

# PIB

BRAZILIAN COMPANIES GO INTERNATIONAL

## ▣▣ LAWYERS

Following companies, law firms are going international as well

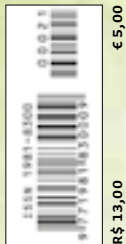
## ▣▣ BAD TANGO

Uncertainties in Argentina lead Vale to throw in the towel

## ▣▣ FOREIGN TRADE

With Forno de Minas, cheese bread is going global

YEAR V  
NUMBER 21  
MAR/APR 2013



# MULTI-MILLION ATTRACTION

What countries from all over the world are doing to lure investments from Brazilian multinationals

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Rome

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JUAREZ DELGADO

# The fight for Brazilian investors

What have Slovenia, Ecuador and the US state of Pennsylvania all got in common? That's a tough one. The answer is: they're all very interested in taking home Brazilian investors and their up-and-coming multinationals, capable of creating jobs and generating wealth in economies weakened by the global crisis and/or still short of resources and capital. This is why they have offices in Brazil to attract investments, with personnel prepared to sell their attractive features and comparative advantages to Brazilian companies set to spread their international wings.

This is the theme of this edition's lead article by our reporter Suzana Camargo. We carried out research with these international agencies to show the menu of advantages for seducing Brazilian investors. Let's face it, this would have been almost unthinkable two or three decades ago, when the investment route, with few exceptions, was from abroad to here. In the rest of the edition, readers are treated to a broad sample of what Brazilian internationalized companies have been getting up to. Some are making inroads in the sale of organic products, as our article on the growing international penetration of this particular Brazilian agribusiness niche shows. Elsewhere, the company Forno de Minas tries to convince foreigners to try the cheese bread (a Minas Gerais classic) to go along with the coffee they also import from Brazil.

We shine the light on the expansion of offices of Brazilian law firms setting up shop abroad to remain close to companies they already worked with here and that have now become multinationals. We also run an article by Flávia Carbonari (who has just touched down in Buenos Aires after a spell in Washington) on how the mounting economic and political difficulties besieging the hermanos are contaminating the business climate and forcing companies, such as Vale, to review their investments in Argentina.

From Washington, we spoke to the Brazilian economist Otaviano Caputo, vice-president of the World Bank and in charge of anti-poverty initiatives. Finally, for those who travel the world on business, this edition's travel guide comes from Africa — we traveled to Windhoek, the small and attractive capital of Namibia, our little-known neighbor on the other side of the world. Bon voyage and boa leitura.

Nely Caixeta



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## Embraer's top jet now flying in Afghan skies



It took a while, but Embraer finally managed to sign its first ever contract with the US Air Force. In February, the company announced that it was selected to supply 20 Super Tucano aircraft that will be used in Afghanistan – a deal worth almost US\$430mn. It was the second time that Embraer had won the bidding process – and for the second time, it was contested by Beechcraft, an aircraft manufacturer based in Kansas and a competitor of Embraer in the process. “We don’t understand how the Air Force can justify additional spending of over 40% buying what we consider to be an aircraft with fewer capacities”, said Bill Boisture, upon announcing that they would contest the decision. The company had already challenged, in court, the first tender won by Embraer, to supply the very same 20 aircraft, back in 2011. The contract, which totaled US\$355mn at the time, ended up being canceled and the bidding process was held again. This time, however, Beechcraft has already suffered the first setback: the US Department of Defense decided to revoke the company’s protest and maintain the contract with Embraer. Although Beechcraft has not yet given up – it is now appealing to the US Federal Justice Court – Embraer is running the project normally. The Super Tucano is the main calling card of Embraer abroad, with 170 in operation, serving the air forces of nine countries.





HANDOUT SADIA

2

## Abroad, BRF is now just Sadia

Around 7,000 interviews and 160 focus groups later, Sadia was finally the brand chosen to be the flagship of BRF in the international market. The decision was only taken after 2 years of research carried out by the Ipsos institute and the brand consultancy firm Futurebrand with consumers from 34 cities in 17 countries. Cultural references were studied, enabling the populations from each location to comprehend colors and symbols, and semiotic analyses were carried out to select the style of the images, typography, iconography and even the placement of information on the packaging of Sadia products. The company determined that it will use a single standard for its packaging in the various countries, but will bet on regional execution. Although the logotype and the positioning of the information is the same in all the markets, the illustrative images will reflect typical aspects of each culture. BRF also decided to abandon the Brasil Foods brand and adopt only the initials, and has also launched a new visual identity. The company posted revenue of R\$30bn last year.

HANDOUT SADIA



## Two new Brazilians in the club of globalized companies

Every year since 2006, the consultancy firm The Boston Consulting Group (BCG) publishes a list of companies that it terms "global challengers". It is a select group of 100 companies in an accelerated process of globalization, hailing from economies in full-blown development. The 2013 list is the most varied since the first edition, according to the consultancy firm, with the broadest geographical and sector coverage yet. The 100 companies come from 17 countries, seven more than in the first edition. China, India, Brazil, Mexico and Russia have the most representatives. Most companies hail from the sector of industrial goods, followed by companies from the services and commodities sectors. Brazil has 13 companies in the list, with Iochpe-Maxion and Tigre making their debut this year. China lost representatives. Over 40 of the 100 companies listed by BCG in 2006 were Chinese. Now they have only 30 in the list. "Many markets other than the Brics are also already producing global challengers", according to the study.

