrow and tribute to the man who did so much to promote Brazil abroad.

Our cover story shines the light on other Brazilian artists starting to make their mark abroad: young writers like Daniel Galera and Michel Laub (or the not-so-young Milton Hatoum) point to the changes in Brazil's publishing market. At events such as the recent Frankfurt Book Fair (largest of its kind in the world), Brazilian publishers did more than just acquiring the publishing rights to international literature, as they had always done, offering their own publications...books increasingly being translated into a whole host of languages. Reporter Denise Turco tells us more from page 40 onwards.

Elsewhere, reporter Suzana Camargo investigated a darker side to internationalization: political risks assumed by transnationals when setting up shop abroad, and what to do to avoid unpleasant surprises such as the ones suffered by heavyweights Odebrecht (Libya) and Petrobras (Bolivia). And we are also treated to a fascinating report by ex-ambassador Marcos Caramuru, who shares his vast experience of the **Chinese way of doing business**.

We also run a sumptuous article by Juliana Resende on young Brazilian entrepreneurs forging solid ties between Brazilian startups (tech-based newcomers) and California's Silicon Valley – a venture already yielding a rich interchange of ideas and investments. And to round things off in style, have you ever wanted to know more about Singapore, the Asian city-state? Well, not a lot of you I imagine. But the inside track provided by Brazil's Silvana Hleap, an investment specialist who has made Singapore her home, should change all that. As they say in Portuguese, *boa leitura!*

Nely Caixeta



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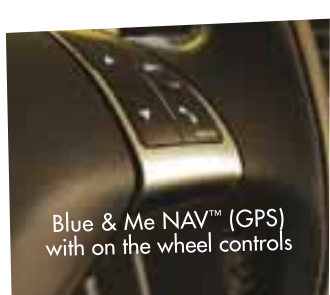
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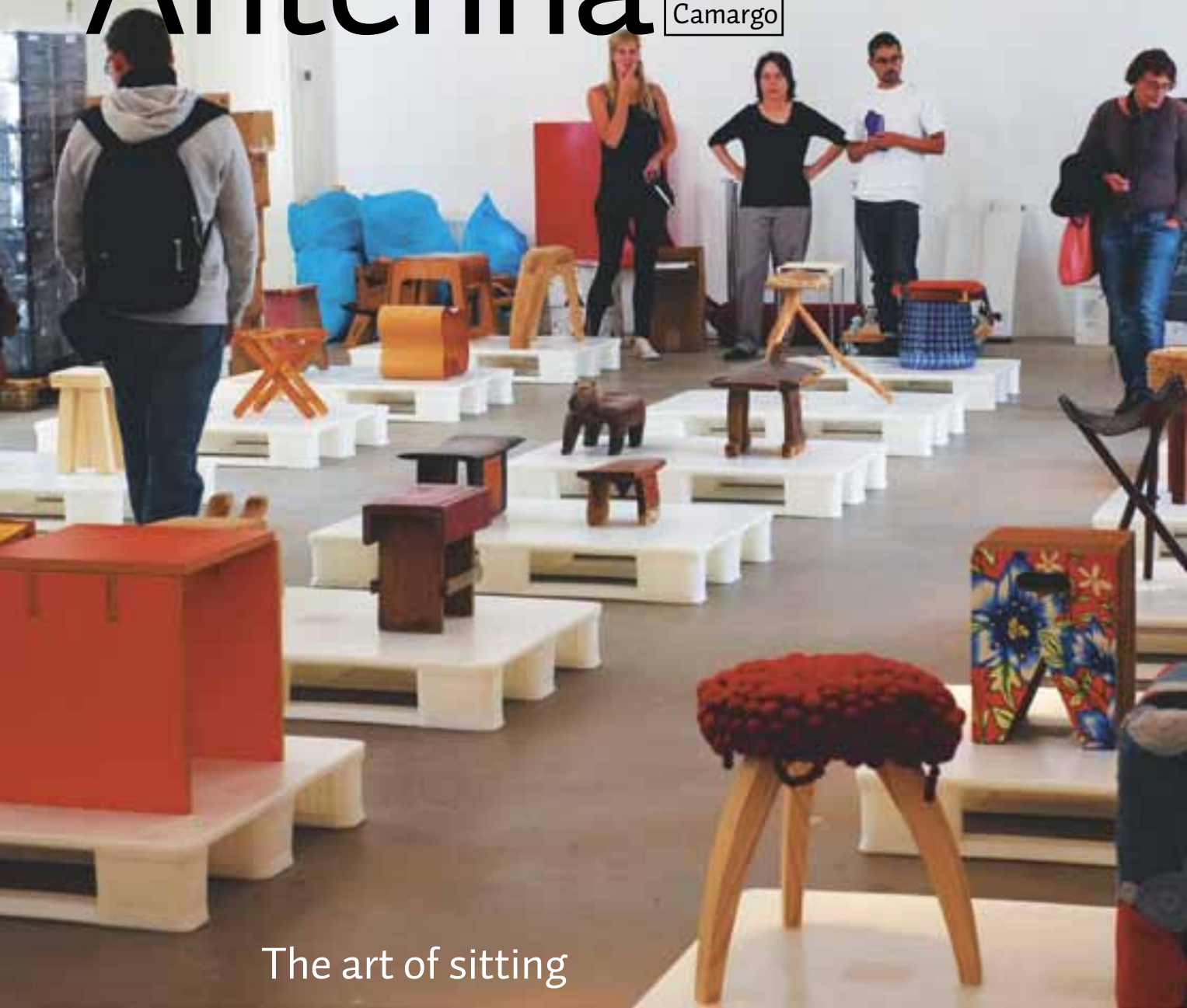


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Antenna

Suzana
Camargo



The art of sitting

62 made in Brazil stools ended up on display at the Droog Design Gallery in Amsterdam, the capital of Holland. They were part of the *In Praise of Diversity* expo, with Adélia Borges acting as curator. The idea was to show the public how the simple

act of sitting can produce such different and surprising ideas. Created by indigenous people, local communities and Brazilian designers, the stools translate the culture of the places where they were produced. The indigenous stools, for

example, were sculpted out of a single block of wood and feature shapes and drawings full of symbolism. Some imitate animals such as the tiger, vulture, monkey and the falcon. "The expo reveals a seminal value of Brazilian culture



CELSON BRANDÃO

and design”, says Adélia. The indigenous stools were made by people from villages from the Amazonas, Mato Grosso, Tocantins and Amapá states. The contemporary design stools were signed by Marcelo Rosenbaum, Carlos Motta, Flávia Pagotti and Ilse Lange.

Brazilian stools in Amsterdam: diversity

New home(s)

Itaú has decided to reorganize its business bases in Europe as it expands its global operations. The Private Banking activities, which had been based in Luxemburg, will now be switched to Zurich in Switzerland through Banco Itaú Suisse. Itaú BBA International, which had an office in Lisbon, will now be run from the UK. “London is where most of our clients and market counterparties are present and it is also a pillar of the global financial market,” said Almir Vignoto, Itaú BBA director in London. The London office will serve around 300 of the largest European groups that have operations or investments in the corporate and investment banking areas in Latin America.

A less unequal continent

Brazil was one of the best performing countries in terms of social mobility in the region, according to a World Bank study which showed that 40% of the increase in the middle class in Latin America and the Caribbean in recent decades occurred in Brazil. The study was published in November (Economic Mobility and the Rise of the Latin American Middle Class) and shows that there has been a big migration in terms of class among the Latin American population following decades of social stagnation. Around 43% of Latin Americans are estimated to have changed class between the mid-1990s and the end of the first decade of 2000. The survey shows that the number of middle class and poor people was the same for the first time in history. There were 103 million middle class people in 2003, a figure that jumped to 152 million by 2009. The authors of the study believe these people now have greater economic security and face a low risk of falling back into poverty. On the other hand, educational and professional progress in the region is still closely tied to the professional level of children’s parents. This factor is holding back mobility between the classes and shows that universal education has still not fulfilled its role as a driver of social equality on the continent.



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1

Time to invest in ports

At last, some good news for Brazil's ports. After years of being left on the scrapheap, the main channels for the country's exports will receive a capital injection of R\$ 54.7 billion by 2017 as part of the Logistics Investment Program for Ports announced by President Dilma Rousseff in December. The investments will be split into two stages: R\$ 31 billion in the coming three years and another R\$ 23.2 billion between 2015 and 2017. Some of the resources will come from the private sector as the government intends auctioning, leasing and authorizing the construction of private terminals. To reduce the bureaucracy that is an enormous obstacle to Brazilian foreign trade, the customs, health and marine authorities will be integrated. Most of the investments – R\$ 28.6 billion — will go to five ports in the Southeastern region: Victoria, Rio de Janeiro, Itaguaí, São Sebastião and Santos. Another R\$ 11.9 billion will be used to upgrade seven ports in the Northeast. The South and North regions will receive R\$ 7.6 billion and R\$ 5.9 billion, respectively.

New grain route

Grain producers in the north of Brazil will now benefit from a new terminal that will make them more competitive in terms of exports. The Maranhão Grains Terminal (TEGRAM) at the port of Itaqui, around 10 km from the center of São Luís, is scheduled to be inaugurated at the end of next year. The port will have annual loading capacity of up to 15 million tons of grains by 2020, a big jump from the current capacity of 2.5 million tons. The new port should relieve the movement at the Paranaguá and Santos terminals in Paraná and São Paulo states, respectively, which have been working above their capacity for several years. Around 80% of Brazilian soybean exports are currently shipped from these two ports. When the new terminal at Itaqui is ready, 11.5% of Brazil's soybeans, corn and bran are expected to be loaded there. Itaqui also received an investment of more than R\$ 6 million in information technology which will give it greater flexibility and control in handling operations.

3



PICTURES: HANDOUT

Copersucar heads towards the US and Asia...

Copersucar, the giant Brazilian sugar and ethanol company, has increased its global presence with two breakthroughs on the international food and biofuels market. In November, it announced the purchase of the American company Eco-Energy. As a result, it became the largest seller of ethanol in the world, with capacity to supply 10 billion liters a year. The two companies now have 12% of the global ethanol market. (The acquisition is still being examined by the US anti-trust agency.) At the same time, Copersucar began operations at its new subsidiary in Asia, located in Hong Kong. A spokesman said Copersucar Asia was founded to bring the company closer to the Asian market, particularly countries like China, Indonesia and Malaysia. The demographic and income growth in the region should encourage demand for Copersucar products and open room for new business. Southeast Asia is an important sugar refining center for the region and the African continent, and Copersucar, which currently exports raw sugar there, is not ruling out the possibility of setting up a refinery in the region in the future. It expects to double its regional market share from its current level of 10% within three years.



2

... and Odebrecht modernizes plant in Cuba

Companhia de Obras em Infraestrutura (COI), a subsidiary of Odebrecht in Cuba, will take over running of the 5 de Setembro plant, which belongs to Azucarera Cienfuegos, for the next 13 years. Productivity at the plant, which was built in the 1980s, has slumped in recent decades. At the height of production, it was refining 90,000 tons of sugar annually, a figure that has fallen to around 30,000. The Brazilian company will modernize the operation in order to recover the agroindustrial capacity and improve the productivity of the sugar cane planting in the region. Cuba used to be among the world's largest sugar exporters, with annual production of more than eight million tons, but production fell to only 1.4 million tons in 2011.

Latin American partnerships

Brazilian companies and those from neighboring countries can now obtain support and services from the recently-created Mercosul and Latin American Union Chamber of Commerce (CCM-ULA) which is based in São Paulo. The body aims to promote partnerships and develop trade and social relationships in the region and the world. It offers consultancy services in the legal, accounting, business, arbitration and foreign trade areas. Venezuela, Argentina, Colombia and Mexico will have national committees of the CCM-ULA.

1 Santos port:
some good
news at last

2 Ethanol from
Copersucar:
setting up abroad

3 Model of Itaquí
grain terminal:
exporting
soybeans from
the North

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Gala night



1

Ever since the fashion designer Daniella Helayel created the first dresses for Kate Middleton, well before her marriage to Prince William, the Brazilian designer's name already featured prominently in international fashion magazines. The elegant, vibrant collections of the Issa London brand have already been used by Scarlet Johansson, Beyoncé, Madonna and Sharon Stone. In November, a Daniela dress was one of the main attractions at the Charity-Raising Gala *Brazil Now!*, held in London to raise funds for British Red Cross International. The dress donated to the auction, a long golden lace model, was part of a lot completed by a box of chocolates designed by the architect Oscar Niemeyer — made out of Bahia cocoa by the Rio de Janeiro chef Samantha Aquim — and also a visit to the studio of the artist Vik Muniz. The lot was sold for 10,000 pounds. The money raised from the gala night will be used to finance the work of collaborators and volunteers of the Red Cross in helping tragedy victims from all over the world.

2



PICTURES: HANDOUT

BMW made in Brazil

By 2015, Brazil will be the world's third largest auto market, beating Japan and trailing China and the US. Anfavea (National Vehicle Producers' Association) estimates a 68% rise in sales by 2016 – from 3.5mn vehicles sold a year to 5.7mn. By 2007, 80% of the Brazilian auto sector was dominated by Fiat, GM, Ford and Volkswagen. According to the J.D. Power and Associates research company, this % should fall to 70% as

other European and Asian brands are now investing in the country. Hyundai started to produce its HB20 model in September at the company's first plant in Piracicaba (interior of São Paulo). In October, BMW also announced it will build a plant here. With investment of 200mn Euros and initial production of 30k, the plant (to be built in Joinville; Santa Catarina) will start producing in 2014. In 2011, BMW celebrated record sales in Brazil (+54% y/y).

1e2 Issa dress and chocolate with Niemeyer design: auction

3 BMW car: plant in Joinville after 2014

4 Márcia: award-winning Brazilian in Paris



3

Award for Brazilian scientist

Created in 1998, For Women in Science is a partnership between UNESCO and L'Oréal to encourage the work of female scientists. The professor and physicist Márcia Barbosa (Rio Grande do Sul) was this year's winner in Latin America for discovering a particularity of the water molecule: the anomaly of diffusion. The work showed that the water particles, in negative temperatures and with increased pressure, flow faster. The discovery could shed more light on the structure of proteins in the human body and help prevent diseases (researchers from the universities of Rio Grande do Sul, São Paulo, Santa Catarina and Ouro Preto took part). Another four scientists received the award, which will be presented at a ceremony in Paris (each of the five winners will receive USD100,000). Márcia Barbosa is a director of the Institute of Physics at the University of Rio Grande do Sul and the fourth Brazilian woman to have her work recognized by *For Women in Science*. For her, the award is a real shot in the arm for Brazilian scientific research. "This award gives visibility to our research group, which works in a very theoretical area", she says.

4



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Brazilian company targets Chinese drinkers

China is a market with huge numbers and the Chinese consume an estimated 48 billion liters of beer annually. A group of Brazilian entrepreneurs decided to try and get a bite of this market and founded Shanghai Trends in 2009. The company is based in China to provide services and facilitate the entry of Brazilian products. In 2012, Antonio Freire, Tânia Caleffi, Sergio Madalozzo and Thiago Madalozzo added a café-bar-lounge to their business area where Chinese and expatriates can try *caipirinha* and even traditional Brazilian food like *pastel* and *brigadeiro*. However, these tasty samples are only a lure to attract clients to premium Brazilian drinks, such

as wine, sparkling wines, fine *cachaça*, energy drinks and beers. The owners want to make these products better known in China, along with gourmet coffee and other food products. The target market is the higher income consumer class which is gaining increasingly greater purchasing powers. Brazilian Gate should end the year with a turnover of US\$ 1.5 million, according to the partners. "We are expecting revenues of US\$ 3 million in 2013, with 50% coming from beers, 25% from wine and 25% from *cachaça* and coffee," says Sérgio Madalozzo. The company has just opened a new outlet in the city of Dongguan in southern China.

Incubators for Africa

Fanem, a producer of health equipment for newborn babies, was the first Brazilian company to have a stand at the 2012 Medic West Africa trade fair, held in Lagos, Nigeria, in October. The São Paulo-based company is pinning its hopes on the IT 158 TS incubator to increase its presence on the African market. The model was created to transport babies in emergency situations. "A panel makes it easier to see the temperature of the air and the skin of the newborn baby and a sophisticated alarm system allows the patient to be monitored more flexibly," says Cícero de Oliveira, CEO of the company. Africa is part of Fanem's global strategy and it exports equipment to a number of countries there. "There is a high level of neonatal mortality in Africa and a lack of top quality equipment, mainly in the poorer regions and those affected by conflicts," says Cícero. Around 35% of the company's production currently goes abroad, with Latin America alone representing 45% of exports. Fanem recently won a tender bid in Ecuador to provide 70 pieces of equipment for treating young children and newborn babies at a hospital in Guayaquil.

Railway wagons for Mozambique

AmstedMaxion, a merger between US Amsted Industries and Brazil's Iochpe-Maxione, has signed an agreement with Cometal Sarl (owned by Indian group Tata). The binational company will transfer railway wagon production and maintenance technology to the Indian industry's operations in Mozambique. "This partnership will reactivate the African rail industry and drive its logistical development", says CEO Ricardo Chuahy. It should create 150 local jobs. The rail lines will be the main tool for transporting coal production from the region's mines, strongly disputed by foreign companies, including Vale – which plans to invest USD7.7bn in Africa over the next few years (in Mozambique, Vale has been extracting coal from the Moatize mine since 2001). For AmstedMaxion, the transfer of technology to Cometal Sarl is part of an expansion strategy. "We currently have agreements with companies from Chile, Argentina and now Mozambique", says Chuahy.

1 Tânia and her partners from Shanghai Trends: premium Drinks from Brazil

2 JBS meat products: First the US, now Canada

JBS arrives in Canada

JBS USA — a subsidiary of Brazil's JBS group — took over the running and operating of the assets in Canada of the Canadian company XL Foods. As a result, it is now managing a meatpacking plant in the province of Alberta with daily processing capacity of 4,000 head of cattle. The agreement includes a buy option for this and other XL Foods assets in Canada and the US, including another four meatpacking plants (two in each country), a confinement area with capacity for 70,000 head of cattle and a rural property, both in Alberta. The buy option must be exercised in the first half of 2013 and the total value of the operation — if the option is exercised — will be US\$ 100 million, of which 50% will be paid in company shares and 50% in cash. JBS is the largest global meat company. It already has production units in the US and Mexico but this is the first in Canada. Brazilian executive André Nogueira will become head of JBS USA at the beginning of next year.

2



TOTVS heads for Silicon Valley...

It is not only small and daring Brazilian startups that are heading for Silicon Valley, as our special report in this issue shows. Established companies also believe establishing a presence there is a smart move. TOTVS is a good example. The company is one of the leading designers of management software, services and technology in Latin America and has just announced the opening of a new business unit in the Valley. TOTVS Labs will study trends and develop products in the areas of cloud computing, social media, data management and mobility. The lab team, which currently numbers a dozen, includes engineers, scientists and designers from Brazil, China, Russia and India. "We are already hiring more people for this base," said Alexandre Dinkelmann, vice-president of finance of TOTVS. The Brazilian company wants to strengthen partnerships with local companies and startups that are aiming to grow internationally and also to cooperate with universities and research centers. "We are identifying the future technological trends with Stanford University and are the only Latin American company which is part of the Stanford Computer Science Forum," said Dinkelmann. The Forum encourages cooperation between Stanford researchers and companies from Silicon Valley, Europe and Asia.