4



HANDOUT

3

*The WTO, in fact, has business rules and disciplines dating back to the start of the 1980s. We are talking about a system that is 30 years behind the times*

Ambassador Roberto Azevêdo, Brazil's representative on the WTO and candidate to head up the WTO



## Expensive beds

**1** Hotel room on the Riviera Maia: pricey day rates

**2** President Dilma Rousseff and Brics leaders in South Africa: incentive to inter-bloc tourism

ISTOCKPHOTO  
1

Dubai consolidated its status as the most expensive place to stay in the world last year, according to the Hotel Price Index survey, of the site Hoteis.com. A night there costs, on average, R\$521. But the biggest price rise was at Riviera Maia, on the coast of Mexico. There, a hotel day rate soared 50% in 2012 to R\$450. Famous for its crystal clear waters, the location is one of the country's key tourist points – which maybe explains why price behavior there has decoupled from the rest of Latin America.

In the region, home to some of the world's most dynamic economies, the price of day rates rose 1% in 2012, below the global average of 3%. Stagnation is attributed to two factors. On the one hand, we have the growing economic stability in the region. On the other hand, we have competition. "Strong domestic activity has led to a more competitive scenario, with various discounts and promotions to attract visitors", assesses Javier Escobedo, vice-president of Hoteis.com for Latin America.

2



## More tourists from the Brics

The Brics countries – Brazil, Russia, India, China and South Africa – are keen to attract tourists from each other. The diplomat Acir Pimenta Madeira Filho assumed this mission when he took over as head of International Relations at Brazil's Ministry of Tourism in February. The South African Tourism Minister, Marthinus van Schalkwyk, used his speech at the last Brics Summit, in Durban at the end of March, to encourage leaders such as President Dilma Rousseff to stimulate intra-bloc toueism. He said that as far as the tourism industry is concerned,

Brics is much more than an acronym – it is in fact "a tangible vehicle for current and future growth". This is a niche that no one wants to miss out on, and there are reasons for this. The World Tourism Organization estimates that the arrival of tourists in emerging economies will surpass that of developed countries from 2015 onwards. In 2030, 57% of global tourists will travel to developing countries, well up on the 30% level of the 1980s. In Brazil, where tourism accounts for 3.7% of GDP, the volume of Chinese and Russian tourists is the fasting-growing segment.

ROBERTO STUCKERT FILHO/ABR



# Holland

## Gateway to Europe



The Netherlands Foreign Investment Agency (NFIA) opens the doors for Brazilian companies planning to establish themselves in Holland, benefitting from the Dutch business climate, as a strategic base to operate in the European Market.

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1



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2

## After Carnival, negotiations at soccer stadiums

First, it was the Carnival. Then Formula Indy. Now, the Brazilian Pro-Export and Investment Agency (Apex-Brasil) will use the Confederations Cup, in June, to put Brazilian salesmen in contact with international buyers. Around 1,000 businessmen from all over the world have already confirmed their presence. They will be received in Apex-Brasil VIP boxes at the stadiums of three cities hosting the soccer event: Brasília, Rio de Janeiro and Fortaleza. To boot, they will receive tickets

to watch the matches. The costs of the initiative will be divided with over 50 Apex partner entities, which will organize business agendas for the participants. Since 2009, the agency has organized similar events at the Brazilian Carnival and at the Formula Indy race stages held in Brazil. During the Rio de Janeiro Marquês de Sapucaí Carnival display, the 250 foreigners present at the Carnival Project closed business deals totaling almost US\$1bn with their Brazilian counterparts.



# Hoşgeldiniz, Turkey!

In Turkish, hoşgeldiniz means “welcome” – exactly what a group of Brazilian businesswomen wished to an entourage of Turkish businesswoman at the start of March, in the first business round of FIESP (São Paulo Industry Federation), led exclusively by women. 22 Turkish businesswomen were invited to take part in 20 negotiating roundtables, which featured the participation of 120 companies. Brazil and Turkey already have trade relations, but the aim is to strengthen them. With a population of 75 million, Turkey is only the 38th destination of Brazilian exports. Last year, it purchased US\$1.2bn in Brazilian products, especially iron ore, cattle and coffee, according to Brazil’s Trade Ministry. This strengthening of trade relations isn’t anything new on the agenda. In October, Foreign Trade Secretary Tatiana Prazeres headed up a mission to Istanbul that resulted in US\$17mn in Brazilian exports to the country.

**1** Turkish businesswoman in business round at Fiesp

**2** Foreign businessmen enjoy the Rio 2013 Carnival in ApexBrasil VIP boxes

HANDOUT FIESP

3

## Tropical flavor for Arab taste buds

With little available water and land, countries such as the Arab Emirates import over 90% of the food consumed by the population – a niche that Brazilians have learnt to explore. At this year’s Gulfood event, the most important food and beverages trade fair in the Middle East, businessmen from the fruit sector signed contracts worth US\$8.5mn, an increase of 30%. The talks initiated in Dubai, in February, are expected to originate over US\$36mn over the next 12 months. “It is good to bet on this market in order to diversify Brazilian exports, centered on Europe”, says Cloves Ribeiro, technical manager of the Brazilian Fruit Institute (Ibrafi). While European GDP shrank 0.5% in 2012, Middle East GDP grew 5%. The most consumed Brazilian fruit in the region, lemons, represented over 80% of Brazil’s fruit exports to the Arab Emirates last year. But exotic species, as far as foreign taste buds are concerned, such as açai, are starting to make their presence felt.



HANDOUT



## For the English to drink

The wines produced in Brazil seem to be starting to conquer global taste buds. Brazilian wine exports grew over 50% last year, totaling US\$4.6mn, according to Wines of Brasil, an association that promotes wine all over the world. The UK is one of the top five buyers of the Brazilian wine – and it is there that the Sanjo vineyard, belonging to the agricultural cooperative of the same name from the city of São Joaquim (Santa Catarina), started exporting in March. London received a batch of 126 crates of Núbio Sauvignon Blanc, a dry white wine that has already won prizes such as Vinalies Internationales, organized by the French Wine Experts Association. One of the largest producers of apples in Brazil, Sanjo has produced fine wines since 2002.

**1** Bottle of the award-winning Núbio Sauvignon Blanc wine, produced in Santa Catarina

**2** Glue of Artesol, joint venture between Artecola and Orisol, now in China

1  
HANDOUT

## Sticking like glue to China

One of Brazil's most internationalized companies, the gaúcha chemicals industry Artecola has arrived in Asia via Artesol, a joint venture established with Orisol, an equipment producer for the footwear industry. In China, the new company will produce the gluing system of Artepowder soles, made using machinery produced by Orisol, and powdered adhesives developed by Artecola. The technology, which waives the need to use solvents in the process, was patented together by the two companies and launched in Brazil last year. Artesol, expected to start operations in April, is the first venture of Artecola (which, in addition to Brazil, is present in Chile, Argentina, Peru, Colombia and Mexico) outside Latin America.

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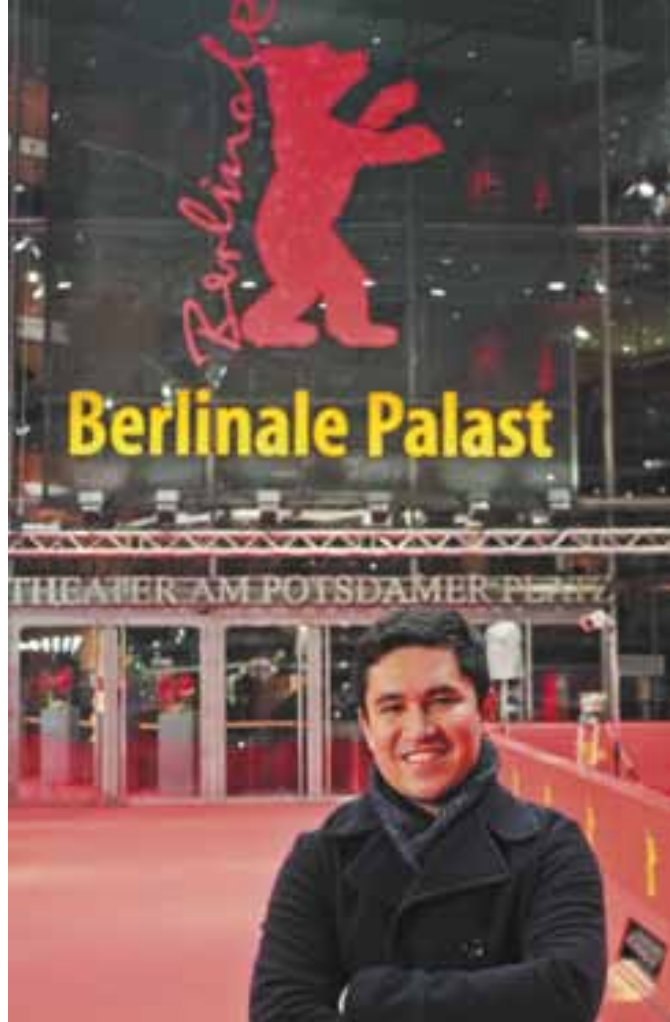
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## A truck in Berlin

Participating in international film festivals wasn't exactly something new for Maurício Osaki, a young Brazilian director who had already shown his films at events in Japan, France and Portugal. But traveling to Germany in February, to the 63rd Berlin Film Festival, for the debut of his short film *O caminhão do meu pai* (*My father's truck*), was easily his highest recognition to date. At the age of 31, Osaki has been living outside of Brazil for 5 years. He spent the last 3 years in Singapore, where he is taking his master's degree in directing at the Tisch Arts School, from the University of New York. Osaki also spent part of this time in Vietnam, where he directed the short movie that tells the story of Mai Vy, a 10-year old girl, and her father, who transports farmers to and from the country's rice fields. In addition to the director, the photographer, composer and co-producers of the film are also Brazilian. The Berlin Film Festival didn't earn him the coveted Crystal Bear, the award for the Generation short-film category, in which *O caminhão do meu pai* was shown – but, for Osaki, that's irrelevant. The short film is already set to be screened at another festival in Palm Spring (US). And the director is gearing up for his next project: a film on the lives of teenagers from Fundação Casa, the former Febem (delinquent child/teen reform institute) in São Paulo.