Brazilian design in the United States

The Brazilian luxury furniture brand Ornare has taken another step forward in its international expansion with the opening of another store in Miami in December. The company has been in Miami for five years, attending American clients along with an increasing number of Brazilian residents. It will also open a showroom in Dallas, Texas, at the beginning of next year. "We have also started looking at New York, Los Angeles and Chicago," said Murillo Schattan, a founder and CEO of the company. Ornare launched a collection in 2012 designed by the architect Marcelo Rosenbaum in a bid to consolidate the brand as a Brazilian product with a global reach. "Having a presence in the United States, which is the biggest and most competitive market in the world, has not only led to higher business volume and revenues but also raised our international profile as we are now competing with the most important global players, particularly the Europeans," Schattan added. Ornare's sales in Florida expanded by 12% between 2011 and 2012 and it expects growth of 15% in 2013%.



...as does Predicta

The company, which is based in São Paulo, has announced that it opened a branch in California in October. One of the aims of having a business presence in the US is to boost sales of SiteApps, a global platform the company developed for the applications market that helps manage websites. "This change is essential for SiteApps as it is focused on the small and medium-sized companies market which is widely spread," said Phillip Klien, co-founder of Predicta and in charge of the innovation area. Silicon Valley specializes in companies with this profile. Klien will lead the California team. Predicta, which has been operating in the e-business sector for 12 years, has 140 employees at its head office in São Paulo and has grown at an annual rate of 50%. However, it is not revealing its earnings goal for the American operation. "The focus in the coming 24 months is not financial but on creating the standard of application store for websites," Klien added. In the same week as the California development was announced, Predicta also revealed that it had formed a new world partnership with Google. This makes it the first company to be an official partner of Google in digital ad operations in the world. (Suzana Camargo)

1 Dinkelmann from Totvs: partnership with Stanford

2 Ornare in Miami: US presence ensures visibility





3 questions for André Sacconato

THE LABYRINTHINE tax system and crushing bureaucracy make Brazil one of the world's least "friendly" places to create companies and do business, according to reports and international rankings comparing the laws and regulatory environments of different countries. This negative view could be a contributory factor in putting off investors and stifling growth. However, just how fair is this verdict? André Sacconato, director of research at Brasil Investimentos e Negócios (BRAIN) — a non-profit association that aims to make Brazil an international center for investment and business — believes the methodology used in some of these surveys does not give a fair presentation of the real situation and could damage Brazil's position in the world rankings. Sacconato believes this was the case with the recent *Doing Business 2013* report sponsored by the World Bank and International Finance Corporation (IFC), in which Brazil appears in a humiliating 130th place among the most competitive countries to do business, behind Azerbaijan, Honduras and Uganda. He explains why:

How do you think the *Doing Business 2013* report got it wrong in its assessment of the business environment in Brazil?

The methodology is faulty. Most of the questionnaires analyzed are sent by law firms and we can see that the answers do not reflect what is happening in Brazil, mainly because of the sheer lack of interest in taking part in the survey. We are in a much better situation in

HANDOUT

High taxes, low competitiveness

A recent study by the consultancy firm KPMG Internacional revealed that Brazil is at a clear disadvantage to other emerging markets when it comes to tax burdens. As per the *Competitive Alternatives 2012: focus on taxes* report, four of the five countries with the lowest tax burdens worldwide are India, China, Mexico and Russia. Of the 14 countries surveyed, Brazil ranks 11th, ahead only

of Japan, Italy and France. Some Euro nations — including Germany — also have the highest corporate taxes. In Brazil, the high tax burden is one of the reasons for the so-called *Brazil cost*, which makes national products more expensive and less competitive abroad. A comparison by KPMG showed that companies investing in India pay 50% less tax than peers in the US, while, in

Quickies

at least two of the indicators than stated in the report: investor protection or obtaining credit. If these two items were corrected, Brazil would move to a position below 100 or even close to 80.

What are the indicators Brazil really needs to improve to become more competitive?

It currently takes an average of 119 days to open a company in São Paulo. This is one point. The federal, state and municipal governments are working on an integration project to set up an electronic system that could reduce this average to four or five days. If this comes about, the system could be up and running by next year. Another problem, possible the worst of all, is paying taxes. We are not talking about the actual tax burden but the complexity of the system. There is no way this will be changed in the short term as it is a very broad issue that involves the House of Representatives, Senate and the Federal Revenue. I think we will be stuck in a really bad position for a number of years with this poor indicator.

How can Brazil become less bureaucratic and more attractive to foreign investors?

This report is widely read abroad and when foreigners who do not know Brazil look at this index, it could put them off investing in the country. The main step towards a real change in the business environment would be to cut the tax bureaucracy. A Brazilian company with 60 employees spends 2,600 hours a year just to pay taxes. This is the main long-term discussion this report raises for us.

Brazil, they would incur 43% higher costs. "In an era of global competitiveness, hikes in corporate tax rates can have immediate and long-term negative effects on corporate investments", analyzes Greg Wiebe, global head of Taxes at KPMG. Another study (*Doing Business in...*), produced by the World Bank, assessed the business environment in 183 countries. Brazil ranked 126th, behind Nepal and Pakistan.

■ THE WINE PRODUCER MIOLO FROM SOUTHERN BRAZIL HAS ENTERED THE VENEZUELAN MARKET WHICH HAS BEEN DOMINATED UNTIL NOW BY THE CHILEANS AND ARGENTINEANS. THE COMPANY SOLD 550 CASES OF WINES AND SPARKLING WINES, INCLUDING MIOLO CUVÉE TRADITION BRUT AND QUINTA DO SEIVAL CASTAS PORTUGUESAS.

■ THE DISTRIBUTION CENTER FOR THE IT SERVICES OF STEFANINI IN MANILA, IN THE PHILIPPINES, WHICH ATTENDS CLIENTS IN ASIA AND THE PACIFIC REGION, HAS OBTAINED ISO 9001:2008 CERTIFICATION. STEFANINI NOW WANTS TO EXPAND IN CHINA.

■ RUSSIA'S CIVIL AVIATION AUTHORITY HAS CERTIFIED EMBRAER 190 AND 195 JETS TO OPERATE IN THE COUNTRY, OPENING THE WAY FOR RUSSIAN AIRLINES TO BUY THE 112 AND 124-SEATER PLANES.

■ THE LINEAGE 1000 MODEL, THE EXECUTIVE VERSION OF EMBRAER'S PASSENGER JETS, HAS ALSO BEEN GIVEN APPROVAL TO FLY IN RUSSIA. THE LINEAGE 1000 CAN CARRY UP TO 19 PASSENGERS IN A CABIN REDESIGNED FOR EXECUTIVE FLIGHTS.

■ GRUPO BANCO DE TOKYO-MITSUBISHI UFJ AND THE INVESTE SÃO PAULO AGENCY HAVE FORMED A PARTNERSHIP TO ATTRACT AND ENCOURAGE NEW JAPANESE INVESTMENTS IN THE STATE. THE CRISIS HAS LED SEVERAL JAPANESE COMPANIES TO LEAVE BRAZIL.

■ WITH AN EYE ON THE GROWING BRAZILIAN MARKET, THE INDIAN SOFTWARE DEVELOPER, HOTELOGIX, WHICH IS PRESENT IN 40 COUNTRIES AND SPECIALIZES IN TOURISM, HAS LAUNCHED A SERVICES BLOG IN PORTUGUESE.

■ NTT DATA OF JAPAN, ONE OF THE LARGEST INFORMATION TECHNOLOGY COMPANIES IN THE WORLD, HAS OPENED ITS FIRST DEVELOPMENT CENTER IN BRAZIL IN CURITIBA. THE GROUP HAS BEEN IN BRAZIL SINCE 2011.

■ THE DISTRIBUTOR SYNAGRO COMERCIAL AGRÍCOLA FROM BAHIA STATE HAS BEEN RECOGNIZED FOR ITS GOOD SOCIAL AND ENVIRONMENTAL INITIATIVES AND RECEIVED THE INTERNATIONAL DUPONT WORLD OF RESPECT AWARD FOR 2012.

Calculated risk

For a transnational, political security is just as important as economic stability

SUZANA CAMARGO AND NELY CAIXETA

It was a Friday just like any other in Tripoli, the capital of Libya, in North Africa. The city seemed tranquil in that month of February 2011. But in just under three days, everything changed. A mood of civil war gripped the streets, on the back of public protests against the dictator Muamar Kadafi, president of Libya for the past 41 years. The revolted masses attacked public buildings and looted supermarkets, cornering the government, which would eventually be deposed (Kadafi was killed after fleeing Tripoli). In

“It was a once-in-a-lifetime stress”.

As the wave of violence engulfed the country, the plans of Odebrecht had to be rapidly altered. Initially, the construction company decided to remove from the country only its employees’ relatives. But when the insurgency — initiated in the city of Benghazi, some 1,000km away—, hit Tripoli, involving the capital city in the climate of civil war, it was no longer enough to just protect family members. The company decided that they had to remove all their personnel. The logistical operation set up to guarantee the safe exit of

their employees demanded the chartering of two large Boeing 747s, a passenger ship and two catamarans. The employees were taken to the island of Malta, a small independent nation in the middle

of the Mediterranean, halfway between Libya and Italy (see box on page 29). The costs of the operation weren’t disclosed, but you can imagine the amounts involved.

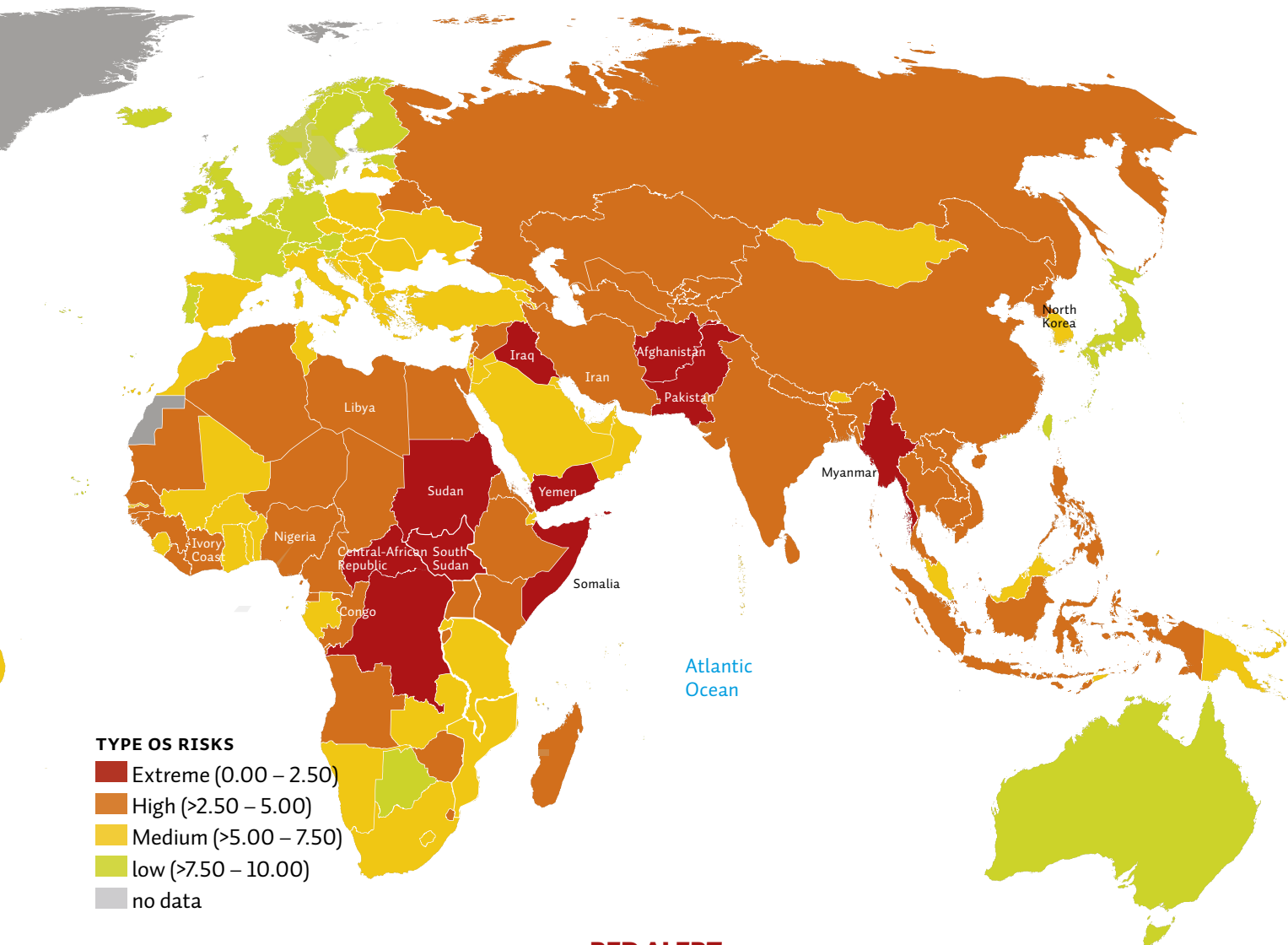
The Libyan uprising was perhaps the most dramatic episode experienced by a major Brazilian multinational abroad. But other tense situations resulting from political instability or sudden changes in the

rules of the game have been registered with worrying frequency in the routine of Brazilian companies with international operations. Companies such as Petrobras (Bolivia) and Vale (China) have already suffered from government decisions affecting the equity or profitability of their operations in foreign countries. Such cases reinforce the need for managing political risk at the headquarters of large companies.

Before deciding to invest abroad, Brazilian transnationals are increasingly taking into account the political environment in foreign countries and looking to take preventive action against situations of conflict and danger. They are thus using political risk tools, implemented by in-house teams or specialized consultants, and taking out insurance to cover such damage. “It is an

To remove staff from Libya, Odebrecht used 2 Boeings, 1 ship + 2 catamarans

this short 3-day interval, Brazilian construction company Odebrecht had to put together a monumental operation to remove 3,558 employees working at its construction sites in Libya. 200 of them were Brazilian. Heading up the operation was the director Gustavo Guerra (aged 44 at the time and with over 20 years at the company). “I had never faced such as situation”, says Guerra.



investment that has proven important to protect the interests of the company”, says a spokesman of mining company Vale. The company has a department dedicated to the analysis of political risks based in Rio de Janeiro, follows the local news of the countries where it operates and also hires consultants to reinforce its capacity to avoid surprises.

But what is political risk? The answer is provided by Keith Martin, director of international trade and investment at the AON insurance broker in Brazil and one of the leading international specialists in the sector, having worked at the World Bank. There are four types of political risk classified as “insurable”, He says: the expropriation or nationalization of goods/assets or investments; breach of contract; the risks linked to currency inconvertibility; and finally, political violence, such as that which engulfed Libya in 2011 (there are other types of risk that are uninsurable, such as regulatory and legal and the slo-

RED ALERT

15 COUNTRIES deemed most risky for doing business

1	Somalia	Extreme	0.82
2	Myanmar	Extreme	1.6
3	Congo	Extreme	1.80
4	Afghanistan	Extreme	1.82
5	Sudan	Extreme	1.87
6	South Sudan	Extreme	2.08
7	Iraq	Extreme	2.33
8	Yemen	Extreme	2.44
9	Pakistan	Extreme	2.49
10	Central-African Republic	Extreme	2.49
11	Nigeria	High	2.82
12	Iran	High	2.83
13	North Korea	High	2.83
14	Libya	High	2.99
15	Ivory Coast	High	3.00

Source: AON

CHOOSE YOUR TYPE OF RISK

THERE ARE **4 TYPES OF THREAT** COVERED BY INSURANCE COMPANIES:

+ EXPROPRIATION OR NATIONALIZATION

when a government takes possession of the assets and rights of the foreign investor.

+ BREACH OF CONTRACT

when a government or state-owned company breaks a contract with the foreign investor or service provider.

+ INCONVERTIBILITY OF CURRENCY

when the Central Bank of the country receiving the investment bans local currency conversion or the transfer and remittance of money outside the country. This doesn't include the risk of FX devaluation.

+ POLITICAL VIOLENCE acts of terrorism, civil unrest, strikes, protests and wars. May include physical risks and loss of profits.

Source: Keith Martin/Aon Risk Solutions

wness of government bureaucracy and/or courts). Brazilian multinationals are seeking the services of risk analysis companies and insurers to protect themselves against these four types of risk.

"It is a very mature market in Europe and the US and it is starting to grow in Brazil", says Kiyoshi Watari, leader of the credit insurance division of Marsh Brasil, another sector company. AON estimates that it received in recent years around 25 requests for a price quote for insurance against political risks. However, not every price quote becomes a contract: Keith Martin calculates that only four or five national companies currently have a policy to cover losses or damages from political risks abroad. He can't name names. "The private political insurance market is highly confidential", he says. Neither insurers nor insured companies are interested in revealing the existence of this policy — insurers aren't because they expect the government to assume the coverage of any costs incurred as a result of

political problems. And the insured company definitely wouldn't like to admit to the host government that it doesn't trust the country's political security.

The work of specialized consultancies, such as AON and Marsh, is to analyze the geopolitical scenario of the region where the company plans to invest and signal the best options in the area of insurance. "We seek solutions to mitigate risks, in the case of companies with assets or plants abroad or that enter into business deals with other countries and governments", explains the consultant from Marsh Brasil. Companies want to know how to protect their investments abroad — either in set-



AFP PHOTO/STR

IN THE EYE OF THE HURRICANE

WHEN GUSTAVO Guerra arrived in Tripoli with his family, in 2009, a rebellion against Kadafi seemed unthinkable. “At the start of the Arab Spring in Tunisia and Egypt, in 2011, we started to pay attention”, he recalls. “No one expected that to happen in Libya; we thought the country was different.” But it wasn’t. When the first protests started in Benghazi, the second biggest city, Odebrecht decided to remove, as a precaution, employee’s families. At that stage, Gustavo was head of Odebrecht in Libya, but his base was in Lisbon.

“People didn’t realize just how potentially serious the situation was, and some were worried their children who would miss school”, he says. It was a Friday in February, and the family members were withdrawn on Sunday. That weekend, the situation took a quick turn for the worse. Forces loyal to Kadafi patrolled the streets, heavily armed, and dispersed any protest with aerial shots. Products started to dry up on shelves, and the opposition called for protests in Tripoli on Monday – the first in the capital city.

In Lisbon, Gustavo had to change his orders as tension in Tripoli grew. After the family members left, he also decided to remove non-core personnel. But the order was soon extended to all non-Libyan employees. “When the climate shifted to one of preparing for a conflict, with guns on the streets, restricted movement in the city and supply problems, we decided for a full exit”, he explains.