3

## The internationalization

An international percussion group – but with very Brazilian DNA – is turning heads in cultural events around the world. The group had already performed before the US First Lady, Michelle Obama, two years before. But after being chosen to open and close the shows of the commemorative 50-year tour of the legendary Rolling Stones, last year, Batalá has gained even more visibility abroad. Led by the percussionist Giba Gonçalves (from Bahia), who founded the group 15 years ago in Paris, Batalá is today formed by 25 bands spread across 10 countries. These “subsidiaries” of the original project feature over 1,000 percussionists in the UK, France and Spain, to name just a few countries. Some of them go on a pilgrimage to Salvador every

PICTURES: HANDOUT





**1** The director  
Maurício Osaki  
at the Berlin  
film festival

**2** Scene from the film  
O caminhão do meu  
pai, shown in the  
Generation category

**3** Batalá at  
New York's  
Brazilian  
Day...

**4** ...and kicking  
off the Rolling  
Stones' 50-year  
commemorative tour



**1 2**

## of the batuque

January, to participate in the Lavagem do Bonfim, a traditional cultural event in the city. Lavagem de La Madeleine – an event inspired on the traditions of Salvador, but held at the Church of La Madeleine, in downtown Paris – also features on the annual agenda of Batalá. In May, they hit the stages again in the San Francisco Carnival.



**4**

## São Paulo University studies abroad

São Paulo University (USP) is investing in an internationalization program that foresees the opening of offices in Boston, London and Singapore. The investment in the project, totaling R\$400,000, will be financed by Santander bank and includes study grants for foreign researchers and students interested in taking part in exchange programs at USP. The objective is to disseminate abroad the knowledge produced at the university. Initially, the offices will function until the start of 2014, but the program foresees a second stage, lasting until 2018.



## In search of first-team players

The gaúcho soccer club Internacional has chosen Japan to initiate a project to create a network of mini-soccer school franchises. The first four schools will be inaugurated in April in Akashi, 540km from Tokyo. Entitled “The Red Academy”, the mini-schools will train children aged 8-12 using the same methodology of the club’s other divisions. The franchises represent potential revenue for Internacional, which will receive royalties of 10% of the schools’ revenues. The four Akashi schools alone, which should have 500 students by year-end, should bring US\$250,000 into the club’s coffers each year. The plan is to open 10 schools in Japan by 2016. “Inter has a strong identification with the country. It was there that we won our most prestigious title, the Fifa World Club Soccer Championship in 2006”, says Jorge André Avancini, the team’s marketing director. There are talks to also take the franchises to Thailand, the US and England. For the brand licensing, Internacional established a fee of US\$50,000 per franchise. The licensing policy also requires students to join the club as “mini-Internacional fans”, focusing on the teen base. “It’s a way of forming our fan base of the future”, states Avancini. The project may also serve as a source of players for the club. If a star player is revealed at the mini-soccer schools, Internacional will have priority in using his talent.

## Design in the spotlight

The Brazilian design scene is seeing its representatives receiving increasing recognition on the international stage. Studio Arthur Casas, based in São Paulo, was one to attract attention recently. The Mistral wine store, located at the JK Iguatemi shopping mall, in São Paulo, won the International Store Design Awards this year, held in New York, in January, by Retail Design Institute, a renowned US institution. Projected by the Studio, founded by the architect Arthur Casas in the 1980s, the store was rewarded for its innovative design. The store had already been singled out as the best architecture project by the US magazine Interior Design last year, in the retail category. This year’s award was accompanied by massive disclosure of the company. In March, at the invitation of the Retail Design Institute, Studio Arthur Casas presented the store project at Recon Latin America, one of the main conventions on the region’s commercial centers. The same project will also be highlighted in the Store of the Year Book, which should be launched briefly by the institution.

**1** Internacional team in Akashi, in Japan: mini-school franchises

**2** Mistral wine store, in São Paulo: award for Studio Arthur Casas project





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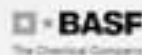
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Soy harvesting of Maggi group in Mato Grosso: efficiency lost once you leave the yard gate

## Plough, plough and die at the port

Brazil has one of the world's most efficient agricultural sectors. There is abundant land, rain in the planting season, drought in the harvest and highly developed agricultural techniques. The country is highly competitive – but only within the yard gate. The start of the transportation process of the super-harvest expected for 2013 highlighted the costs that the logistical deficiencies add to agricultural prices. Since the start of the year, enormous lines of loaded trucks have formed at the highways connecting production centers to Brazil's ports, where the harvest is shipped abroad. In other words, rural producers plough, plough but end up dying at the port. For the agribusiness companies operating in the country, the logistical costs knock 12% off their revenue, according to

a recent study compiled by Fundação Dom Cabral. Although most of the production of key crops such as soybeans is concentrated in Brazil's Midwest region, the bulk of exports take place at the ports of Santos and Paranaguá, located in Brazil's Southeast and South regions. An important step to overcome the bottlenecks, thus, would be to better distribute the cargo between the country's ports. If the railroad projects announced by the government last year really get off the ground, the logistical gain will be huge. If they can transport their soybeans from the train to the Port of Itaqui, in Maranhão, Mato Grosso producers would spend around R\$149 per ton transported. To export via the Port of Paranaguá, in Paraná, it costs R\$233 per tonne transported by highway.