Some employees were grouped in lodgings close to the construction sites. Others stayed in a condominium with water supply, supermarkets and security. The company followed a previously elaborated withdrawal plan, but there were some surprises: on the Sunday, day three of the crisis, commercial flights were suspended and Tripoli

airport became a chaos. “All the expatriates were trying to fly out”, recalls Gustavo. “Policemen fired aerial shots at the airport.” Due to the collapse of regular flights, Odebrecht chartered Boeing 747s waiting in Malta for authorization to get off the ground. “Getting a flight out of Tripoli was very hard, as there were 300 or 400 chartered planes arriving in the country”, he recalls. The support of the Brazilian embassy ensured that permission was granted, and 1,500 people left Tripoli on these flights.

Fearing the airport would be closed to even charter flights, the center of operations decided to transport the other employees on a chartered passenger ship in Italy. “We did all this in a matter of hours – speed is fundamental in these moments”, says Gustavo. The company had the resources to pay for this removal process, otherwise it wouldn’t have happened. “At such times, everything is in cash”, he states. “The employee doesn’t escape by ship or get on a plane if he hasn’t got any money.” On Wednesday, the ship left Tripoli with over 2,000 Odebrecht employees on board. At the end of the drama, all the company’s personnel arrived safely in Malta.

Gustavo is currently executive director of Odebrecht for West Africa and Libya. Before facing the Libyan revolt, he received training in crisis management and elaborating escape plans and worked in Angola, where he witnessed a civil war. “At a time of crisis, you have to apply logic”, he says. “You really have to keep your cool.”





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ing countries Bolivia, Colombia and Venezuela are classified as high-risk zones. Argentina and Ecuador (as well as Brazil) offer medium risk. It was in Ecuador that Odebrecht – a company with a portfolio backlog in 18 countries – experienced another delicate moment. In 2008, President Rafael Correa ordered all government contracts with foreign compa-

“All companies are subject to surprises: who could have seen the Arab Spring?”

ting up a plant, in the expatriation of employees or in relations with the local government. To meet demand for this type of information, the specialized companies produce detailed diagnoses (broken down by country, region or economic sector), often condensed in global political risk maps divulged every year by the world’s largest consultancies.

In the study performed in 2012 by the AON brokerage, in partnership with the British consultancy Oxford Analytica, the list of nations classified as high political risk include Venezuela, Haiti, Iran, Syria and Iraq. The so-called *Arab Spring*— the sequence of uprisings against authoritarian governments in Tunisia, Egypt and Libya as of 2010 — stimulated and intensified manifestations in neighboring countries, also leading to a downgrade in ratings on the region. “This is forcing the CEOs and CFOs of companies with operations in emerging markets to review risk management and mitigation measures”, says Roger Schwartz, senior vice-president of Political Risk at AON.

In the AON map, the neighbor-

nies to be broken. At the time, the Brazilian company had four projects in the country, including the construction of a hydro energy plant, an airport and a highway. There were over 4,000 Ecuadorians working at the company’s construction site. Even the local unions supported the constructor, denouncing in the local newspapers that the breach of contracts would cause unemployment for thousands of people. But there was no way of maintaining the construction works. “Fortunately we were able to negotiate and receive what we still had to receive”, says Marco Lima, president of Odebrecht Administradora e Corretora de Seguros (OCS) — the division of the constructor that deals with risk prevention.

One of the lessons learnt from the international experience of the Brazilian multinational was that, in order to mitigate political risks, you have to take preventive action: cultivating good relationships not just with local governments, but also with the community and subcontracted workers, in what is a long-term view and not just a view of

the immediate construction project. “The important thing is to be seen as a local player, bringing benefits for the community”, says Lima. In the case of Ecuador, the strategy helped repair relations after the rupture. “We were invited to return to the country and participate in bidding processes for some projects in the area of energy and infrastructure”, says Lima. Another positive was the company’s 21 years of operations in the Latin American country.

State-run Brazilian oil giant Petrobras faced in Bolivia one of the most infamous cases of political crisis involving a Brazilian multinational in recent years. In 2006, the Bolivian President Evo Morales decided to nationalize all the foreign companies that were exploring oil and gas in the country, including Petrobras. The army occupied the facilities of the companies and, those not accepting the situation, had to leave the country in 180 days. The state-run company Yacimientos Petrolíferos Fiscales Bolivianos assumed control of operations and started to dictate the prices of local and exports. Shortly afterwards, Morales offered an agreement to the Brazilian government, which was accepted. Bolivia agreed to pay USD112mn for the refineries bought by Petrobrás in 1999 for USD104mn (Petrobras had already invested USD30mn in the two plants).

Infrastructure companies are the most vulnerable to political turbulence. Companies that work in mining, petrochemicals, energy, engineering, telecoms, technology and other services that depend on concessions or government contracts are also highly exposed to political



1 Martin,
from AON:
4 types of
insurable
political risk

2 Vale super-
ship: change
of course



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risks. But any company can be subject to surprises. “Who predicted the Arab Spring?”, asks the Vale spokesperson.

At the start of this year, the Brazilian mining company faced one of these surprises: the Chinese government modified the regulation of ports in the country, which affected its Asian operations. The company

first Valemax arrived at the Chinese port of Dalian, the Chinese government changed the rules and banned the docking of such ships. Vale had to create more costly alternatives to transport its ore — the Valemax super-ships now dock in other ports of the region, such as Subic Bay, in the Philippines, and transfer the cargo to smaller ships, which take it to the Chinese ports. The company continues in negotiations with China to revert the Valemax ban.

And this is where insurance operations come in...to prevent problems such as those

encountered by Vale in China and by Odebrecht in Ecuador and Libya (and to avoid the exorbitant costs). In a project, depending on the size, the insurance can vary from 2% to 12% of the contract amount. In 2011, Odebrecht had USD80bn of insured equity. Of this amount, USD20bn cover assets abroad, representing some USD100mn in insurance. The total amount is never insured with one single insurer. “They (*the insurers*) assume part of this risk, and

pass on the rest to other insurers — the so-called reinsurance companies”, explains Lima, the president of OCS. “Everyone shares the risk so that the system can cover and absorb it”. To administer amounts totaling billions of dollars, the main partners in these operations are international insurance firms with strong guarantee capacity.

The protection resources are manifold, but the director of Odebrecht warns that insurance should be a safety net if nothing else works — not even negotiations with a new government installed by a popular revolution. In the case of Libya, Odebrecht’s construction works in the country were interrupted with the victory of the revolution. According to the company, the projects — the Tripoli Ring Road and the International Airport, with an estimated aggregate amount of USD3bn — are financed directly by the government and have a 30% completion rate. The offices and equipment of the Brazilian constructor are now under the responsibility of 700 Libyan

FOTOS: DIVULGAÇÃO

Chinese government changed the rules and banned Valemax from docking

had invested in the construction of super-ships with capacity to transport up to 400,000 tons of iron ore in each trip. Called Valemax, the ships reduce carbon emissions by 35% per ton of ore transported and reduce the transport costs between Brazil and Asia, Vale’s main iron ore market. But the local shippers who performed the route didn’t look favorably upon competition from larger-scale ships belonging to or chartered to Vale. Shortly after the



workers from the company. “We are in negotiations with the new government of Libya to resume works and recoup the expenditures caused by the removal of personnel from the country in 2011”, says Lima.

Just like the Brazilian company, multinationals from other countries are interested in continuing to invest in Libya, now that the government of the victorious rebels is trying to restore the country’s stability and reactivate the economy. In recent months, Exclusive Analysis, a consultancy specialized in political risk based in London, provided aid to various international companies from the energy, construction, pharmaceutical and telecom sectors with plans to enter (or return) to Libya. Exclusive Analysis produces documents, tables and maps that present its evaluation of the risks of regions, countries, places and even specific events.

If a good relationship with the government is fundamental to prevent problems, it is even better if the company’s country of origin

has cordial relations with the investment host country. Odebrecht, for example, has ongoing projects in Cuba and Venezuela, whose governments are close to the Brazilian government, although both nations are evaluated as high political risk for western companies. Ironically, the expansion of the Port of Mariel (a project in Cuba) is causing problems

Good relations with local government and community help mitigate risks

for Odebrecht on the other side of the ideological spectrum (and from the Florida Strait): in the US. In May, the state of Florida issued a law prohibiting foreign companies with investments in Cuba from signing contracts with local governments. Behind the initiative is the influential community of Cubans exiled in Florida, sworn enemies of the Ha-

vana government. Odebrecht USA, an American subsidiary of the Brazilian constructor, is challenging the law in the courts of Miami. According to the company’s lawyers, it is unconstitutional and inapplicable, since only US Congress and government can legislate on external policy.

Odebrecht declined to comment on the divergence with the government of Florida, one of its main international clients. Since 1990, Odebrecht USA, according to information from the company cited by *The Miami Herald*, carried out 35 projects for the state government or local administrations totaling USD3.9bn, out of a total US portfolio of 60 projects totaling USD4.94bn. But the fact that the Brazilian company encountered active government opposition in the US shows, at the end of the day, that political risk doesn’t choose ideolog-





Designed in Brazil

Assemblers take Brazilian engineering and design to the world

LUCIANO FELTRIN

The time when Brazilian subsidiaries of large automakers were mere observers of the development process is long gone. Increasingly demanding consumers, qualified engineers and design-

ers, competitive costs and its status as the 4th (or 5th) largest auto market in the world mean Brazil is now one of the big boys when it comes to developing global projects. This path started to be mapped in the latter decades of the 20th century, when Brazil-

ian subsidiaries of multinational automakers began adapting and creating models for the national market. And the Brazilian auto industry is now more mature and globalized, with Brazilian teams developing projects that will be made or exported



HANDOUT

for vehicles in several countries. Everything is done there, from initial car design to assembly. Integrated by 2,000 engineers and 300 designers, the GM center was the birthplace of famous vehicle models: the Meriva mini-van – made first in Brazil before any other country, it hit Europe via Spain, where it started to be produced in 2009.

More recently, we had the Spin, Cobalt and Onix lines – the latter model has the mission of substituting the Corsa. The Cobalt sedan is already making its global mark. Since last month, it is also made in Uzbekistan. From there, it will be sold in Russia and Eastern Europe. The Spin mini-van, also produced by Brazilian engineers, will be launched in

2,000 engineers and 300 designers work at GM's Tech Center

to several countries, such as the recent launches of General Motors' (GM) Spin van and Cobalt sedan, the latest version of Ford's EcoSport sports utility and Volkswagen's Novo Gol.

One of the first companies to prepare its operations in Brazil for this new stage was US automaker General Motors. In September 2009, on the eve of marking its 85th year of operations, the company unveiled the expansion of its new Technology Center in São Caetano do Sul (São Paulo). The expansion, which demanded investments of US\$100mn, created a HQ currently home to creation and development projects

Asia next year, and produced in Indonesia. The model, with capacity for up to 7 people, will also be sold in South America. One commandment should be obeyed by all those working on each one of these projects: the prototype of a new vehicle is based on the peculiarities of the country or region where it will be sold. From that starting point, the engineers develop the model taking into consideration requisites such as local climate, preferences of clients from the region and governments' regulatory demands, such as maximum levels of pollution emissions. More general aspects, such as

horsepower, performance and internal features, are common the world over (GM aims to work with a handful of global platforms – basic architectures of the different vehicle lines – based on which the local models are developed).

But when it comes to certain items, the vehicle is prepared to undergo some trauma-free alterations to adapt to the demands of each market. In Indonesia, for example, the Spin will have a steering wheel on the right-hand side, to comply with local rules, and will not have warm air conditioning – superfluous in a country with average temperatures in excess of 30 degrees. "One of the main challenges of a global engineering project is to accom-

modate the needs and tastes of different markets without losing the identity of a model created to be the same all over the world", notes Albino Marques, engineering director for light

vehicles at GM Brasil.

The recipe for minimizing errors and increasing safety and quality levels involves, among other things, the so-called "clinics" – spaces developed by automakers to submit the project to the analysis of the drivers who will use the cars in their development phase. At the very start of the project, the prototype undergoes a battery of tests performed by hand-picked potential clients. This stage of the clinic lasts around two weeks and, based on observations, criticism, data collection and interviews, gives the automaker info on what future users liked and didn't like.

The observations help define details such as the size of the glove compartment, the best place for storing a bottle and the largest or smallest space for items such as bicycles and prams. As well as clients' verdict, the approval of the model also depends on tests carried out at the Cruz Alta testing field in Indaiatuba (São Paulo). The center is a mix of a laboratory and racetracks, where the new car is submitted to performance limits. This stage, known as technical validation — which includes, for example, fuel consumption tests, acoustic isolation, passenger safety and sealing the entry of water in flooded lanes — can take up to 18 months before the project is approved and the car can be delivered to dealers for sale.

Another US car giant that convinced its head office it was worth investing in global vehicle projects based in Brazil was Ford. This rite of passage was marked by the development of the EcoSport, the sports utility created at the start of the 2000s in Brazil



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and successfully taken to Argentina and Mexico — and, starting this year, to the European market as well. “Brazil became the caretaker of the EcoSport project”, notes Rogelio Golfarb, vice-president of corporate affairs for Ford in South America. “We know that the responsibility for any adjustments and refinements is up to the Brazilian engineers — this reflects the trust deposited by Ford in the local operation.” Fully developed at Ford’s plant in Camaçari, in the metropolitan

region of Salvador (Bahia), the model is already made in another 3 countries — China, India and Thailand — and will be sold in 100 markets where Ford operates.

To meet the challenge of improving a product surrounded by solid sales expectations, Ford announced a R\$14mn investment in the acquisition of new equipment for its testing field in Tatuí (interior of São Paulo), one of Ford’s 8 global development centers. The field is formed by 50km of low-, medium- and high-speed

PICTURES - HANDOUT

HOW TO ABSORB CULTURAL SHOCKS

STREETS FILLED with holes, hazardous roads or even winding roads with no signaling weren’t the main obstacles to be overcome in order to develop global cars in Brazil. The first barrier to be faced, in these cases, is a corporate one. “Since 2006, when the company decided to adopt global engineering projects, we had to organize ourselves as if each subsidiary was a column of the same building, receiving projects and financial resources in accordance with their specialty”,

says Luciano Santos, director of experimental field test engineering at GM. In other words: the various regional operations of the multinational giant had to coexist to a stronger degree, instead of only interfacing with the GM head office. The new model brought to the surface the risk of cultural shocks, such as those caused by the multiple languages spoken around the world and the different forms of dealing with each subsidiary’s hierarchy.

“To absorb these shocks, the

best solutions are time, interfacing and open dialog with leaders of the companies”, says Santos. These leaders are responsible for harmonizing standards and guaranteeing that processes are integrated. “In the case of languages, most times the leader has to be the mediator when he notes that someone isn’t at ease or interacting enough due to nervousness in speaking the language correctly”, says Santos. The head of design at Volkswagen, Luiz Alberto Veiga, is betting on



1 Ford's EcoSport: present in over 100 countries

2 Noise test at GM: accommodating global preferences

3 Veiga, from VW: "Brazilians benefit from being multi-taskers"

final tests needed to reach certain conclusions".

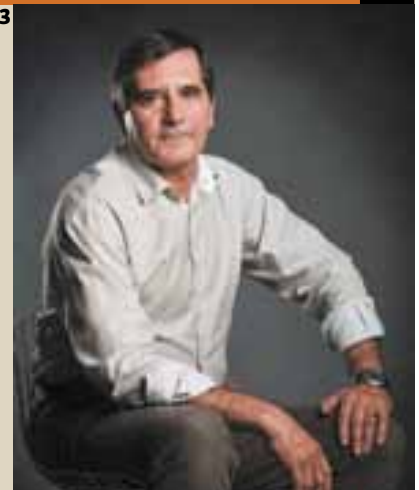
Another demonstration that Brazilians are capable of projecting globally viable models - in addition to giving their two cents on cars and enjoying driving them - comes from Volkswagen's global HQ in Wolfsburg (Germany). It was there that the new generation of Gol vehicles emerged, which Volks has just sent to dealers. Although the project was managed out of Germany, the car was designed by a Brazilian team of designers working out of an atelier next to the brand's global style studio. It is the "little Brazilian corner" of Wolfsburg. The space, created in 2008, represents the full recognition conquered by Brazilian designers at the company. It was conceived as a form of taking the 'made in Brazil vehicle design excellence' to the German HQ, and usually houses 15 professionals - some are residents and others spend

2

lanes... 10km of asphalt lanes and another 40km with differing surfaces: land, cobblestone and sand, with greatly differing contours and topography. The aim is to create scenarios capable of simulating the real obstacles faced by drivers on a daily basis. The Tatuí center also has a laboratory capable of testing the durability of engines in extreme conditions: tests include, for example, uninterrupted cycles of up to 1,000 hours, in which the engine temperature soars to

as much as 800 degrees. To approve the EcoSport model, Ford carried out over 12,000 driving tests in different regions of the world, in temperatures varying from -25 degrees to +50 degrees and altitudes of up to 4,300 meters. In addition to the field tests, the work also involved exhaustive 3D virtual simulations. "The technology is a major ally", explains Golfarb. "As well as reducing test costs in very distant environments, the virtual tests reduce the quantity of the real

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Brazilian engineers' capacity to adapt as a competitive differential. Accustomed to monitoring the rotation system that always keeps some employees in residence at Volkswagen's HQ, Veiga notes that Brazilians look to be multi-taskers in the work environment. In general, he says, specialists from other nationalities do not know or are not interested in acquiring knowledge in other areas of the company. "Brazilians, on the other hand, always want to learn new things

and often climb the ladder thanks to this", he states. It is equally important to know how to respect habits and always pay attention to sensitive issues in different parts of the world. In Korea, for example, the value attributed to hierarchy is huge. "This means that if a foreign engineer heads up a project at a Korean plant, he will have to have a good relationship and be on the same page as the local boss", says Santos. "Otherwise, he simply won't be obeyed by his workers."

an average of 3 months there.

Whilst it was conceived by Brazilians in Germany, the 2-door Novo Gol was developed virtually in Brazil, where the model has been a sales champi-

on for over 25 years. “The logic of this process is the sharing”, believes Luiz Alberto Veiga, director of design at Volkswagen Brasil. “Information exchange in real time virtually eliminates

the knowledge and technology lag”. The executive, one of the main parties responsible for assembling the Brazilian studio in Germany, recalls how things used to be different. Projects de-



1 2

THE ADVANTAGES OF THE GLOBAL MODEL

IN A scenario of ferocious competition for market share, the local development model of global vehicles offers automakers several advantages. One of the clearest benefits comes from interaction between teams and the exchange of ideas and knowledge of professionals from around the world, but there's more to it than that. “The system helps to dilute operational costs, since the manufacturer can centralize the purchase of vehicle parts”, says Ricardo Pazzianotto, director of the consultancy firm PricewaterhouseCoopers. “It also helps to provide a better service level to the domestic

client, who is now very demanding.” In the opinion of Ricardo, Brazilian engineering has already shown its capacity to develop sophisticated vehicles designed for mature markets, but Brazil has entered the global project development circuit for other reasons. “In addition to being a market with growth potential and competitive engineering costs, the country is seen by automakers as capable of producing smaller cars, with low costs and in large volumes”, states Pazzianotto. “That should be the focus.”

Francisco Satkunas, director of *Sociedade de Engenheiros da*

Mobilidade (SAE Brasil), partly agrees with this assessment. In his opinion, Brazil should indeed focus its efforts on producing for emerging markets and its own consumer market, but it doesn't necessarily have to think in terms of small-size cars. “While Korea has become the development center of small vehicles, Brazil is in a great position to become a major development laboratory of larger cars for emerging markets”, suggests Satkunas. “These are similar countries to Brazil in terms of the type of street and road conditions.”

veloped in Brazil used to arrive at the HQ already in an advanced stage. There, they underwent changes before becoming a reality. The engineers and designers in Brazil only became aware of

the alterations when the model was ready. “This is no longer the case”, says Veiga. “Our little corner over in Germany ensures constant interchange and collective refinement of projects”.

1 Ford designers: EcoSport is made in China, India and Thailand

2 GM Tech Center in São Caetano: HQ of global cars

3 GM testing field in Indaiatuba: waterproof test



3

The S10 pickup, initially projected and produced at GM's São José dos Campos unit, is an example. Since 2006, the Brazilian operation of GM has been globally responsible for creating and developing the architecture of medium-size pickups. The S10, a result of this work, also recently began to be produced in Rayong (Thailand). From there, it will be exported to other Asian countries and Australia. To please clients with such different tastes, habits and needs, GM's Development Center conceived two heights for the model, differ-

ent suspensions and three cab sizes – simple, extended and double.

In the opinion of specialists, the global project development model could help Brazilian assemblers in the sector's transition to the new auto regime announced recently. In effect from 2013 onwards, the new rules eliminate the automatic IPI tax discount. In order to pay less tax, automakers will have to meet specific targets, improving the energy efficiency of vehicles by at least 12% over the next five years, meaning a technological challenge: to meet the targets and be entitled

to the tax reduction, automakers will have to invest more in innovation and engineering. “The regime raises the bar for all companies, but those that already have global engineering projects are better prepared, since they already invest more in state-of-the-art technology to reduce costs”, says Ford executive Mr. Golfarb. And he mentions a telling number: given the current requirements and demands of the Brazilian market, spending on the project of a model, which a few years ago represented only 10% of the launch costs of a new vehicle, today total, on average, 30%.

The Brazilian Pavilion in Frankfurt: new markets

Emerging Literature

Publishers have begun to write a new chapter on the international expansion of the Brazilian book

DENISE TURCO

Before *Barba ensopada de sangue*, the fourth novel by Daniel Galera, had even been launched in Brazil in mid-November, the publication rights had been sold to the US, Germany, Italy, Spain, France and the UK by Galera's publisher Companhia das Letras. Galera (33) comes from São Paulo but lives in Porto Alegre and aroused the interest of foreign publishers while building his literary reputation. This is contrast to other Brazilian authors — such as Jorge Amado and, more recently, Paulo Coelho — who were very popular in Brazil before they won an international audience. *Barba ensopada de sangue* is the story of a teacher who finds refugee on the beach at Garopaba in Santa Catarina state and investigates the circumstances surrounding the death of his grandfather, in the same area,

decades earlier. Like Galera, Michel Laub from Rio Grande do Sul state, will also gain foreign readers. The rights to his latest book, *Diário da Queda*, have been sold to nine countries. Laub (39) is the author of five novels, also published by Companhia das Letras. He was one of nine

Brazil will be the guest of honor at the Frankfurt Book Fair in 2013

Brazilian authors who took part in the Frankfurt Book Fair in Germany in October, the biggest event of its kind in the publishing industry. The other Brazilian representatives were Milton Hatoum, Luiz Ruffatto, Marina Colasanti and João Paulo

Cuenca. The strong presence of Brazilian writers was a foretaste of an invasion that will take place next year when Brazil will be the guest of honor at the 2013 Fair. This is another sign of the growing international interest in Brazil's publishing output. The large Brazilian houses took advantage of the latest Frankfurt event — the main entry to the international market — to set up their own stands while 33 small and medium publishers shared a collective space reserved by the Brazilian

Publishers project. The aim of this initiative is to support the international expansion of Brazilian literature and it was carried out in cooperation with the Brazilian Trade and Investment Promotion Agency (ApexBrasil) and the Brazilian Book



BUCHMESSE/BOOK FAIR FRANKFURT



Chamber, local acronym CBL, (see box on page 42). These small and medium-size publishers would not have had the individual resources to take part in such a fair and the initiative allowed them to hold more than 900 meetings and sell US\$ 35,000 in authors' rights. (The big publishers would not reveal their figures.). "The business only begins at the trade fair and comes about gradually," said the CBL president, Karine Pansa. "We expect to negotiate another US\$ 135,000 in authors' rights in the coming 12 months."

The numbers are still modest but they point to a promising change. Brazilian publishers no longer go to the fair only to buy foreign books but also to exhibit their own authors on the global market. Countries that showed the greatest interest in Brazil's publishing production in Frankfurt were Germany and the

THE WORLD'S BIGGEST READERS

Study by the International Publishers Association outlines the world's publishing market

	(€ BILLION)	(PER MILLION INHABITANTS)
	ESTIMATED MARKET VALUE	BOOKS LAUNCHED OR REISSUED
World	105.6	-
US	31	1,080
China	10.6	245
Germany	9.7	1,172
Japan	7.1	-
France	4.6	1,242
UK	4.1	2,459
Italy	3.4	956
Spain	2.9	1,692
Brazil	2.5	285
India	2.5	-

Fonte: International Publishers Association (IPA), Drawing the Global Map of Publishing Markets 2012



UK, followed by France, the US and Italy. Contemporary literature is the kind that most attracts foreign publishers which are looking for new names to offer readers in the coming decades. “After a long period of limbo between the 1970s and 1990s during which Brazilian prose almost disappeared from the map, a new generation of writers has been ar-

iving in great force,” said another of this year’s guest writers, Cristovão Tezza from Santa Catarina who lives in Paraná state. Her novel *O filho eterno*, published by Record, won an award on its Brazilian launch five years ago and has been sold to Italy, Portugal, Australia, Holland, Mexico, Croatia, Denmark, Ukraine, the US and China.

During the event, the National Library Foundation (FBN), linked to the Culture Ministry, launched the first issue of a magazine called *Machado de Assis – Literatura Brasileira em Tradução*. The publication was made in partnership with the Itaú Cultural Institute and aims to provide a free sample of Brazilian production for agents and pub-

APEXBRASIL GIVES A HELPING HAND

IT IS only natural that there should be a lack of knowledge and preparation for going international in a market that is so new. Some of the large publishers have experience in negotiating rights with literary agents and publishers abroad but others are still learning how to operate. This is the gap which the Brazilian Publishers program created by the CBL and ApexBrasil in 2008 is trying to narrow. There are 57 publishers involved in this initiative, mainly small and medium-size companies, 33 of which took part in Frankfurt event in October. ApexBrasil project manager Christiano Braga says the challenge is to find the right reader for each book. To do so, the program investigates the culture,

language, legislation and growth potential of a number of countries and provides the results of the survey as a consultancy service to the publishers. One example shows how it is essential to adapt: German children, for example, usually read long books of 100 to 150 pages and are not used to the small colored books which are common in Brazil.

The program established priority markets where it intends boosting the sales of publication rights. These are: Chile, Mexico, Colombia, France, US, Angola, Germany and South Korea. Germany, the third-largest world market, is a country which Apex has been moving closer to, says Braga. The approach to France is to le-



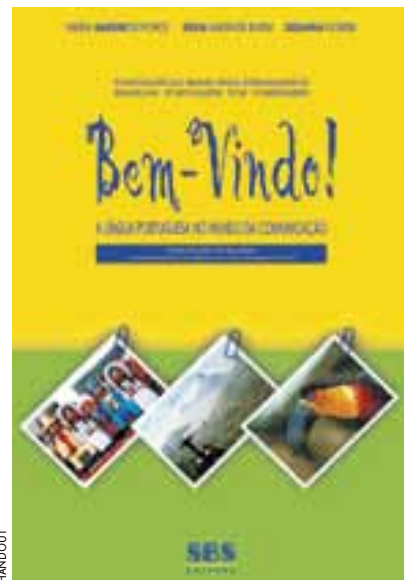
1
BUCHHEISE/BOOK FAIR FRANKFURT

1 Clarice Lispector on screen: tribute to be paid to Brazil in 2013



2

2 Milton Hatoum: published in 12 languages and 14 countries



3

3 Bem-Vindo!: Portuguese for foreigners

lishers on the international market. The magazine presents chapters and excerpts from books translated into English and Spanish. The magazine has a quarterly online edition and two printed issues a year. The first issue featured texts by classic and contemporary Brazilian authors. The second issue will be dedicated to fiction and poetry and the third

to literature aimed at the children's and adolescent market.

It is not only fiction writers who have been having an impact on the foreign market. The publisher SBS/HUB Editorial from São Paulo has sold 135,000 copies of its book on teaching Portuguese, *Bem-Vindos*, in recent years, with sales boosted by the higher number of foreigners

interested in learning the language. Obviously, this new interest in Brazilian literary production has been also spotted by foreign investors. The best example of large international publishers' interest in having a presence on the Brazilian market occurred at the end of 2011 when the British group Penguin acquired 45% of Companhia da Letras. What is be-

verage its strong cultural link with Brazil, boosted by the global influence of French art and language until the middle of the 20 century. In the United States, it is focusing on libraries that buy lots of books. Within Latin America, Braga highlights Colombia as a country that is showing great interest in Brazilian works, along with important markets such as Mexico and Chile. South Korea is a country that is beginning to be looked at. Although little is known about it, an interest in Brazilian literature has been noticed, particularly in children's books.

ApexBrasil supports the Brazilian publishers by organizing and paying part of their participation

costs in international fairs. On the other hand, it is also trying to attract potential foreign buyers to the Brazilian Book Fair that occurs every two years and it brought German publishers over this year. Another showcase with great exposure abroad is the Paraty International Literary Festival. Cortez Editora says the Brazilian Publishers program is essential when it comes to participating in events abroad as the costs would be unviable otherwise. The company also started to make editorial changes, such as translating part of its books into English or Spanish to show them to potential buyers at the international fairs.



DANILO MAXIMO

hind all this movement? There are a number of reasons, according to the publishers and the sector's organizations. The first is that Brazil's increased economic and political importance on the global front has led

to a greater interest in its literature, language and publications in general. However, the more professional approach by the Brazilian publishers, public policies encouraging the sector and expanded readership

base are also important factors. The Brazilian Book Chamber says sales on the domestic market (excluding government purchases) rose by 9.8% in 2011 while the average book price fell by 6.1%.

BRAZILIAN AUTHORS THE WORLD IS READING

WHAT KIND of Brazilian books do foreign publishers want to translate? It is difficult to give a definite answer from a literature that is so diverse and from a country as big as Brazil. "There used to be a certain exoticism in our literature that attracted attention," said Michel Laub, the author of *Diário da Queda*. His book is about a narrator's memories and thoughts of his childhood and family, particularly his father and grandfather, the latter a survivor of Auschwitz and author of a secret diary. "This has changed but I don't yet know how the change will come about in terms of literary form. Nobody knows." Among the highest regarded authors is Clarice Lispector from Recife who draws most attention from foreign publishers seeking the support of the National Library Foundation for the publication of Brazilian writers. Jorge Amado and Machado de Assis are also in demand. Amado, from

Bahia state, was the author of *Gabriela* and the big international star of Companhia das Letras, with more than 60 author's rights contracts. Alberto Mussa and Adriana Lisboa are outstanding among contemporary writers.

Budapest by Chico Buarque was published in 24 countries and is a recent success. Others were *O Xangô de Baker Street* by Jô Soares, *Boca do Inferno* by Ana Miranda, *Órfãos do Eldorado* by Milton Hatoum and are all available in 20 countries. Germany is the country that publishes most Brazilian books. The most translated writer into German in recent years is João Ubaldo Ribeiro although Hatoum, Chico Buarque and Bernardo Carvalho have also been in the top ranking. Apart from Germany, there is great interest in Brazilian books in Romania, Spain, France, Italy and Argentina.

Some other very popular authors in Brazil have



BUCHHEISE/BOOK FAIR FRANKFURT

2

1 Karine Pansa of the Brazilian Book Chamber: stand for small publishers

2 Michel Laub: appearance in Frankfurt

3 Paulo Coelho in Dutch: he appears in the Guinness Book of Records

The Brazilian market was small and closed until relatively recently but has gained weight and visibility. A study of 50 countries by the International Publishers Association (IPA) which was presented at the Frankfurt Trade Fair put Brazil as the ninth-largest publishing market in the world, with an estimated value of 2.54 billion Euros. This puts Brazil only behind rich countries with consolidated publishing industries and China, the steamroller of the emerging markets (see box on page 41). All these factors — plus the positive view of the quality of the

works of fiction, academic and technical literature and children's books produced in Brazil — have started to position the country as a producer and exporter and no longer just a buyer of works from abroad.

Companhia das Letras from São Paulo is one of the publishing houses with experience of setting up opera-

The number of books sold in Brazil expanded by 9.8% in 2013

tions abroad. It has been pinning its hopes on new writers to gain international market for some time. Its catalogue includes one of today's most internationally appreciated Brazilian writers, Milton Hatoum from Amazonas state. Hatoum is the author of *Relato de um certo Oriente*,

Dois Irmãos, Cinzas do Norte and Órfãos do Eldorado. His novels are set among families of Arab immigrants in the Amazon region and have won him the most important domestic literary award, the Jabuti Prize, and have received good reviews abroad. Hatoum has been published in 14 countries and translated into 12

languages; English, Spanish, French, German, Arabic, Catalan, Chinese, Croat, Greek, Dutch, Romaine and Serbo-Croat. (see below) Companhia das Letras is trying to repeat Hatoum's success

but all it would say about Frankfurt was that it had sold more than it bought without revealing any figures. This confirms that the international market is becoming even more receptive to Brazilian works.

The same view can be heard from publishers of scientific and

managed to repeat their success abroad. Paulo Coelho is the best known and entered the Guinness Book of Records in 2009 as the most translated author for a single book — *O Alquimista* which appears in 67 languages. Coelho's publisher, Editora Sextante, says he has sold 140 million books in 168 countries in 73 languages. Editora Melhoramentos has a strong presence in Mexico and Central and South America with *Meu pé de laranja lima* by José Mauro de Vasconcelos, *O Menino Maluquinho* and other children's books by Ziraldo, which are its international drivers. *Meu pé de laranja lima* is almost an inexplicable phenomenon in South Korea. The company's superintendent, Breno Lerner, says that when the series was launched on a Korean TV station in China, the main actress appeared in front of the cameras red-eyed from crying and said she had just read the book and had been so touched by the story. As a result, Melhoramentos ended up selling the book rights to a Chinese publisher.



3 HANDOUT

technical, professional and academic works. Editora Melhoramentos, a traditional publishing house from São Paulo, has signed agreements in its three operating areas – gastronomy, children’s books and dictionaries. For example, it has licensed the content of its well-known dictionary, *Dicionário Michaelis*, for technology companies in Russia and Japan which need a data base in Portuguese to integrate their computer applications and programs. Cortez Editora, also from São Paulo, which has been active in the market for 32 years, took advantage of the chance to get to know potential partners and sound out the foreign market for education, social service and children’s literature, according to its executive director, Antonio Erivan Gomes. The initial aim is to fly the flag abroad, with 20 titles such as *A importância do ato de ler* by the education specialist Paulo Freire. Cortez’s experience on the international market has only been brief and it is considering making its international operations more professional.

The niche of publications teaching Portuguese language to foreigners was the theme of a speech in Frankfurt by the CBL book director, Susanna Florissi, who is also the international director of SBS/HUB Editorial. She says the number of people interested in studying Portuguese has been increasing on a yearly basis as a result of Brazil’s economy which is attracting a new wave of foreign executives, workers and students. Susanna says that Portuguese from Portugal is gradually losing its dominance in terms of teaching as foreigners want to learn the Brazilian version. This is what led SBS, which is based in São Paulo, to create HUB Editorial, a division that produces digital interactive

Portuguese teaching books and preparatory material for the Celpe-Bras tests, the Brazilian proficiency certificate for foreigners. (As already mentioned, it publishes the language primer *Bem-Vindos* which has been successfully sold abroad.) Susanna said Brazil has not appreciated the economic value of its language. “In England, for example, there are two enormous publishers - Oxford and Cambridge - which produce material for studies in the English language, interchange programs and prepare translators for tourism.”

The effort to expand the presence of the Brazilian book abroad has relied on the support of the National Library Foundation in another area. This year the FBN announced a US\$ 35 million investment program that will run to 2020 with the resources directed at financing the translation of Brazilian books and promoting Brazilian



HANDOUT 1

authors and literature through their participation in events, residential programs and supporting trips, lectures and meetings. (see below). The FBN created the International Book Center (CIL) in June this year which will be responsible for managing

SUPPORTING TRANSLATIONS

IN 2011, the National Library Foundation restructured and expanded an existing program created in the 1990s to support the translation of Brazilian authors. The FBN finances the work of foreign translators of Brazilian books. Over the last 14 months, it has made 141 translation grants (178 in total between 1991 and 2010). One example is *O Único Final Feliz Para uma História de Amor é um Acidente* by the Rio de Janeiro writer João Paulo Cuenca. The book was issued in 2010 by Companhia das Letras and published in Germany this year by A1 Verlag, translated by Michael Kleger with the support of the FBN.

The FBN also supported the publication in Argentina by El Cuenco de Plata of *A Obscena Senhora D. and Cartas de um Sedutor*, novels by Hilda Hilst who died in 2004. She had been already translated into a number of languages and her works will be now recreated in Spanish by the writers Teresa Arijón and Bárbara Belloc. Other five books by Hilda Hilst will be translated into English and published in the US by Nightboat Books. German publishers will translate Ronaldo Wrobel, Adriana Lisboa and Haroldo de Campos, while Reginaldo Prandi and Luis Fernando Veríssimo will be translated into French and the work of Jorge Amado will be published in Catalan for the first time. Until now the program has included translation of fiction but

these resources. Besides increasing the Brazilian presence at international events, it will be working on Brazil's participation at the upcoming Frankfurt trade fair in 2013, and the Bologna Children's Book Fair in Italy in 2014, the most important in the segment. It will also be involved in forthcoming events in France (2015), the UK (2016) and New York (2017).

The program for 2013 when Brazil will be the guest of honor at the Frankfurt Book Fair is being developed. The president of the National Library Foundation, Galeno Amorim, says the aim is to show the diversity of Brazilian literature and culture without falling into the clichés of football and carnival. Daniela Thomas, who was responsible for Brazil's artistic production at the closing ceremony at the London Olympic Games when the baton was handed over to Rio de Janeiro, will

create the visual look of the Brazilian Pavilion. Along with exhibitions and debates with authors at the fair itself, there will be a parallel program on Brazil in the main museums and cultural spaces in Frankfurt and

Demand has increased for books teaching Portuguese to foreigners

other German cities.

What was previously a mere brush with internationalization, with one-off initiatives, is now developing and becoming a consistent narrative. "We are at the beginning of an expansion of the publishing market on the international front," says Breno Lerner, superintendent of Editora Melhoramentos which

has been a pioneer and taken part in publishing events in Germany for 40 years. "It will take a long time for us to get to the top." Companies will have to make efforts to ensure they do not to repeat the failures of the past. In 1994, for example, a tribute was paid to Brazil at the Frankfurt Fair itself and the country gained lots of publicity which helped companies strike new deals. The problem was that there was no continuity. At that time, the publishers were more concerned about buying foreign titles than selling authors' rights from their own catalogues. Now it is time to turn this story round.

from November it will include technical, scientific and children's literature.