BANCO DE IMAGENS/GAM

## From lavender to mandacaru

The decision by the French producer of perfumes and cosmetics, L'Occitane, globally recognized for its lavenders, to produce in Brazil is already a somewhat unprecedented move – up until now, all the fragrances were always made in Manosque, in the south of France, home to the company's only industry in the world. In Brazil, the company will develop a new brand of lotions and soaps, L'Occitane au Brésil, focused on using native ingredients in the formulas, such as jenipapo and mandacaru. Even less conceivable is to think that L'Occitane would be interested in exporting from Brazil to the world – but that is exactly what the company is planning to do. “The exporting

process of the products of the L'Occitane au Brésil brand is set to begin in 2014”, says Laura Barros, company brand director. The company posts global revenue of almost 1bn Euros, but doesn't expect Brazil's share of sales to exceed 5%.



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Tàpies: refined clients demand well-trained employees

# 3 questions for Jaume Tàpies



## Sophisticated hotels, qualified labor

Widely known in the high circles of the international hotel sector, Relais & Châteaux, a French chain boasting over 500 top-notch hotels and restaurants worldwide, is struggling to get its Brazilian operations off the ground. Only three Brazilian establishments are part of the group. Brazil represents 4% of the company's global revenues. "We seek establishments where cuisine is an art and each dish is a surprise. There are such places in Brazil and that's why we believe that a dozen of hotels and restaurants could be included in our Brazilian chain over the next few years", says Jaume Tàpies, international president of Relais & Châteaux. The problem is that in Brazil it is still very difficult to find sufficiently qualified labor to meet the needs of refined clients. This is why the company has invested strongly in training. In a visit to Brazil to present the 2013 catalog of his chain, Tàpies spoke with PIB.

### **Relais & Châteaux has only three hotels in Brazil. What are the main obstacles to your growth here?**

Brazil has invested in a lot in its hotel infrastructure. But to meet the needs of clients in search of unique experiences, the service needs to improve, and this process depends on the development of top-notch professional training. Also, Brazil has to reinforce the aspects related to security. Finally, for some foreign visitors it is still difficult to obtain an entry visa. This formality really is dinting the development of tourism in Brazil.

### **Who should be responsible for training labor for top-notch hotel and restaurant services? The government or the private sector?**

Our chain started to work on training professionals with the Relais & Châteaux Academy, whose objective is to educate and create loyalty among our employees, increase their mobility within the chain and attract talents. We want to give employees access to the best practices, trends and innovations of this market. We want to share with them our culture and our values. The Relais & Châteaux Academy project seeks to develop an excellent service, mirroring the training offered in Europe.

### **What is the weight of the Brazilian operation in the results of the Relais & Châteaux chain?**

Brazil represents 4% of our revenues. Its share grew 2% in relation to last year





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# Adiós, muchachos

*While some companies are leaving, others are trying to adapt to “Argentine risk”, but investments there continue to fall*

FLÁVIA CARBONARI, BUENOS AIRES

**T**he last few weeks have been intense ones for Argentina. A day after lamenting its loss in the Falklands Islands referendum, the country’s newspapers were divided between the choice of the new (Argentinean) Pope and the decision by Vale do Rio Doce to abandon construction of the Rio Colorado potassium mine, currently the biggest private investment in Argentina. After a 3-month impasse, the company declared that, in the “current macroeconomic context”, the project’s economic fundamentals were no longer aligned with its vision. The project, initially budgeted at US\$6bn, was already evaluated at US\$11bn by the market, had completed 45% of its construction works and had around 4,500 employees. The Brazilian companies Odebrecht, Camargo Corrêa and Andrade Gutierrez were involved in the construction process. A month after the suspension, Vale announced the sale of the project, further stretching already fragile relations between the two countries. At the end of April, Presidents Dil-

ma Rousseff and Cristina Kirchner had a behind-closed-door meeting scheduled in Buenos Aires. Trade barriers and investments (see Vale) were apparently at the top of the discussion agenda. The decision by Vale was the latest repercussion of a delicate macroeconomic scenario. Gradually, the mood of uncertainty, lack of transparency and lack of confidence has been slowing down investments by foreign companies. It also strengthens a generalized sensation of distrust in relation to Argentina, its path of economic policy and the strength of its currency. In the opinion of the Chairman

**Vale has abandoned the Río Colorado mine, a project valued at US\$11bn**

of the Argentine-Brazilian Trade Chamber, Jorge Rodríguez Aparicio, the decision by Vale to abandon ship caused massive ripples in the business world and was a warning sign



to all companies. “No-one wants to invest there”, he says. “The volume of business has dropped off markedly, discouraging innovation and expansion of technical capacity.” In recent years, other Brazilian companies have also exited the Argentinean market. The beef processor JBS closed four plants there, leaving it with only one. And in 2012, the logistics company ALL announced the sale of its assets in the country, including two railroad concessions.

Brazilian, Chinese or American





Argentines protest against estimated inflation of 25%

TELAM/ABR

companies, organizations from all nationalities and from a whole host of sectors are suffering from a combination of problems. “They enter Argentina with an unfavorable FX regime hurting the productivity of the investment capacity of the dollars flowing into the country”, says Marcelo Elizondo, director of the Desarrollo de Negocios Internacionales (DNI) consultancy firm. “The money that flows in via the official FX segment is worth very little, it buys very little, and the costs of operations continue growing with high inflation.” The official USD, now traded at around 5 pesos, is worth on average 55% less in the

parallel market, known as the “blue market”. The official inflation rate is around 10% p.a., but all the private consultancy firms work with

## Value of Argentinean Peso in the parallel market is half the official rate

an inflation level 2x higher, at close to 25%.