The FBN has also created a residence program in Brazil for foreign translators to work on a Brazilian book. They can apply for a grant of US\$ 7,500 to stay in Brazil for around three months. The first 16 winners of the grant will be in Brazil from January and August 2013. Among those will be the Argentinean translators of Hilda Hilst, Dominique Nèdellec, the translator of *Diário da Queda* by Michel Laub into French, and Maria Papadima who translated the Machado de Assis masterpiece *Dom Casmurro* into Greek. The idea in the future is to house the grant winners in an 18th century mansion in Paraty in Rio de Janeiro state where Julia da Silva Bruhns (1851-1923) was born and lived. She was the mother of Thomas Mann, one of the most famous German writers of the 20th century and author of *The Magic Mountain*. Her father was German and her mother Brazilian and she lived

in Germany in adulthood. The FBN intends restoring the house to welcome the foreign translators during their stay in Brazil in a similar way as some other countries.



BUCHMESSE/BOOK FAIR FRANKFURT



HANDOUT

Paying attention to the differences

Indian professor claims the world is not flat, that countries remain different and says globalization is only a partial process

ARMANDO MENDES

Brazilian companies are becoming increasingly multinational but Brazil still remains a country that is not deeply connected to the world in some aspects, according to Pankaj Ghemawat, professor of strategic management at the IESE Business School of Barcelona and a specialist in globalization. Ghemawat, who was born in India, was in São Paulo in November for a global meeting of former students of the IESE held at the ISE Business School, a Brazilian business school associated with the IESE. He showed the participants that Brazil came last among 125 countries in an index that measures the flow of international merchandise trade in relation to GDP, according to the DHL Global Connectedness Index 2011 report (a position that was unchanged in this year's edition). Ghemawat, a graduate of Harvard University, where he has also taught, says in his works that the world economy is only partly globalized. He claims the world has not become flat and says that differences between countries — geographical, cultural, economic and administrative — are very important for companies that aim to become global. We present extracts from an interview he gave PIB magazine in São Paulo.

You argue that even when they want to internationalize, companies still have to act locally. Why does this happen?

Contrary to the idea that the world is becoming entirely similar, it turns out that there are still huge differences. So when going overseas, probably the single most common mistake is to assume that, because it worked at home, it is going to work overseas. That is only true by exception. You must pay attention to differences between countries, and figure how to address them. This, parenthetically, is one of the reasons why there are so many multinationals. While all countries are different, those within a region are obviously not just closer geographically, but culturally. Often, they have similar legal systems and other commonalities. So Portuguese and Spanish are different, but not quite as different as Portuguese and Chinese, for instance. Part of the reason we see such heavy focus on the home region — by Brazilian companies, and Fortune Global 500 in general — relates to the fact that while even within a region there are large differences, they are frequently much smaller than differences between two randomly selected countries in different regions of the world.

The mistake you point out; is it also made by multinationals from emerging countries?

There is huge variation. Some are very successful and some are not. Still, having said that, co-author Tom Hout and I wrote an article

in the *Harvard Business Review* about the different challenges that emerging market companies face relative to multinationals from developed countries. Multinationals from developed countries typically already have brands, technology, management systems. Their problem is that the *locus* of world growth is shifting from developed to developing countries. Over the last five years emerging markets accounted for about 65-70% of growth in world demand, unprecedented in recent history. Moreover, that seems set to continue. So the problem developed-country companies have is “ok, how do we localize our cost structures?” because many multinationals — when they think seriously about doing more than skimming the top of the Brazilian, Indian or Chinese markets — really need to push harder at what locals excel at: cutting costs, becoming more locally relevant, etc.

And what do companies from emerging countries need to do to ensure the success of their international expansion?

Their challenge is how to acquire the brands, technology and management systems that would allow them to meet these developed-country multinationals head to head. They also face one disadvantage that developed-country multinationals did not. When Phillips started going

global, 110 years ago, there were no multinationals to block its progress. There are some advantages to being first.

What advantages are these?

When I think of Indian pharmaceutical companies trying to expand overseas, their competitors are very concentrated, have lots of market power and seem willing to resort to extremely aggressive tactics to deny these companies a foothold. If they know that a company like Ranbaxy or Dr. Reddy's is investing in a new molecule that would allow them around somebody's patent wall, it is a big deal — it is tens, if not hundreds of millions of dollars. More than once these companies have been ready to come to market with a new product, and the multinational effectively licenses its product — which is about to go off patent anyway — to six other players. As a result, they end up bringing down the price structure and crushing these companies' economics. And that only happens when you have relatively concentrated players in a market. If there were a thousand multinationals, no one of them would have the incentive to do this. But if you're Pfizer, you dominate a particular category and you see others trying to offer Lipitor substitutes, there are many things you can do to make it less interesting for them. So, that is the fundamental difference. They have different strengths and weaknesses. But the big advantage that the established multinationals have is that they are established. They are big. They have the resources. They have power to retaliate.

And what strategy can emerging multinationals use to offset this power?

One interesting variant on strategy has to do with South-to-South trade, which is the fastest growing category of world trade. Take a sports utility vehicle from Mahindra & Mahindra in India. That car, called the Scorpio, will never make it in the West. It doesn't go fast enough, it doesn't have the finish, but the point is: it's designed for very bad roads, it's very durable, it's very simple to repair. And so it has actually been a success in penetrating markets like Africa, which values the same kinds of product characteristics.

Established multinationals are adopting highly aggressive tactics against emerging competitors

Are there any other strategies?

In my work, I've talked about three broad strategies for dealing with differences: arbitrage, which is exploiting those differences, adaptation, which is somehow adjusting to them; and aggregation, nonetheless finding some way to overcome them and achieving at least some degrees of cross-border scale economies. Emerging market multinationals can either go up against the older multinationals or they can say "Let's go find other markets close by with needs similar to what we already offer and penetrate that". Which is what the multinationals are basically about.

That's what Brazilian multinationals are also doing to go to the African

market, is not it?

Yes, Africa as well — and Brazil is not the only example. You know Odebrecht very well, so let me tell you about Turkish construction companies. These are guys that are now very big, but they basically got their start working in geographies where US and European contractors didn't really want to go because they were difficult environments and politically risky.

Is it that the case of North Africa?

Yes, Libya, for instance, in the old Gaddafi days. It's been a strategy of partly exploiting geographic contiguities — so the Turkish expanded into Russia and Central Asia —, but there has also been a big focus on saying: "Ok, let's go where the multinationals are not willing to go or where they demand triple pay for hazards and such."

Chinese companies are following the same path, aren't they?

The Chinese are very good at that as well, which is a reminder that it's more than product characteristic similarities that make it easy for a multinational to expand. If you're from Brazil and you have, thankfully, less recent experience in macroeconomic volatility, perhaps it's easier to operate in some other markets around the world compared to, an American company whose headquarters lacks understanding of how to manage through the whole cycle. You see it clearly with US companies operating on this continent. They build up presence over years and then, historically, every time there is a crisis they rush to sell at the worst possible moment. I remember being in Argentina during the *corralito*. The swiftness with which US companies decided

to dispose of stakes was interesting. My bank at the time — the Bank of Boston — sold assets held for a hundred years to the South Africans, just like that. The South Africans were very happy. I actually talked to them in São Paulo and they were explaining to me how they got these assets at about a third of what they were actually worth because the Americans were in such a rush to leave.

Within these political relationships, you also consider important colonial ties.

The colony-colonizer relationship, in fact, reminds us that these are very deep-rooted effects. It takes a long time to build up international connections. Think, for instance, of Spanish investment in Latin America. Spain's colonial ties with much of Latin America expired close to two hundred years ago with the Bolivarian Revolution. Yet, Spaniards still find it relatively easier to think of doing business, particularly investment, in parts of Latin America. That was helped a little bit by the conjuncture of timing. Spanish companies started looking abroad when Latin America, following Chile's example in particular, started going through major privatizations, in the 1990s. The most obvious thing for Spanish utilities and banks was — “Ok, we don't think we can quite cut it against the European companies, but looking at these markets, we think we have some advantages and we don't think it will be that difficult.” And so this is how Santander explained to me its expansion strategy. The long-term target was Europe, but the short-run was Brazil, Mexico and, given the success of the operations, they built up here.

If you had just one tip for a Brazilian company going global now, what would that be?

Let's start before such a company goes global. Companies usually decide to go global when they have run out of room to grow at home. That means they have been successful. As a result, these companies are particularly vulnerable to thinking: “If it worked at home, it is going to work everywhere.” It's like Wal-Mart. Somebody asked Lee Scott [then the CEO] why he thought Wal-Mart would be successful internationally

**Don't
imagine
that if it works
at “home”,
it will work
anywhere**

— this is back in 2004 — and Lee said something like: “Look, if you could move from Arkansas to Alabama, how much harder is Argentina going to be?” That's the mentality that must be avoided, and that is why I spend so much time trying to convince executives that it is not just inaccurate, but very dangerous to believe the world is flat — that differences don't matter, that national borders have ceased to have any effect — because it just reinforces this latent tendency to do in a foreign market whatever you've been doing all along that made you successful.

What should they do instead?

Step number one: rather than assuming that your strategy will

work, try to take a good, hard look at the differences that matter most in your industry. Language is going to matter more for a custom software company, with lots of interactions with the client, than for a cement company. It is the managerial challenge to say: “OK, in my industry, which of these factors really matters the most?” And then, having figured out what the relevant differences are, that's where you have to get creative, try and think of which of those three broad approaches — arbitrage, adaption and aggregation — you're going to try and follow, which also has some implications for where you want to try and go.

What advantages, then, would you advise emerging multinationals to develop if they want to be successful abroad?

A lot of it depends on the business you're in. For Embraer [the Brazilian aircraft company] it was never viable to focus on the Latin American market. It is not large enough to support a first cost of product development. For Alpargatas [a Brazilian footwear producer], it is a little bit easier to think of doing things on a purely regional basis. So, I avoid saying “never go far away from home”. The basic point of my work is: it is never a good idea to assume that overseas is like home. The idea is not that nobody should ever go to India or China. But, if your major reason for going to India or China is that you've figured out that there are lots of Indians or Chinese, this is not a proprietary insight! [laughing]. You would be better advised to try and figure out how these markets are going to be different, and how you will manage those differences.

Virtual bridge

Brazilian startups are learning the path to Silicon Valley, and receiving rewards and investments

JULIANA RESENDE/BR PRESS

Silicon Valley, in the US, and Brazilian startups (the name for Internet newcomers) are discovering each other. Silicon Valley, as we well know, is the region to the south of San Francisco, in California, the birthplace of the digital economy and home to many of the companies that invented it: Apple, Google, HP, Facebook and Intel to name just a few. For Brazilian youths dreaming of becoming the next Steve Jobs, discovering Silicon Valley means drinking at the best fountain of investments, technology and “the way of making” a start-up work. Silicon Valley investors and entrepreneurs, for their part, find in Brazil an attractive market and a still unexplored source of technological, business and creative talent.

How is this mutual discovery playing out? Several ways. Investors in Silicon Valley are looking for promising companies in Brazil; Brazilian entrepreneurs are going over to Silicon Valley to absorb the culture of technology and local businesses,

and many people are creating instruments such as blogs, sites, fairs and exploration trips in an attempt to seal a promising interchange. As a result, information technology (IT) and the ‘made in Brazil’ digital economy are gaining space at mega events that serve as a shortcut for the internationalization of Brazilian startups.

One of these events took place in September, in San Francisco: the scenario was TechCrunch Disrupt,

Brazil had its own stand at the TechCrunch Disrupt event this year

a packed-out conference on digital technology businesses that attracts people from all over the world and stars such as Mark Zuckerberg (the Facebook creator). This year, the Disrupt event focused especially on Brazilian startups, in recognition of

their increasingly large presence in the global scene: for the first time, everyone came together at the same place, the Brazilian Stand, where around 40 startups presented ideas and cases to foreign investors.

In the heat of the TechCrunch Disrupt, another encounter (as part of the main event) shined a spotlight on Brazilian startups: StartupiCon: Valley Meets Brazil, a “business night” attended by Brazilian entrepreneurs and Silicon Valley investors.

The night was organized by Bob Wollheim, partner of a pioneering site dedicated to the theme, Startupi. “There was lots of interest and some businessmen had meetings with potential investors”, says Diego

Remus, editor of Startupi. In short: over three days, young Brazilians had a unique opportunity to face the most expected and feared ritual of the startup community – the pitch, the moment, repeated over and over, in which they have to sell the busi-



HANDOUT

ness to investors and partners – to the best prepared and demanding audience at the heart of the world's digital economy. And the more succinct and persuasive, the better.

There couldn't be a better environment for people like Rodrigo Griesi and Daniel Wunderlich, the creators of the Moovia.com platform, from Florianópolis (Santa Catarina), who were part of the Brazilian entourage in São Francisco. Moovia is a professional social network that wants to go beyond just sending out CVs. According to its creators, the network enables the user to manage projects and work in a community in the way the startup crowd love — always connected online, in teams often physically distant from each other and involved in several projects at the same time.

The platform, according to its own numbers, already has 13,000 participants, houses 6,000 workspaces and has already attracted (in addition to Brazilian users) US, Chinese, Philippine and Italian users.

The Minas Gerais company transferred a subsidiary to Silicon Valley

In the opinion of Griesi, visiting the TechCrunch Disrupt event was like traveling forward in time and witnessing the birth of the technologies that will be used in 2020. "We came back with several potential client and investor contacts

and, just as important, we brought back innovative ideas that we can already start using in our products", he says. Another participant at the event, Gustavo (Guga) Gorenstein (born in Pernambuco but now living in Brasília) wants

to familiarize Brazilian consumers with the concept known abroad as cashback: upon making an internet purchase via its startup site Pou, consumers receive back part of the price

of the product or service acquired: around 3%, varying from one seller to another. Pou also makes money by directing consumers to the virtual store (see box on page 54).

Some Brazilian businessmen have already made healthy inroads



1 2



into the path that Griesi and Guga are starting to plough. Gustavo Lemos, a 32-year old from Minas Gerais, is an example: a telecom engineer with a degree from PUC-MG, he did his PhD in Finances and Business at the Stanford School of Business in California. The company in which he is a co-founder, IDXP, has developed a technology for monitoring the behavior of consumers in real time in the physical world —

something that was only feasible in virtual stores, where you can follow and identify each click of the mouse. “We put intelligent labels on the products and supermarket carts – as if they were a GPS”, he explains. “I do in the real world what retailers already did on the Internet”. The labels enable us to track the movements of consumers and products in the stores...useful information for retailers to plan their offers.

The idea was an award-winning one: IDXP came first at the IBM SmartCamp Brazil 2011, a startup event organized in Brazil by IT giant IBM. Going forward, the planet has been the limit: in the dispute with the nine regional winners from around the world, at the IBM SmartCamp Global Finals in February 2012, the Brazilian startup won the “world championship” in the people’s vote (it was second in the

PICTURES: HANDOUT

FIRST STEPS

JOÃO ALVES, creator of the startup company WineTag (in Rio de Janeiro), was one of those in attendance at the TechCrunch Disrupt event in San Francisco. WineTag operates as a social network focusing on wine consumption — via the company, users receive personalized recommendations on the right wine for each occasion and can create and manage their own personal wine cellar. “Our main goal was to expand WineTag

to the US, raise fresh capital and/or seek partnerships with local companies”, says João. He believes the trip was well worth it. Three partnerships are being worked on, including one with an engineer who will help the startup adapt the applications developed in Brazil to US culture. “And ever since the trip, we have also maintained contact with a local investment fund”, he says.

Poup, run by Guga Gorenstein

(born in Pernambuco and living in Brasília), shows just how much of a newcomer a startup can be on arriving at such an event: the company, which he created with a friend in Brasília, was nothing more than an experimental blog at the time of the event. Poup only started operating for real, with its own site, at the end of November. Guga believes the visit was worthwhile for a number of reasons: from the chance to touch



1 and **2** Disrupt
and the Brazilian
stand: fair
of ideas

3 João Alves,
from WineTag
(d): partnerships
underway

he notes. “It is difficult to do business in Brazil when you compare the facilities here and in developed countries”. Facilities ranging from a highly favorable legal and tax environment for new businessmen, to funds and companies willing to make risk investments. Inhabiting such an advanced, startup-friendly ecosystem was the best thing we could have done, says Gustavo.” I hope to take some of the culture back to Brazil” (see table on page 56).

On route to California, the Belo Horizonte company took a shortcut: it resorted to the support of Plug & Play Tech Center, a startup investor and accelerator. What exactly does an accelerator do? It helps promising startups for a specific period — generally 3 to 6 months

jury vote).

Recognition of this caliber, more than just encouragement, proved to be a challenge: “We received calls from clients and investors from all over the world”, says the businessman. “It was a real wake-up call!” With the gauntlet laid down and duly accepted, Gustavo and his team transferred an IDXP subsidiary from Belo Horizonte to California, where he and two workmates have

been living for four months looking to explore the opportunities created by the award. “Here at Silicon Valley, we suffered a reality shock”,
3

base with potential investors and partners to the exchange of experiences with the Silicon Valley community. “I received a lot of feedback!”, he says. He openly admits that the trip helped “validate” Poup’s business model: online for only two weeks, its Internet store platform works with around 60 of the largest virtual e-commerce sites in Brazil and has generated sales of R\$50,000 so far.



— offering temporary offices, mentoring, legal and accounting advice and even small investments, leaving them able to stand on their own two feet at the end of the period. Plug & Play is a US company, but a Brazilian also played a part: Fernando Gouveia, manager of Plug & Play's international operations — and also in charge of identifying emerging market startups that could benefit from accelerated internationalization at Silicon Valley. In addition to IDXP, Plug & Play has helped other Brazilian startups. “We’re working with three Brazilian companies at the moment: Dabee, Mowaiter and IDXP”, says Fernando. The business focus is software and the internet and a “little bit of hardware”.

Fernando (25, São Paulo) fits the profile of Brazilians commuting between Silicon Valley and startup communities in different countries (including Brazil): These Brazilians are young and speak several languages (English is the standard language used on sites, in conversations



and events) and they are comfortable living anywhere in the world. Fernando has already lived in Mexico, Greece and Taiwan and graduated in Finances and International Business from Santa Clara Universi-

ty (California). From his privileged observation point, he endorses the strategy followed by Gustavo Lemos to internationalize IDXP: “The chances of a Brazilian startup obtaining foreign investments soar when

PICTURES: HANDOUT

PAIN AND PLEASURE

IDXP WAS created in 2010 and initiated its first practical experience of tracking consumer behavior in 2011, with the Minas Gerais supermarket chain *Supernosso*. The results appeared in six months, when it was possible to link the increase of up to 50% in the sales of some products to the information collected by the startup system. From there to internationalization, it was a very fast leap full of pain and pleasure. One of the pains, says Gustavo Lemos, is the nightmare of Brazilian bureaucracy, evidenced when IDXP decided to open its subsidiary

in Silicon Valley. The obstacles are unending and very costly for a startup company, he laments. “I insist on citing one: the Central Bank demands a balance sheet validated not only by our accountant, but by an accounting company certified by the Central Bank, and the cheapest one we found costs R\$15,000”, says the young entrepreneur, indignantly. “It’s investor money, for production, that we are spending on red tape”.