To the list of difficulties of FX mismatches and mounting inflation we can add others. At the end of

2011 and start of 2012, the Argentine government adopted a series of restrictions to slow down imports and obstruct the outflow of dollars. For

example, it doubled the bureaucracy necessary to make remittances of profits and dividends. And, since 2011, it requires oil and mining companies to settle inside the country all the export dollars. It

also banned the purchase of USD for holding in treasury, i.e. for personal savings and established limits for each person traveling abroad. It also created a 15% levy on the inter-

national use of credit cards. These last two measures led to the creation of the expression “cepo cambiário”, meaning an “FX trap”, which refers to the fact that the measures taken by the government to prevent the purchase of dollars has led the parallel market FX rate to soar.

“The economic, normative and political framework is very complicated and unstable. The conditions that affected Vale are affecting all other companies”, says Elizondo. “Including Argentine companies”, adds Aparicio. For importers, the main complication was the imposition of the Early Sworn Declaration of Imports (DJAI), which took effect in February 2012. The measure requires companies to send, in advance, to the Argentinean IRS (known as AFIP) information on all future imports of goods. Although this mechanism exists in the regulations of the WTO, the manner in which the DJAI is being implemented in Argentina is, in practice, a discriminatory model blocking imports, something the WTO would rule illegal. Also, this requirement is now accompanied by another one, strictly informal – precisely due to its illegality – that has become known as “the 1-for-1 plan”. For each dollar imported, companies have to prove the 1 dollar exported. In response to these and other measures, the US, EU and Japan have lodged appeals at the WTO. Mexico had also requested the opening of a panel, but changed its mind after signing a new automotive agreement.

As per the latest Commercial Observatory, a newsletter published by Brazil’s National Industry Association (CNI), the progressive increase in these controls now affects practically all goods and services. These measures are affecting not only companies producing there, which

need to import capital goods, but exporting countries as well. Brazil, the largest trade partner of Argentina, was particularly affected by the decline in consumption and the

## A ‘black bureaucracy’ has been created, functioning with no legal grounds

FX rate mismatch. Brazil exported almost US\$5bn less to Argentina in 2012. Exports fell 18% compared with the previous year, versus a 6% decline in Argentina’s second largest trading partner, China. According to the newsletter, of the 15 most affected sectors of Brazilian exports to Argentina, 12 registered a decline in the amount exported in 2012, and in some cases, such as capital goods,

the decline exceeded 42% in the annual comparison.

But few companies are willing to expose their difficulties openly. According to the chairman of the Argentine-Brazilian Chamber of Commerce, there is a generalized fear, both among Brazilians and Argentines, of government retaliatory measures. “When we accompany a case, we cannot name the au-

thorities involved due to the fear of countermeasures, which is a very serious thing because it shows the level of mistrust we have now reached”, says Aparicio. “We are now seeing a general mood of uncertainty among the business community regarding Argentina”, says Dante Sicca, director of the Argentinean consultancy firm Abeceb.com, whose clients include Brazil’s National Industry As-







HANDOUT VALE

Argentinean agribusiness company, who preferred to remain anonymous, the uncertainties are rife: restrictions in the foreign trade system, manipulated inflation rates, doubts on the supply of electricity... “A company needs to have a modicum of transparency to invest”, he states. “Although the costs of the measures may be high, you have to estimate them in order to adapt your operations.” The impossibility of knowing what will come next is the decline in investments. Last year, this businessman’s company managed to send only 10% of profits and dividends due to stockholders in Europe.

With the new measures created, the bureaucracy necessary to execute these transactions has doubled. Before, companies had to deal with the norms of the Central Bank, but now the operations pass through the AFIP [Argentina’s IRS] and there is no clear regulation, which, as businessmen complain, ends up preventing business deals from flourishing. If before these measures were taken in response to the situation of the period, in crisis times, now they

the lobbying power of each sector. “There is a concern not only with trade barriers, but with economic policy in general. Certainly there is a freezing of investments”, comments Panzini. Sicca, from Abcecb. com, agrees: “Companies may not go away, but they aren’t investing that’s for sure.” According to the DNI consultancy firm, average foreign direct investment levels in Argentina in the last 3 years were a mere US\$6bn, almost a 10th of what Brazil has been receiving.

An employee from the Economy Minister argues that the current measures were taken precisely to strengthen Argentina to prepare for the crisis and, as a long-term objective, to increase the country’s competitiveness and ensure better income distribution. The fact that the Central Bank always lacked reserves added to the outflow of capital from the country, which peaked in October 2011, a month of record outflows, after dragging on for a decade. “We had to create measures to interrupt this outflow”, explains the employee. The government’s efforts to put its accounts in order via the trade balance are laudable,

and were the only alternative left, but the negative impacts of this strategy are proving to be greater than expected. “The consequences of the measures are in total contrast to their desired effects”, says Aparicio, from the Argentinean-Brazilian Chamber of Commerce.

In this scenario, companies have to be creative to continue doing business. An Argentinean importer

sociation (CNI).