Such difficulties led Gustavo to face the phenomenon of entrepreneurialism in the country with a

heavy dose of reservation. “It is a superficial movement, considering the structural problems of Brazilian bureaucracy”. Gustavo, who is now involved in his second business venture, believes Brazilian entrepreneurs need to have a bit of the ‘foolhardy’ in them — with its connotations of both “stupid” and “crazy” — especially if they decide to go international. “I am making the absolute most out of this transition”, he says.

But it’s not all pain: there is also the pleasure. The IBM awards placed IDXP on the radar screen of



1

1 Brazilians in San Francisco: unique opportunity
2 Lemos (r), from IDXP: against bureaucracy

the 100 most innovative companies in the world by the Fast Company magazine. “Americans are an example for all budding entrepreneurs”, says Pripas. “It has a large domestic market, but thinks internationally”. Flávio steered away from the West Coast route when he decided to conquer the world — Fashion.me opened an office in New York, the fashion capital of the US. But he is

Intel Capital has already invested in six Brazilian startups

tionalization”: you have to focus on the specific details of your respective target audience, the idiosyncrasies of other people and cultures. “In my business of fashion and interactivity, the US public is much more reserved than its Brazilian counterpart”, he remarks. “Conversations

don’t flow so easily”.

The solution was investing in local partnerships and expertise, he says. Fashion.me has already hired a US employee and a fashion consultancy specialized in the New

York fashion segment.

In the world of the digital economy, the search for behavioral and technological ideas leading to good business deals is an obsession. Does IBM promote its SmartCamps to unearth promising startups? The chip producer Intel injects money into startups via its risk investment arm, Intel Capital. Again, a Brazilian startup managed to get its foot in the door: PagPop, from the São Paulo city of Ribeirão Preto (and with a technology center in Rio). In October, at its Global Summit (an encounter that brought together hundreds of businessmen from all over the world in California), Intel Capital announced investments of US\$40mn in ten startups — one of them is PagPop, together with another four in the US, two in China and one in India, South Korea and Taiwan. The São Paulo company has developed a payment system for freelancers that accepts credit cards via landline phones, mobile phones, smartphones and tablets.

“The market to expand this type of service transcends Brazil”, believes

they are based in the US”, he says.

That gets the consenting nod of Flávio Pripas, partner-founder of Fashion.me, a social fashion network in which people (women) create and comment on fashion looks. The company was listed as one of

also a fan of Silicon Valley: he is one of the organizers of the BRNewTech event, a meeting platform between heavyweight entrepreneurs to bring the Silicon Valley’s business culture to Brazil.

Flávio is already in a position to talk of ‘a lesson learnt’, which he calls “rule number one for interna-

2



US and French retail chains, with whom it is in negotiations, says Gustavo (the company has an office in Paris). And there is a new investor on the horizon, always welcome news — startups are always desperate for capital, to be able to develop their business models and grow. It would be the third injection of venture capital into IDXP: the first came from France and the second from a Brazilian angel investor (experienced market professionals who participate in startups with intellectual and financial capital).

Márcio Campos, CEO of the startup. The exact amount of the Intel Capital injection wasn't revealed, but the Brazilian company was included in the "A" category, meaning capital injections ranging from US\$2mn to US\$10mn. PagPop's story is a good example of another potential form of mutual discovery discussed at the start of this report: instead of Brazilian entrepreneurs going over there, Silicon Valley investors are bringing resources here to Brazil. This was the sixth investment of Intel Capital in Brazil in 2012 (Fashion.me, mentioned above, received one of these injections). For PagPop, it was the second capital injection received by the startup and the first from foreign investors. "It was a major



The government has R\$40mn to support startups by 2015

facilitator", says Márcio. Now with an office in São Paulo as well, the

company is gearing up to receive a third injection this year. "In 2013, Brazil will be our main focus, but we can already plan on expanding operations to Latin America", remarks

Márcio, toasting the new investor (who he doesn't identify). "It's a

caps lock! he says — the slang of computer fanatics for a big fish.

Next year, entrepreneurs in Márcio's situation will be able to raise capital right here, via the Startup Brasil program, launched in November by the Ministry of Science, Technology and Innovation (MCTI). The program is part of the government's *Plano TI Maior* investment

PICTURES: HANDOUT

SERIAL BUSINESSES

IN THE super-fast world of the digital economy, there is perhaps no better praise than to say that someone is a serial entrepreneur. In other words, someone who creates one business/deal after the other. If some don't work out, there's no problem: try again. Those looking to understand how this ferocious business environment works can resort to the book *A Menina do Vale* (*The Silicon Valley Girl*), by Bel Pesce, the Brazilian muse of this genera-

tion, who simply had to go and live in Silicon Valley. The book is a mix of a diary and a survival manual written by a representative of the species of serial entrepreneurs. Born in São Paulo, Bel sold custom jewelry door-to-door, graduated at the respected Massachusetts Institute of Technology (MIT), worked at Microsoft and did her master's at Google — all this before the age of 25. Bel is now running a startup (called Lemon) offering an applica-

tion to control personal expenditures. And she warns: "The path isn't an easy one, although it isn't as hard as it used to be".

And if the budding entrepreneur has a hard time understanding the startup tribe's language, how about looking up a guide to "startup=speak"? It exists, thanks to the Startup! blog, and is conveniently called "Startupedia" (it can be accessed at <http://startupsig.com.br/startupedia/>). In the

1 Pripas (r), from Fashion me: cultural differences
2 Gorenstein (c), from Poup: first steps
3 Bel Pesce book: survival manual



technology program to provide stimulus to tech-based companies. The objective is to invest R\$40mn in startups by 2015 — each one of the companies, which will be selected between January and March 2013, will receive R\$200,000. The official program, just like so many private-sector initiatives, will cultivate the increasingly strong ties between the

Brazilian startup community and Silicon Valley: a division of Startup Brasil in California is expected to be opened, coordinated by the Brazilian Pro-Exports and Investments agency (ApexBrasil), says Rafael Henrique Rodrigues Moreira, head

of software and IT services at MCTI. The aim is to open up doors to international sales and raise investments. “We are a country of entrepreneurs; at an entrepreneurial event in a capital city from Brazil’s Northern region, we had 3,200 inscriptions”, says Moreira. “Young people want to have their own IT businesses, and foreign investors believe Brazil has this major potential”.

No one is denying that the time has arrived for sun-tanned Brazilians (well, maybe not so sun-tanned!) to show their worth. But hype alone isn’t enough — media noise on the new frontier of the digital economy — notes Bob Wollheim, StartUpi partner. “There is an opportunity in Brazil, but the country isn’t a place from the ‘Wild West’ still to be discovered”, he says. “Much of the entrepreneurial energy needs the hype, since it helps to call attention and instills courage, but we realized that more consistent information is needed to guide foreign investors in Brazil”.

In other words: in a complex country, with so many bureaucratic idiosyncrasies, these investors need to understand the advantages and also the difficulties of doing business here. “Showing a well-grounded scenario, with more mature discussions and participants, sharing successful and failed experiences”, is Bob’s recipe — a task that could start in the pursuit of local partners for foreigners, “so that they become more ‘Brazilian’”. Danilo Amaral, from Trindade Investimentos, a partner of Bob and sponsor of the StartUpiCon meeting, Valley Meets Brazil, created an image for this inevitable stage of acclimatizing to the tropics: “Before doing business in Brazil, you have to learn to eat fried chicken with your hands!”

guide, you can learn that there is no shame in resorting to “love money” to start a business venture — i.e. the initial investment paid by family or friends who believe in the young entrepreneur’s idea (a Brazilian version is *paitrocínio* — a play on the words ‘pai’ = father; and ‘patrocínio’ = sponsor). At the end of the day, seed capital — which makes an idea blossom — doesn’t grow on trees, and angel investors aren’t found on every street corner.



Expensive animals

Businesswoman breeds alligators in Alagoas to export the skin and accessories that are coveted on the luxury market

SUZANA CAMARGO

Cristina Ruffo from São Paulo now knows everything about the habits and how to raise *caiman latirostris*, the scientific name for the alligator also known in Brazil as the *jacaré-de-papo-amarelo*. However, her first encounter with the animal gave her a real fright. Cristina was a journalist, living and working in São Paulo but had a heart attack at the age of 34 and decided to start a new life in the less stressful atmosphere of Maceió, the capital of the Alagoas

state. She opened a restaurant along with her second husband, an Italian called Silvio Garabuggio. To meet

Mister Cayman rears 16,000 animals, worth R\$ 180 million

the restaurant's demand for a tasty freshwater fish known as *tambaqui*, the couple began to rear them in an artificial pond. Once when she was

checking how the fry were growing, she got a great surprise. "When we lifted the net, there were three young alligators inside," she said.

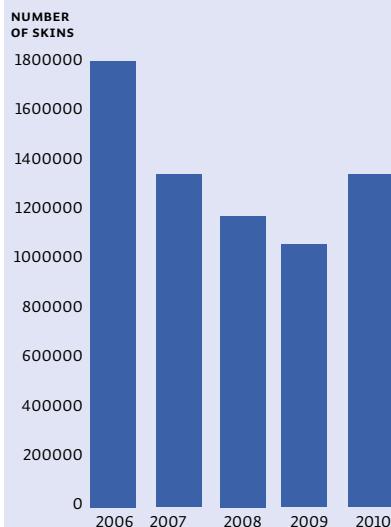
Her shock gave way to curiosity and aroused her entrepreneurial spirit. Cristina and her husband discovered that these unexpected guests could also be raised in a sustainable way. Even better, they opened good business prospects in the luxury goods and accessory market



Alligator
skin cut and
painted: high
added value

FINE SKINS

GLOBAL EXPORTS of crocodile and
alligator skins 2006/2010



Source: John Caldwell (2012). World trade in
crocodilian skins 2008-2010. UNEP-WCMC,
Cambridge.

HANDOUT

— shoes, bags, purses and wallets made with alligator skin. The result was the creation of Mister Cayman, a company that now has more than 16,000 alligators and an estimated value of R\$ 180 million. She sold 120,000 centimeters of skin last year, with 70% of the total production exported.

Cristina is cautious in terms of identifying the importers but she gives some hints. “I have clients who work with alligator skin and make their own line of products. The Borrelli brand of Turin is one and we

are negotiating with others,” she said. This discretion is part of the business as this raw material is great

**A shoe made from alligator
skin can cost more than
US\$ 3,000 in Europe**

tly in demand by the big brands which use them to make extremely expensive products. For example, shoes made with alligator skin cost an

average of US\$ 3,200 in Europe, said Cristina. A Hermès crocodile skin bag can be found on second-hand sites in the United States for US\$ 18,000. (If the client wants to queue up to buy a new piece in the brand’s store, she may have to wait several years and pay three times as much.)

Cristina had to learn a lot to enter this valuable and restricted market niche. After the three small alligators appeared on her pro-



perty in Maceió, she and her husband, who is an ethnologist (one who studies the habits of animals), brought a professor from São Paulo University (USP) who is a specialist in the caiman *latirostris* alligator to Alagoas. A nursery was set up in 1994 with the three first alligators, followed by several years of investment and studies. Cristina visited

Australia and the United States several times as both countries have great experience in raising alligators and crocodiles. “We were adapting the techniques we saw there to the climate in the Northeast of Brazil,” said Cristina. “Our rearing area was our laboratory”. The investment in the first years was not small and she estimates it came to approximately R\$ 3 million. However, she was always confident that she would get a return.

Demand for alligator and crocodile skins is very high throughout the world. (see box on page 64)

PICTURES: HANDOUT

NO RISK OF EXTINCTION

MISTER CAYMAN HAD to overcome a challenge before arriving on the international market which was to prove that its operation was sustainable and represented no risk of extinction to the Brazilian jacaré-de-papo-amarelo alligator. The animal is listed in appendix I of the Convention on International Trade in Endangered Species of Wild Flora and Fauna (CITES). This consists of species which have been removed from the list of those threatened with extinction in their countries of origin but still run some risk in other parts of the world. When these animals are reared in captivity, they can only be sold from the third generation on, i.e. the subsequent offspring of the first generation in the nursery

and this has to be demonstrated through projects with video and photographic proof.

Mister Cayman only received the authorization to export its *caiman latirostris* skins from the Brazilian Institute of the Environment and Renewable Natural Resources (IBAMA) in 2011. Cristina and her assistants had to get up very early in the morning for months over a five-year period to produce the required documentation. The alligators mate and lay their eggs at dawn between September and April. The eggs hatch after around 76 in an electric hatchery. “We did all the filming and photographed everything on a daily basis during the mating season and the laying period which only

happens once a year,” Cristina said.

The hatchery is now into its fourth generation and the fourth generation of the original animals. The buyers of the skins want them to be in an excellent state without any wounds, scars and scratches which means the animals have to be looked after carefully and given special treatment. “The skin of the wild animal is blemished by the effects of drought and rain as well as fights,” Cristina added. Those reared in the hatchery benefit from the greenhouse atmosphere which keeps them healthy and maintains the quality of the skin. They are also used in studies to improve their genetic stock.

Mister Cayman’s 16,000



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The Hermès Group announced in 2009 that it was investing to raise its own alligators in Australia to ensure the supply of the skins used in its bags. At that time, the French company was making 3,000 alligator bags a year and needed three to four crocodiles to produce a single item. A recent study by the United Nations World Environmental program - the World Trade in Crocodilian Skin 2008 - 2010/UNEP - stated that 1.3 million crocodile and alligators skin were exported in 2010. This was an increase over



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the previous year when just over one million units were sold. The biggest exporters were the United States, South Africa, Zimbabwe and Colombia.

The survey shows that the supply of the caiman latirostris species, which is natural to Brazil and Argentina, has increased in terms of world trade. Everything indicates that this is not a passing phase. "Fashion accessories made with this kind of skin have always been regarded as a very fine noble material and have been sold for at least a century," said Silvio Passarelli, director of the Lu-

1 Cristina:
getting away
from the stress
of São Paulo

2 Hatchery
in Maceió:
low costs

3 DuMotier
shoes and
bags: betting
on the brand

xury Management Program of the Fundação Armando Alvares Penteado University (FAAP). It is not surprising then that Cristina decided to go beyond being a mere supplier of raw material within the production chain. Last year she has launched her own brand called DuMotier.

The aim is to multiply Mister Cayman's revenues by selling its own line of accessories, created by a designer contracted in Italy and produced in a plant that has been set up in Maceió. Sixty employees



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animals consume two tons of poultry every day, consisting of parts that are unfit for human consumption. The maintenance costs for the hatchery in Maceió are low. There are three technicians who handle the animals and some administrative staff. Cristina's husband Silvio takes care of the feeding and reproduction. "Handling is kept to a minimum and we have built some customized equipment to deal with the alligators," she said. The animals are slaughtered between 18 and 24 months. The decision on slaughtering is not based on weight but the linear measure of the broadest part of the stomach. When opened the skins must be more than 40 cm in width. (This maximum measure for the stomach in centimeters is also the standard used in the international skin trade.) Two hundred animals are slaughtered per month. The females and larger animals are spared for procreation and to improve the genetic stock.

2



who have been trained by professionals from Florence — some of whom came to Brazil — produce 400 to 500 items a month by hand. These are men and women's shoes, bags, purses, wallets and belts. The plant is expected to produce 1,000 pieces by 2013 but no more than that.

Rarity means profit at the end of the day in this market. "The great advantage of this material is its scarcity," said Gabriela Otto, professor in the luxury marketing course at the Escola Superior de Propaganda e Marketing de São Paulo (ESPM). "It will never be a large-scale business since this would upset the consumers who want items that are exclusive, rare and difficult to make." Cristina agrees with this view. "We are not considering increasing the nursery area and we don't want to slaughter more animals. We are already gaining enough with the little we produce."

The greatest demand for products made with the skin of exotic animals come from those that Gabriela defines as the more mature markets: Europe and the Arab world. The keenest consumers in the European countries are the Italians and French. However, this kind of product encounters great resistance in Germany for environmental reasons. A lot of consumers feel uncomfortable about buying anything made with the skin of an animal, whether it faces the risk of extinction or not. This is also one of the reasons why the international brands make a point of ensuring

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CROCODILE OR ALLIGATOR?

IT MIGHT be difficult for the layman to differentiate one species from the other but there is no doubt in the eyes of specialists, particularly those involved in the sale and handling of exotic animal skins. Crocodiles and alligators belong to different families. The first is a *crocodilidae*, a name that cover 14 species. There are eight types of *alligatoridae*, commonly called the alligator (*jacaré* in Brazil) including the *Caiman* and *Paleosuchus* which are common in Brazil. In biological terms, alligators and crocodiles are different in the shape of their heads and alignment of their teeth. The *caiman latirostris* is also found in other South American countries and measures between 1.5 m and 2.5m. It is believed to have a lifespan of

around 50 years.

One centimeter of the skin of the *jacaré-do-papo-amarelo* alligator costs around 2 euros less than that of a crocodile. The skin of the *Crocodilo porosus* (the best known and raised in the wild) costs around 24 euros a centimeter. The skin of the *Caiman latirostris* sells for 22 euros a centimeter, always measured by the maximum width of the stomach of the slaughtered animal, according to the international practice. However, only 70% the crocodile's skin is used while 100% of the Brazilian alligator's skin is used. "Our animals have a smooth, delicate skin as they are reared in greenhouses and captivity," said Cristina of Mister Cayman. "Crocodile skin is much tougher".

2



1 Passarelli from FAAP: fine material

2 Colored skins: priced by centimeter

3 The caiman latirostris: South American alligator

that their raw materials are of legal origin and have been certified by the environmental and animal protection bodies. (see box on page 62)

The DuMotier shoes and bags are being exported to Dubai, Spain, Italy and the UK. To do so, an international support team was set up with representatives of the brand in the UK and Italy. Cristina, who speaks French, Spanish and Italian, makes a point of always being present in the initial contacts with potential buyers. She also shows her products at the Mipel trade fair in Milan. She intends working only with the production and export of these higher added value pieces shortly and winding up the skin exporting operation.

Her plans have not stopped there. She is considering opening a franchise of the DuMotier brand in Brazil and other countries. At the same time, she is active on two other business fronts: MrKrocco, which

sells the meat of the slaughtered animals — a kilo costs between R\$ 45 to R\$ 100s — and the Jacaré Sustentável project that offers individual investors interested in raising alligators 80 animals for breeding. The initial investment required is almost\$ 1 million. A new complex is being built in an area covering 45 hectares in São Miguel dos Campos,

Cristina also creates and sells accessories as well as exporting the skins

50 km from the present nursery. The work should be ready in three years and an estimated 40,000 alligators will be hatched every year.

Cristina's Pioneer work led her to receive the Sebrae Woman of

Business Prize this year. The Sebrae body which encourages small businesses helped her bring together the documentation required to export her products. This partnership subsequently led her to give lessons on the business to producers in the Pantanal region of Brazil and

Alagoas. As we can see, Cristina, who left São Paulo for a calmer life in the Northeast, has not managed to slow down the pace of life. "I only spent 21 days at home between March and October 2012. I

will shortly be making a trip to China as I have received lots of e-mails from people there." Asked if she is not afraid of the business becoming too big, she replies with a laugh: "It already is!"

PICTURES: HANDOUT



Don't turn your back on China

Brazilian business leaders must lose their fear of the Chinese and understand their way of doing business

MARCOS CARAMURU DE PAIVA*

An incident that occurred to me recently highlights the rather odd way we westerners feel ordinary Chinese think and behave. I needed to change home and asked my secretary to hire a moving company. She started phoning specialist companies and I became a little concerned when I overheard what she was saying. She was underestimating the amount of items to be moved and I thought the estimate would not reflect the real situation. I warned her: "We will have problems ahead".

However, she was not bothered. She claimed that this was how things worked in China. When the moving service arrived, they would immediately say there were more items than we had told them. If we had given the true amount, negotiating the price would have started at a much higher level. If we underestimate, she said, the negotiation will start at a level that will suit us in the end. Nobody ever says the exact amount to be moved and the estimate is only the beginning of

a conversation. The company did not believe in the price it stated and nor should we. "We will only know what you will pay when your things are actually installed in the new apartment," my secretary said.

On the fixed day, the movers arrived early. As expected, they immediately started to complain. "There are far too many things here. The estimate we gave you no longer applies." This led to a long and bitter negotiation on the cost of the move. The discussion became increasingly heated and the movers were carrying my things rather resentfully. "This is terrible," I said to my secretary. "These guys feel they are being exploited. They will break everything." "Don't worry," she replied, "this is how things work. When it is all finished, I'll give them a tip." To cut a long story short, a price was eventually established which I thought was fairly cheap. I paid, she gave them a tip and my belongings arrived in reasonable shape.

What can this episode tell us about the real state of China? Firstly, that pre-fixed estimates and price

do not have the same meaning as elsewhere. They are only the beginning of a conversation. Secondly, the final price always results from a dialogue and negotiation. You need to establish a contact between who is demanding and who is supplying the service. Although this appears to be confrontational, interaction is better than no contact. Thirdly, you need to be on the alert from the first moment in any negotiation. It is important for the party that is paying to have a low base figure while the side that is selling or providing the service needs to have a high figure. A white lie is part of the game. Not lying just confuses things.





Anyone looking at the Chinese economic situation will face practices and procedures that, just like my moving episode, seem bizarre. One example, if an investment looks profitable, there will be such a high number of investors interested that the end result is chaos on the market. After that, a time will come when everybody starts losing and the sector that received the investments will enter a consolidation process. Those who are best prepared will survive. Something similar happened in the aviation segment, for example. When China decided to open the civil aviation sector, the number of companies that prepared

themselves to fly passengers was extraordinary. As expected, this led to chaos. From then on, the aviation sector has consolidated and begun to function in a more or less balanced way.

A few days ago I was talking to a banker who said: "I never make an analysis of companies. I never know how many investors there are in the business segment that is asking for a loan. I ignore how things will probably happen. I only assess the skills of the executives. In my bank we send the head office analysis of people, not businesses, with com-

China will be the greatest source of opportunities in the coming three decades

ments on performance, not on figures". Things happen more or less as follows. Chinese businessmen often start investments without any kind of risk evaluation or business plan. They know that there will be some difficulties ahead and try to protect themselves to deal with it. They feel the best way of protection is to build a group of relationships that will ensure they have someone to turn to when things start to go wrong.

I will make now a brief analysis of the political and economic situation in China. I will then deal with investments in a more general way and, finally, give some tips for any-

one who wants to do business. Let's start with politics. The Communist Party has just chosen its new leaders for the next 10 years. The president and prime minister who have been chosen belong to a group of leaders who have often been called reformers. This means they believe that China needs to open up further, modernize more and make advances in reforms. On the other hand, there is a large group of political leaders who think that the opening has already caused very serious social problems. A bigger opening will expand the social differences.

Besides this split, the country also faces an economic dilemma. China will grow in the coming 10 years for one simple reason: it is a poor country, with basic needs that still need to be fulfilled. Poor countries that are well run tend to have high growth. This means that China's economy is guaranteed to grow by at least 5% to 6%. However, a country that has modernized and wants to expand its importance in the world needs to undergo reforms. These occur through greater efficiency in the financial system, with stronger capital markets, a greater choice of investments for savers, an opening of the capital account and the subsequent free flow of resources, greater freedom of movement by people and a strengthening the fiscal system. This leads us to believe

Rising consumption:
China will stop being an
exporter and become
an importer of goods

*

Partner in KEMU Consultoria, Shanghai, where he was previously Brazil's consul general. He has also been ambassador in Malaysia, secretary of International Affairs at the Finance Ministry and an executive director of the World Bank. This is a shortened version of a speech he gave at the Market Focus China seminar held by ApexBrasil at the headquarters of the São Paulo state industrial federation (FIESP).

that the coming 10 years will be a period of radical transformations in Chinese life. The country will not remotely resemble its current situation at the end of the decade.

One of the problems for China analysts is to deal with things that are constantly changing. It is difficult to compete with the Chinese, particularly in the industrial sector. However if the plans announced for the coming 10 years bring results, China will cease to be a great exporter of goods and become a large importer. It will no longer be an importer but an exporter of capital. This means there will be a great expansion of opportunities on the Chinese market. At the same time, costs will increase which will lead the Chinese to export that part of their industry that depends on cheap labor. The rules for attracting investments will become tougher in order to attract companies that bring technology and innovation to

tougher competition. The second reason is that costs in China are rising. The labor contracts law of 2008 had a great impact on labor costs, particularly as companies were forced to pay correct pension contributions. Moreover, growth itself is creating demands for higher wages. The third main reason is related to the risks of a closed economy. Companies will always be better protected if they can maintain a presence abroad. The fourth reason is the business risk. Investing abroad means diversifying risk. Until very recently, Chinese investors did not include this factor in their strategies. Now they have matured and started to do so.

Where will the Chinese investors go? In the short term, I expect them to head for Europe where the crisis has brought great opportunities they will certainly know how to exploit. But we should not overlook other possibilities. Are they

interested in Brazil?

First of all, Brazil is the sixth-largest economy in the world and is set to become the fourth. Large economies obviously have to relate to each other. Chinese investors saw Brazil for a

The Chinese will know how to take advantage of the crisis in Europe

the Chinese economy.

This is already apparent to a certain extent. The growth of exports is cooling and investments in China have become more sophisticated. Chinese companies invested over US\$ 70 billion abroad in 2011 and should invest even more in 2012, according to the published figures. I am often asked why Chinese companies would invest abroad when they have an expanding domestic market.

The first and most obvious reason is that it is becoming more difficult to make money, due to the

long time purely as an opportunity to invest in strategic sectors like agriculture, mining and oil but this view is being gradually replaced by a new approach. Investors are looking for opportunities for other reasons, whether because they already export and believe that if they invest they will have higher gains – as in the case of the auto industry – or because the Brazilian market offers new opportunities that can only be taken advantage of with local investment.

Is it difficult for Brazilians to in-

vest in China? Not really. The Chinese regularly announce the sectors where investments can be made freely, those that require a domestic partner and those in which foreign investment is banned. This does not mean that strategic sectors are not bureaucratic or there are no unexpected demands but the general rule is clear and transparent. It is a relatively simple and fast process to open a company, whether alone or in a joint venture with a Chinese company. The tax side is relatively simple. There are two main taxes:





Shanghai's financial center: reforms to bring greater efficiency

protection clauses in contractual agreements as they are extremely demanding. However, once a deal has been done, contracts have little value. What is most important in Chinese culture is that the two parties are satisfied and a painstakingly constructed contract does not always allow this.

The second aspect is related to personal contacts. Doing business with the Chinese extends beyond the negotiating table. You need to establish a relationship with those you are dealing with. This means eating, drinking and relaxing with them. There is no business without this personal relationship which always outweighs contracts. Even if the contract is being met 100%, both sides will sit down and listen and try and reach an understanding if one party is dissatisfied. The third aspect relates to the regulatory side which is more of a reference than an obligation. The laws are applied

good at selling in the neighboring province of Jiangsu. Find another representative in Jiangsu.

Two tips if you work with imports. Firstly, check out everything from production to shipment. If you cannot check yourself, hire a good customs agent to do so. He will resolve many problems. Avoid buying things through the Internet at all cost. They work well domestically but represent a great risk for the importer.

If you plan to invest in production or placing a consumer good on the market, follow the rule, hire a good accountant (this also applies throughout the world), maintain good public relations and keep a watchful eye on your brand, particularly if you have a partnership with a local company. Your view of the brand may not be shared by your commercial partner and the brand could easily lose its identity if it is not looked after.

China and Brazil are destined to interact economically. There is no other way. Don't try and escape from this situation as China will impose itself on the world economy in

Don't expect your sales rep in Shanghai to do a good job in Jiangsu

any case. It is always easier not to face up to a situation that is so different from ours, keep the Chinese at arm's length and turn your back on China. However, China will be the greatest source of business opportunities in the coming three decades at least. If you are inclined to take the easy way out, remember what Winston Churchill said: "*A pessimist sees the difficulty in every opportunity; an optimist sees the opportunity in every difficulty.*" You should join the second group, the optimists, as soon as possible.

on income and added value. The services sector pays a tax on business. Apart from these, there are some lesser taxes which change according to the location.

Overcoming the bureaucratic barrier is not the main obstacle for those investing in China. The main challenge is the business culture which is very different from the western approach. I would highlight the three most important points. Firstly, little importance is paid to contracts. This does not mean that the Chinese will not insist on

to the letter when they make sense to the investors. When they do not, they are applied pragmatically or not at all.

In concluding, I would offer a few pieces of advice. Exporters should bear in mind that they are not arriving in China as such but in Shanghai, Beijing, Nanjing, Chengdu and so on. The country is vast and local cultures require a sales representative in every place who knows the local traditions and speaks the local language. Do not think your representative in Shanghai will be

Internationalization moves on hold

Brazilian transnational giants reassess international presence to face global crisis

LUCIANNE PAIVA, RIO DE JANEIRO

Brazil's two largest companies are rethinking their international presence, in response to the effects of the crisis in the wealthy nations and the need to accumulate cash and concentrate investments in their Brazilian operations. Oil heavyweight Petrobras has slashed its international investments (in both absolute and relative terms) ever since the discovery and development of the pre-salt oil reserves started to dictate its path, while mining giant Vale is suffering from a weaker global economy (hurting iron ore demand and prices and, thus, its revenues) and is reorganizing its assets in order to focus on the most profitable segments. But since much of Vale's offshore activities aren't part of its core businesses (namely, production of iron ore, copper, fertilizers, coal and nickel), its international operations are less relevant in this scenario.

Petrobras' investments in its international operations slumped from US\$12.1bn in 2007-11 to US\$10.7bn in 2012-16, and in relative terms the decline is even stronger. Previously, international investments represented 14% of the US\$87.1bn forecasted amount for 2007-11. Now, this percentage share has fallen to 4.52% of the US\$236.5bn to be invested in 2012-

16. The company's international division has been without a head since former director Jorge Zelada stepped down in July. Petrobras merely announced that CEO Maria das Graças Foster is overseeing things and that any change will be communicated at the appropriate moment. Is this a sign of the reduced importance of operations beyond national borders?

At first sight, this is also what is happening with Vale, which is now stepping on the brakes in its aggressive offshore expansion — at the start of the 2000s, the company was present in 5 countries and is now active in 37. The slowdown largely results from the sharp decline in the price of its main product, iron ore: a tonne of iron ore, which was priced at US\$151.26 in 3Q11, now costs US\$83.69. This 44.7% price slump

EXTERNAL FRONT

52.3% of Vale's operating revenue comes from abroad (**32%** from China alone)

The share of international operations in Petrobras' global investments fell from **14%** to **4.5%**.



is a direct result of weaker demand from China, a major iron ore buyer. Iron ore prices have already rebounded a bit and were close to US\$116 at the start of December, but price levels remain a concern. Data from its last balance sheet show that more than half of Vale's operating revenue comes from Asia. China alone accounts for 32% (equivalent to US\$7.109bn).

The scenario has forced the



HANDOUT/VALE

Vale Oman
plant: new
partner gets
30% stake

company to sell non-strategic assets, implementing what is referred to internally as an active portfolio management program. A short while ago, it concluded the sale of its manganese alloy assets in Europe and transferred its 30% stake in the pelletizing plant in the industrial district of Sohar (Oman). This year, it has also divested its thermal coal assets in Colombia.

Vale executives insist that these divestments don't mark a turnaround in the company's internationalization strategy. In a recent interview, Luciano Siani Pires (CFO and IRO) said that international resources represent some 35% of the company's total investments, a percentage that has held constant in recent years. That's one thing. The other is the need to focus on businesses with greater potential. "We aren't just pursuing growth or volumes without creating value as well", said Luciano Siani Pires, Vale's executive director of Finances and Investor Relations. Weighing up the company's performance in Q3, Mr. Pires admitted that most of the non-core (and thus 'sellable') assets are located outside Brazil. "When we talk about divesting assets, we're talking about small assets usually outside Brazil, which really aren't that interesting for a business the size of Vale", he added.

This message has been well-accepted by the market. "Vale is a global company, you can't talk about Vale without mentioning internationalization", says Pedro Galdi (chief-strategist at the SLW Corretora brokerage house), who has been tracking the company's businesses closely. "What the CEO (Murilo) said is that the company won't stop operating abroad, but instead pull back on non-profitable projects". The aim

company to reduce its investments. By year-end, it will have invested US\$17.5bn, 18.2% less than the US\$21.4bn initially planned and below 2011's US\$18bn. For 2013, the forecast is US\$16.3bn, 6.8% less than the 2012 figure. Upon announcing its investment plans at a meeting with market representatives on the NYSE, at the start of December, CEO Murilo Ferreira acknowledged the strong prevailing uncertainties.

The sales slump has reduced the company's appetite for international ventures and led it to prioritize investments in its aforementioned core businesses. The strategic reevaluation of Vale's assets is the main management hallmark of CEO Murilo Ferreira, who in May 2011 replaced Roger Agnelli (responsible for the company's strong international expansion). Adverse international waters have led the

is to seek low-cost, higher-return assets during the crisis, focusing on operations that promise a long life, high-quality production and growth capacity. In its last balance sheet, the company mentioned two projects that sum up this new phase: the first is Carajás S11D, in Serra Sul de Carajás (Pará state), expanding operations in what is possibly Brazil's leading mineral province, with estimated investments of almost US\$20bn. And the other project is the promising extraction of coal in the region of Moatize, in Mozambique — a sign that Vale remains willing to operate beyond Brazilian borders, provided the project makes sense from both a strategic and commercial standpoint.

In the opinion of Istvan Kasznar, head of the Support Center for Transnational and National Companies (NUT) at the Getulio Vargas Foundation in Rio (FGV-RJ), this slowdown in the international expansion of Vale and Petrobras is a temporary situation, reflecting the current circumstances. “Both companies have a solid, qualified and well-mapped internationalization policy”, he says. In fact, Istvan believes the current stance of greater caution on the global economic slowdown is a welcome move. “Any multinational worth its salt is re-viewing its position abroad, and so it would be worrying if Petrobras and Vale weren’t doing the same”.

Petrobras is today a story of massive potential (in the commercial exploration of the pre-salt reserves, which promise to thrust Brazil into the club of the world's largest oil producers) and limited resources to make this potential a reality. Pressured by the fact that domestic fuel prices have been kept virtually stable in recent years — as part of a policy that helps the Brazilian gov-

ernment keep inflation in check but impacts the company's accounts — Petrobras' response has been to focus its investments on domestic oil and natural gas exploration and production. This strategy has oscillated in recent years, signals an

Vale is a global company. Internationalization goes hand in hand

energy sector analyst. “When Brazil opened up its oil market in 1997, Petrobras was still the number one company in the chain, but lost its relative weight, which it would recover abroad by becoming an oil major”, says Adriano Pires, director of the Brazilian Infrastructure Center (CBIE). But the Lula government

changed this outlook, he says. “The pre-salt oil discovery reinforced Petrobras' role in the domestic market, putting internationalization to one side”. In the view of Mr. Pires, Petrobras' current policy is to sell its offshore assets to bolster its cash for investing in the pre-salt oil exploration.

Petrobras has already announced that it wants to divest its offshore assets. The 2012-16 business plan foresees US\$14.8bn in asset divestments and restructuring, with a focus on international operations. According to the company, half of this amount will be in divestments — meaning that asset sales are estimated at US\$7-8bn in both Brazil and abroad. In the first phase of the program, announced in November, Petrobras sold its 40% stake in an explora-



1

1 Petrobras refinery in Pasadena (US): up for sale

2 CEO Maria das Graças: selling assets abroad



HANDOUT/AGÊNCIA PETROBRAS

2

tion block in the Santos Basin for US\$270mn to OGX (owned by Eike Batista). The list of possible offshore asset sales includes refineries in Japan and in the US, such as the Pasadena refinery (in Texas), assets in Argentina and a stake in exploration blocks in the Gulf of Mexico. But the company is having difficulties in the negotiations, says Mr. Pires: the potential buyers are aware of Petrobras' cash needs and are thus trying to bring prices down.

At the end of November, CEO Graça Foster confirmed that the Pasadena refinery is up for sale, adding that there is no deadline to close the deal (according to the Dow Jones newswire, Petrobras has mandated Citigroup to find a buyer). Other news reports state that Petrobras wants to sell all its offshore refineries (Reuters, attributed to company sources) and that the company has mandated Morgan Stanley to help

sell its stake in oil fields in the Gulf of Mexico (according to the Wall Street Journal). Petrobras won't comment on the news, but Ms. Foster has already said that she is ready to announce all the details of the Pasadena deal – she says the cur-

Downscaling international operations could weaken Petrobras

rent moment is different from when Petrobras first bought the refinery, when there was strong demand for refined products (so-called oil distillates).

Petrobras' estimated international investment of US\$10.7bn in the period 2012-16 breaks down as follows: US\$6bn in projects already

underway and another US\$4.7bn in initiatives still being evaluated by the company. The bulk (90%) investment will go on exploration and production projects. Upon announcing its business plan, Petrobras highlighted that the focus of the international area is self-financing projects – highly profitable ventures that bring cash flow into the company. In 2012 alone, the company invested US\$2.6bn abroad, just short of the expected US\$2.5bn investment for 2012. Offshore revenues rose from US\$1.277bn in 2010 to US\$1.949bn in 2011.

Despite the cutback in offshore investments, Petrobras should post growth in its international production. In its 2012-16 plan, the company announced that its offshore production could total 462k barrels of oil equivalent per day (boe/d) in 2020, almost 20% more than the 388k barrels/day in the previous plan (2011-2015). The production forecast for Brazil declined 14.4% in the same comparison to 4.2 million barrels of oil equivalent per day (boe/d) versus 4.91 million barrels of oil equivalent per day (boe/d).

"The reduced share of offshore businesses is a problem, as this was a way of diluting the company's risks", says Pires. "It leaves Petrobras more vulnerable." But Kasznar, from FGV, minimizes concerns over the change in the internationalization strategy of the two largest Brazilian companies. Since it is a case of adapting to tough times, he says, the companies should start focusing on the international market again as soon as the global storm abates.