There is one single explanation for all these measures, according to analysts and businessmen: the Argentinean government desperately needed to control dollar outflow in an attempt to balance its accounts. Isolated from the international capital market, with tourism in decline (4.6% fewer foreigners in 2012 versus 2011), and with no major investments, to put its accounts in order the only thing left to Argentina was the trade balance. To do this, it resorted to measures that, in the opinion of most of the private sector and market analysts, are irrational, discriminatory and generate excessively high costs. “Instead of attacking the current problems of lack of reserves, high inflation, poor management of energy policy, the government is attacking their effects”, says Sicca.

In the opinion of a manager of an

## Argentina grew only 1% in 2012, affecting key sectors of its economy

have been institutionalized and are a government policy vehicle.

According to Fabrizio Panzini, a specialist in international negotiations from CNI, this lack of transparency in the norms is a recurring complaint of Brazilian businessmen operating in the country. Adding to the confusion, these instruments aren’t being applied on a level playing field, but instead depend on



ANTÔNIO CRUZ/ABR

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from the decoration sector recalls that, in order to adapt to the 1-for-1 rule, for example, he had to sign informal, verbal contracts to buy the concession of exporters. “Since I have never exported anything, I have no contacts, I have no export structure, and I couldn’t just start exporting overnight, our solution was to make a verbal agreement with an exporter, a friend of a friend, so that the company could transfer to me the credit of part of what it exports”, he explains. “Obviously via a commission fee, whose cost I must pass on to my products, further feeding the inflationary process in the country.”

CNI specialist Panzini says this solution is also being used by Brazilian companies. For other companies, which need to import to produce, another alternative found was to start buying more local products, despite their poor competitiveness. The chief-economist of the Chamber of Commerce of Argentina, Gabriel Molteni, confirms that many import companies are working directly with exporters. The agreement with the Trade Department was that these “credits” bought from exporters would have to represent an increase to what the exporter already sold abroad. But since the stronger import restrictions kicked

in last year, and the commitments assumed due to the control measures have a 1-year maturity, it is only now that we will start to see if this strategy of promoting “incremental exports” worked.

However, all these solutions have high costs and are occurring with no legal grounds in place. And they create a distortion in the market: exporters don’t charge what they have to charge because they cannot use the real [parallel] FX rate, so importers gain more, and to prevent imports from skyrocketing, the government creates barriers for the importer, while the currency remains way off what it should in reality be.



**1** Kirchner:  
behind-closed-  
doors meeting  
with President  
Roussef

**2** Aparicio and  
other businessmen  
criticize legal  
measures adopted  
to combat the crisis



HANDOUT  
**2**

In the opinion of the decoration sector businessman, the consequence was the creation of 'black bureaucracy' with no legal grounds, causing much of the private sector to sign agreements that are virtually impossible to honor. "I have been in this market almost 40 years, and have experienced different types of foreign trade policies, from total control to total freedom", he states. "I agree that the State should adopt control measures so that national production isn't affected, but this should not have been taken to the extremes we are now seeing."

If the objective of the stronger control measures in the last 2 years was to increase reserves, then the goal was partly achieved. Between 2011 and 2012, capital outflows fell 84%, according to the Argentinean Central Bank. The trade surplus rose 26.7% in 2012, mainly due to

the 7.3% decline in imports versus 2011. However, this decline also affected productivity, since 80% of Argentinean imports are capital goods. "Import controls aren't being implemented to protect the local industry, but rather because they are the only government alternative to the FX problem, and end up strongly affecting productivity", says Marcelo Elizondo, from DNI.

Argentina grew only 1% in 2012, also due to the slowdown in the Brazilian economy and the drought at the start of 2012. The most affected sectors are precisely the key areas to the economy's growth in recent years, such as construction, industry and agriculture. Elizondo says the negative impact will also be seen in the long term due to the decline in companies' investments. The investment rate, which measures the volume of investments as a % of

GDP, fell from 24% in 2011 to 21% in 2012.

Today's scenario in Argentina is thus not very attractive. High inflation rates, which affect production costs; indicators manipulated by the government; FX rate mismatch; restrictions on imports and remittances of profits and dividends; consumption slowdown and also major uncertainty over the regulatory and political framework. But the negative impacts already being felt as a result of this scenario could improve slightly in 2013, in the view of some analysts. In the opinion of Sicca, although the current situation is a complicated one, the Brazilian private sector should try to resist, exploring the opportunities that emerge. "You have to learn to deal with the restrictions and apply good judgment", he says. "Argentina is still an attractive market, like a good piece of hardware currently suffering from bad software."

Elizondo also expects changes, such as easing of trade controls and of FX appreciation this year, and some measures to attack inflation. But he believes these will only be temporary measures, doing little to correct the fundamental problems of the economy. The sectors that are still the most protected ones, such as textiles, should continue growing. The Argentinean-Brazilian Chamber of Commerce is organizing a series of meetings with private-sector leaders from both countries to try and influence the discussion agenda. We now wait to see if the Brazilian government, after being put in a tight spot following Vale's exit, will continue walking the soft diplomatic path, or if it will toughen its rhetoric with Argentina.

Evandro and his cachaça: from Ivoti (Rio Grande do Sul) to the world

## Additive-free SUCCESS

*Brazilian production of organic food and cosmetics receives a boost to meet international demand*

SUZANA CAMARGO

**I**n a trip to California, Evandro Weber entered a liquor store and asked if they sold cachaça (Brazilian rum). “They said they did”, says Evandro. “And they insisted on showing me one of their top premium brands, Weber Haus.” Evandro said thank you, didn’t buy the cachaça, but left the store as happy as if he had just taken a sip. No surprise there then. Weber Haus, an organic cachaça, is produced by his company on the border of Serra Gaúcha, in the small city of Ivoti, 55km from Porto Alegre.