TECHNOLOGY I

BYOD – your in-company tablet

A STUDY by the American business and IT consultancy Forrester indicates that within two years around 175 million smart phones and 60 million tablets will be in use in the corporate world. Currently around 70% of appliances used in the working environment are the personal property of managers – a phenomenon nicknamed “byod” or “bring your own device” – who want to be connected all the time. The savings for companies generated by the “byod” is obvious as the employee buys the appliance and pays for its running. However, as



nothing is perfect, the companies suffer from the lack of standardization of the devices and, above all, their inability to fully protect the traffic of data that goes from its servers to mobile devices.

The main American and European operators are working to create applications for smart phones that allow the personal and professional parts to be separated, such as contacts, for example, standardizing and managing the distance of the platforms and safeguarding the data. Apple, Google and Samsung are also pursuing solutions to be installed in the new products.

FANTASY ISLAND

Finance, faith and fun

THE REPUBLIC of Malta, a small Mediterranean archipelago between Sicily and Tunisia, only gained its independence from the UK in 1964 and was not accepted into the European Union until 2004. It is very small and covers 316 km² of rocky territory. It has a population of 408,000 which makes it the island with the highest demographic density in the world. There is also a high density of business leaders and tourists. Malta has joined the club of regional offshore

financial centers and it receives three times as many business travelers every year as its entire population. Good hotels, the growing fame of its nightlife, reasonable prices and a crystalline sea help put Malta on the list of the destinations of the moment. The island has always attracted the attention of outsiders, including Phoenicians, Greeks, Romans, Saracens, Ottomans, Napoleonic forces and the British. The apostle Paulo was shipwrecked in its waters and its population is still overwhelmingly Roman Catholic. Malta and the Philippines are the only places in the world where divorce is banned.

1 Malta: on the financial circuit and flavor of the month

2 Angelina and Brad at Madame Tussauds: cheap thrills

CULTURE

Five shows to avoid when traveling abroad

THERE IS so much art in the museums of the world's great cities and so much beauty in their theaters and concert halls that it is not worthwhile wasting your precious time on low class, inferior events. Right? Well then, here is a short list of semi-cultural programs that you will find in churches, auditoria and places which are alternative or frankly odd that bear as much resemblance to culture as McDonalds does to gastronomy. Avoid them at all cost:

❑ **CONCERTS** announced on leaflets highlighting musical shows that present banal popular classics like the Requiem, The Four Seasons, Carmina Burana etc. If you see an announcement about «Maria Callas», remember that she died in 1977 and, at most, you'll hear an unknown soprano trying to attract an audience with a repertoire similar to that of the diva.

❑ **EXHIBITIONS** of «The Inventions of Leonardo». Ho hum, you've seen this somewhere else.

❑ **"TORTURE Chamber"**. Every European city offers a place like this which is usually a basement filled with chains and whips hanging from the wall. Don't be fooled by this bait.

❑ **"WAX Museum"**. What's the point of looking at wax models of Brad Pitt-Angelina Jolie, Putin, Lady Gaga or Bin Laden that are good likenes-

ses of Brad and Angelina, Putin, Lady Gaga and Bin Laden?

❑ **"EROTIC Museum"**. If you have access to broadband you can find everything this place can offer. Basically it is just a store selling erotic items in the main street.

2



SHUTTERSTOCK

TECHNOLOGY II

My name is Drive, Pen Drive

THE LACIE Ruggedkey pen drive is protected by a rubber shell that would top any list. It can survive falls of up to 100 meters, polar temperatures, African heat, water, dust and anything else. It has a USB 3.0 interface which ensures the fast transfer of data, capacity of 16 to 32 giga and weighs 30 grams. It costs US\$ 39.99 in the US. |

www.lacie.com

HANDOUT

1



Terror in Nova York

NEW YORK is one of the world's foody capitals, with great restaurants, chefs and gastronomic marketing. However, few people know anything about the findings of the municipal health department's annual inspection of these restaurants. The New York Times has created an interactive map where the reader can see the current rating of each restaurant and the latest inspection report. Type the name of your favorite restaurant and be prepared. Not even the venerable Four Seasons, located in 52nd Street for 50 years, known as a hangout where the famous and millionaires have their power lunches, escapes although with only some minor sins reported. Some of the cases are pure terror. <http://www.nytimes.com/interactive/dining/new-york-health-department-restaurant-ratings-map.html?ref=dining>

SHUTTERSTOCK

1



Coffee in Paris

THE WAVE of high quality coffee has arrived in the French capital at full strength. There are a dozen places where the pleasure of Italian espresso - thick, creamy, aromatic - is handled with an almost religious fervor. The best known is perhaps the Malongo Café, located at 50 Rue Saint-André des Arts in the La-

FLYING

Embraer in Asia

❖ **EMBRAER** has sold four new 190 jets and two used 170 models to Azerbaijan Airlines in a deal worth almost US\$ 180 million. The planes were made at São José dos Campos (SP) and will replace turbo-powered aircraft and operate on domestic and international routes from Baku, the capital of Azerbaijan.

Delta 747 in Brazil

❖ **THE GOOD NEWS** for fans who have regarded the Boeing Jumbo as the best plane in the world for decades is that Delta airlines aims to increase the offer of seats on the Brazil-US route by 30% by swapping its 767 twin engine planes for the giant four-engine 747-400. Delta operates 35 weekly flights in Brazil. The company is a minority shareholder in Gol. Latin America is the only market in which it has reported growth during the current period of economic crisis.

Progress at Viracopos

❖ **THE COMPANY** Aeroportos Brasil Viracopos, which runs Campinas international airport, has announced that the second runway will be ready by the end of 2013 and will operate as the back-up. Both runways will not be able to operate at the same - due to the size and location - but the move will prevent the chaos that occurred last October when a tire burst on a cargo jet that had landed and blocked the current single runway for 45 hours, leading to the cancellation of 500 flights.





HANDOUT

- 1** Don't worry about the food: NYT reveals health department's sanitary concerns
- 2** New Malongo store in the Latin Quarter: devotion to coffee
- 3** The Mediaspree in Berlin: HQ of companies where the Wall used to run
- 4** Delta's Jumbo 747-400: more seats on the US-Brazil route

DREAMTIME



3

CITIES

Berlin: New address for business

A NEW BUSINESS CENTER called Mediaspree which was conceived at the turn of the Millennium has finally become a reality in Berlin. It is located in a central area formally occupied by industrial warehouses and small factories where the Berlin Wall used to cross. The center's first intention was to house communities of aspiring artists and other alternative tribes but the cost became too high. Berlin's main river, the Spree, runs for four kilometers through the district which occupies an area of 180 hectares. The previous occupants even tried to prevent it going ahead and held an informal plebiscite under the slogan Versenken Mediaspree ("Sink Mediaspree"). It was not successful and now companies such as Universal, German MTV, the Allianz group, the German Post Office customer service area, BASF and the events company O2 World com have set up in this spectacular arena.

4

HANDOUT



tin Quarter. It has an extensive menu of espressos and capuccinos to consume on the spot and also sells a great variety of espresso machines, coffeemakers, using pressure or extraction methods, and grinders, ranging from the most basic to the most

technological. It also sells coffee beans or they can be ground in the café. These come from a dozen countries in Latin America, Africa and Asia. Moreover, if you want your coffee green, it can be toasted in front of your eyes in a few minutes. www.malongo.com

Globe-Trotter

EXPRESS TOURISM

SINGAPORE

by Silvana Hleap

SILVANA HLEAP is originally from São Paulo and moved with her family to Singapore in 2010 after living in New York for 10 years. Silvana is an investment specialist at the bank JPMorgan and said she had no difficulty in adapting to life in the city state situated at the tip of the Malaysian peninsula. Singapore is a former British colony which she describes as cosmopolitan, extremely clean and very green. Silvana and her husband are preparing their two children for a future that will be less Western-centered. English is Singapore's official language even though its society is marked by different cultures, such as Chinese, Indian and Malaysian. Silvana's suggested route takes in all this diversity:

TIMOTHY HUSLEY

If you only have a few hours....

AS THE weather is hot (very hot) and you do not have a lot of time, you should make part of the trip by car. Tell the taxi driver to go to the CBD (Central Business District) via the Esplanade. On the way, ask him to point out Singapore's famous popular housing projects, known as HDBs, which even São Paulo has tried to imitate. These places are home to 85% of Singapore's inhabitants and they include schools, supermarkets, medical clinics and communal areas for sport and leisure. The size and quality vary and there are HDBs to suit all pockets.

YOU SHOULD also pass the historical Raffles Hotel which bears the name of the founder of the city and where a tiger is said to have been shot in the garden once. Another beautiful example of colonial architecture is the Fullerton Hotel in the old Post Office building. Take a walk around the front and go in if you have time. You should then go to the Fullerton Bay hotel from the same chain and have a coffee on the fourth floor in front of the bay. From there you can see the Marina Bay Sands hotel complex with its platform and swimming pool suspended on three towers.

AFTER THAT, take a stroll to the Lao Pa Sat, one of the famous hawker centers of the city. What are hawker

centers? This is the real face of Singapore: large eating areas created to impose minimum hygiene standards on food traditionally eaten on the street. You can try all the delicious local styles of cooking which reflect the population mix from China, India and Malaysia. Everything is very cheap. Try coconut water or natural juice from an exotic fruit.

2
SILVANA HLEAP





1

IF YOU prefer a more traditional meal to end your walk, I would recommend the Din Tai Fung restaurant chain. One is at the Paragon shopping center where all the chic stores are. You can look through the windows into the kitchen and watch *xiao long pao* dumpling (little pastries with varied fillings cooked in steam) being made. Every one of them needs to be folded exactly 18 times.

FINALLY, IF you can, have a look at the Buddhist temple called “Buddha’s tooth”, in Chinatown. Ask the taxi driver to wait and go in: the surroundings are red and gold and the walls are covered with small Buddhas the size of your hand. Each one is unique and even the most skeptical visitor is impressed.

1 Sea view: the “flower” of the ArtScience Museum catches the eye immediately

2 Lao Pa Sat: good and inexpensive food in the hawker centers

3 “Buddha’s Tooth”: a special temple

4 Shopping in Singapore: global luxury brands



3



4

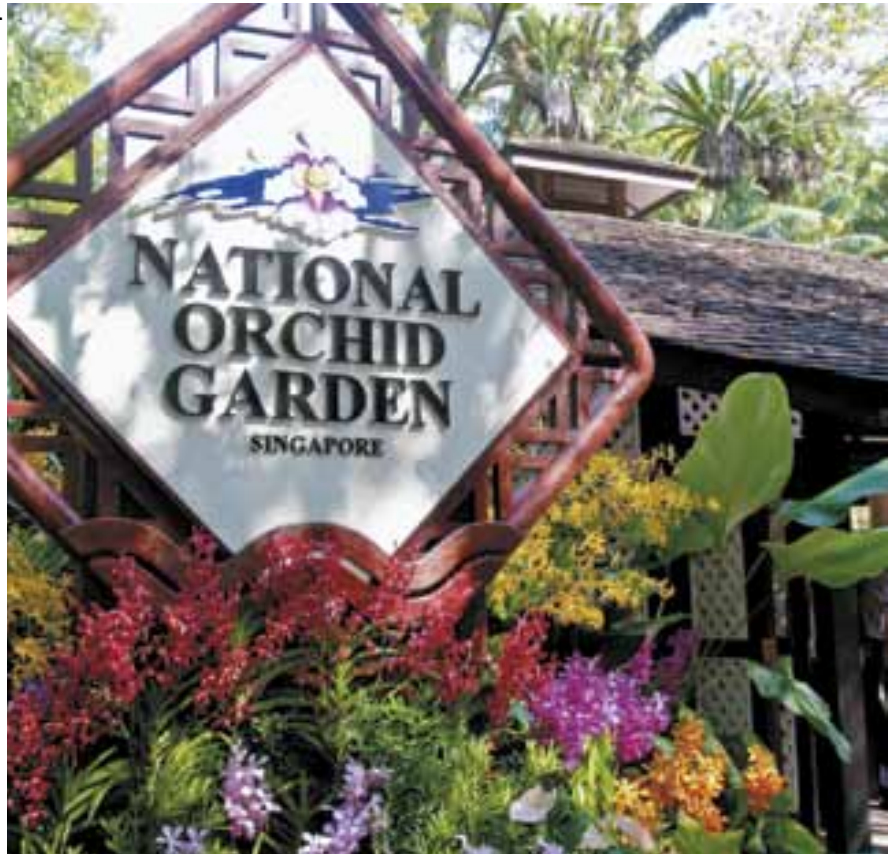
If you have a whole day....

HAVE A bracing start to the day with a walk in the Botanic Garden which was founded in 1859. The temperature is milder, thanks to the rich vegetation. The Botanic Garden has provided the plants that have embellished the streets of the city since independence in the 1960s. Have a look at the Orchidarium which houses the largest collection of this tropical species in the world. Before leaving, have a juice in the Casa Verde close to the Visitor Center.

THEN TAKE a taxi go to the Marina Bay Sands complex which includes a hotel, shopping center, museum, theater, casino and restaurants. If you are tired of walking, have a foot massage. This can be made by hand or by small fish that eat the dead skin around the toes and heels! The ArtScience Museum is worth a look. The frontage is in the shape of a lotus flower which symbolizes welcome to visitors from all over the world. Each of the 10 “petals” in the museum is a gallery. The roof in the center opens and the water from the showers is recycled for use in the bathrooms.

IF YOU are hungry by now, you can enjoy the eating area which resembles the hawker centers although in an air-conditioned environment. I recommend chicken rice, *char kway teow* (noodles with meat and vegetables), *laksa* (cooked with coconut milk) and *popiah* (delicate vegetables rolls). If you have made a reservation, you can go to the top of the hotel and lunch in the Ku De Ta. Then it’s time to visit the famous infinite swimming pool.

IF IT is not raining in the afternoon, go to Dempsey Hill which used to be the headquarters of the British army. The military barracks in the middle of the lush vegetation have been transformed into pleasant restaurants, bars, art galleries and spas.





2

1 Botanic Garden: large collection of orchids

2 e 3 Ku De Ta restaurant at Marina Bay Sands, and its Takara Rolls

4 Cable car to Sentosa: fantasy island

If you have a whole weekend...

IF YOU are lucky enough to have a whole weekend in Singapore, you can even order tailor-made suits. Yes, this is a local tradition. The tailor goes to your hotel and takes your measurements on Saturday and makes a rough version on Sunday. You then receive the finished version of the suit by mail. The climate requires light clothing and you should remember to put comfortable walking shoes in your suitcase to begin the day in the Bukit Timah Nature Reserve. This is a forest in the middle of the city that is quite captivating with its variety of plants and animals: monkeys, birds, lizards and even snakes. You can have lunch nearby at Smiths where you should try fish and chips. The fresh fish melts in the mouth and this traditional English dish is even better than the original. There is an outstanding selection of beers.



3

NO VISIT to Singapore is complete without going to Sentosa, a perfect fantasy island. It is like a little Disneyland and completely artificial, even the beach, but it is worth the visit. You can spend a few hours on Saturday afternoon or the whole of Sunday there. Go by taxi or metro to the Vivo City shopping center and get the cable car to the island from there. This is the best way to arrive. You can move about by mono rail or bus on the island.



4

FANCY SOME adventure? Try the roller coasters or go to the iFly wind tunnel which simulates the experience of a freefall jump from a plane. To ease your adrenalin afterwards, go to the Siloso Beach and have an aperitif in one of the little bars on the shore. On the horizon you can see a huge number of ships waiting to enter the second busiest port in the whole world. (Despite this, the water is clean.) There is no shortage of places to eat in Sentosa. Sunday brunch at the Capella is the nicest and most luxurious in Singapore.

BEFORE ENDING, a tip for the traveler who is jet-lagged and cannot sleep. The Mustafa is a kind of 24-hour department store in Little India where they sell everything. It is worth the visit for the experience, not only for the purchases. Don't forget to have a look at the jewelry. And to chill out completely, go to the Long Bar at Raffles Hotel and have a Singapore Sling, the famous drink made with gin and pineapple juice. It is the only place here where you can drop litter on the floor!

PICTURES: HANDOUT

Globe-Trotter IN TRANSIT

Jusimeire:
balancing
interests in
Mozambique

From the cerrado to the savannah

JUSIMEIRE MOURÃO



PERSONAL COLLECTION

MY FIRST mission to Mozambique occurred in 2009 when I received an invitation from the Japanese International Cooperation Agency (JICA) to coordinate the Triangular Program for the Agricultural Development of the Tropical Savannah in Mozambique, ProSAVANA. I then started spending increasingly longer periods in Mozambique and eventually moved to Maputo as the program coordinator in the second half of this year.

The ProSAVANA program aims to promote the regional development of northern Mozambique by establishing an agricultural system that is competitive, socially inclusive and environmentally responsible. It is a triangular program as it involves three countries: Brazil, Japan and Mozambique. The basic aim is to help the Mozambicans transform their country into a large producer of food for domestic consumption and export the surplus just as we Brazilians learned to plant the scrubland (*cerrado*) of the Central Plateau from the 1970s. The soil and climate of the *cerrado* and savannah are very similar.

Brazil received technical and financial support from Japan at that time and Japan has now linked up with Brazil to do the same in Mozambique. The Brazilian Coop-

eration Agency (ABC), which is linked to the Foreign Ministry, coordinates Brazil's participation. This also includes the Brazilian Agricultural Research Corporation (Embrapa) and the Fundação Getúlio Vargas business school. We set up cooperation schemes to strengthen the local Mozambican institutions, such as the Agricultural Research Institute and the Agricultural Extension Services. That basically is why a Brazilian woman is working for a Japanese agency in Mozambique.

My mission is to balance out relations and interests in the implementation of this ambitious program. Easy? Not at all. At first, it was fun to come to Mozambique — a beautiful country with uncomplicated, happy people — and spend time preparing, undertaking, negotiating and coordinating and then go back home. Now that the program is at a more advanced stage, the approach to technical issues needs to be defined. Three partners with such strong cultural differences inevitably means there are initial misconceptions to be resolved and interpersonal relations have to be handled sincerely

and discreetly. You have to develop a strategic patience. The job is a full-time commitment that runs from eight in the morning until five in the evening without any lunch break, followed by a third working shift at home after dinner.

I often travel by plane and car to the northern provinces of Nampula, Niassa and Zambézia. I do not have much time to appreciate the beauties of the country or enjoy the company of friends. On the personal side, I miss my family and face the difficulties of an independent woman in a society that is still patriarchal. The first question that is always asked in a restaurant is: "Are you waiting for someone?" In terms of food, I long for my beloved *farinha*, (a dish made of manioc flour), my favorite beans and rice with garlic and onion! However, I love what I am doing! It feels as though I was bitten by a mosquito called ProSAVANA and its "poisonous" effect is increasing as time passes. A passion like this is essential if we are to achieve our aim of helping the friendly Mozambicans on the way to a better future.

*

Jusimeire Mourão, 35, is the JICA's Executive Coordinator of ProSAVANA-JBM.



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