For Brazilians used to drinking

cachaça brands such as Tatuinho, Boazinha, Pitu or Meia Lua, Weber Haus sounds like something more suited to schnapps. But this is a moot point for most Weber Haus consumers, in countries such as Canada, Italy, Germany and the US. In addition to appreciating the cachaça for its good beverage qualities, another factor explaining Evandro Weber’s growing sales abroad is the fact that his product is organic (i.e. no additives,

chemical fertilizers, agro-toxic or transgenic ingredients).

The fact is that the world wants to increasingly eat and drink products of proven organic origin. In the food and beverage retail segment, organic products have been growing globally at an annual average of 5% in the last decade. In 2011, sector revenues totaled US\$62bn worldwide. In Brazil, companies are also upping their investments in this sector with an eye to







## THE ONLY WAY IS FORWARD

**REVENUE OF** companies associated with Organics Brazil

2005	US\$ 9.5mn
2006	US\$ 15mn
2007	US\$ 21mn
2008	US\$ 58mn
2009	US\$ 44.3mn
2010	US\$ 108.2mn
2011	US\$ 87mn
2012	US\$ 129.5mn

## Organic consumption is growing 5% a year globally

exports. Of the total production of Brazilian organic foods, it is estimated that 60% are exported.

In addition to Weber Haus, other players include Agropalma, Ikove, Native, Surya Brasil, Nutri-Botanica and MN Própolis. These are unfamiliar names for most Brazilian consumers, but relevant companies in the global organic

product market. Native, for example, located in Sertãozinho, in the interior of São Paulo, is currently global leader in the organic sugar and ethanol market. Similar companies are operating throughout Brazil, with a broad range of products bearing the organic seal, ranging from honey, mate tea to moisturizing lotions and others featuring ingredients such as murumuru, palmiste and andiroba.

To compete on the international scene, Brazilian organic producers have received a helping hand from

the country's rich and diversified biome. Exotic (and organic to boot) ingredients always arouse the curiosity of the consumer. Amazon fruits are on the up and up and are the talk of the town in many countries. "Brazilian products attract attention because they come from different biomes and each carry their own story of sustainability", says Ming Liu,





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## CERTIFIED QUALITY

**THE BRAZILIAN** organics market is still very small, but according to the Ministry of Agrarian Development (MDA), approximately 90k producers already work with this type of agriculture. Organic planting cannot use substances that endanger human health and the environment. There is a ban on the use of soluble synthetic fertilizers, agro-toxins and transgenic components.

In January 2011, after waiting for many years, the new sector legislation in Brazil came into effect. Since then, organic products, certified by the Ministry of Agriculture, need to be identified with the seal of the Brazilian System for Evaluating Organic Compliance (SISOrg). The seal can be obtained via certification by auditing or by a Participative Guarantee System (SPG), an exclusive system for organic products whereby the producers themselves create a local

and legally constituted system, assuming the responsibility for the information provided.

In the opinion of Ming Liu, from Organics Brazil, the regulatory framework brought more clarity for the consumer, who can distinguish between certified and non-certified products, fostering the sector's development. "Before regulation, many producers didn't know how to declare organic products, and consumers confused natural products with organic ones", states André Gasparine, manager of Agropalma. Imported organic products are also required to follow national norms and to carry the SISOrg seal on the packaging. Just like beverages and foods, organic textile products must also be certified. Cosmetics, however, have yet to be regulated by national legislation, but may feature the organic ingredients included in the product composition

on their packaging.

Even before SISOrg, many Brazilian organics companies had already obtained international certifications to export their products. The best known are accepted in the main international markets and have agencies in Brazil, such as Ecocert, BCS Öko-Garantie, IBD and Control IMO. There are also national certification entities such as TECPAR Cert and Instituto Nacional de Tecnologia.

In the cosmetics segment, there are specific standards and norms in each country. In Italy, for example, they use ICEA certification, in France they use Cosmebio and BDIH is used in Germany. More recently, Europe has started to adopt the Cosmos certification system, which encompasses directives and demands of several European standards. Beraca is one of the Brazilian companies that opted for the Cos-



**1** Native:  
products  
exported to over  
60 countries

**2** Organic  
clothes:  
certified  
label

executive coordinator of the Organics Brazil Project. Created in 2005 to promote the development of Brazilian organic products abroad, and run in partnership by Apex-Brasil (Brazilian Pro-Exports and Investments Agency) and IPD (Pro-Development Institute), the program had a discreet beginning, with only 12 associated companies. However, it ended 2012 6x bigger, with 74. The estimate is to reach 2014 with 100 associated companies. “We expect sector growth of 8-9% in 2013”, predicts Liu.

When examining the revenue of recent years, the potential of organic products in Brazil becomes cle-

ar. In the first year of Organics Brazil, the associated companies sold US\$9.5mn. Five years later, in 2010, this number soared to US\$108.2mn; and, in 2012, the associated compa-

## Brazilian sector companies export fabrics, cosmetics and even jewels

nies sold US\$129.5mn. The supply of products has also diversified. In the first few years, the associated companies mainly produced ingredients for the food and readymade

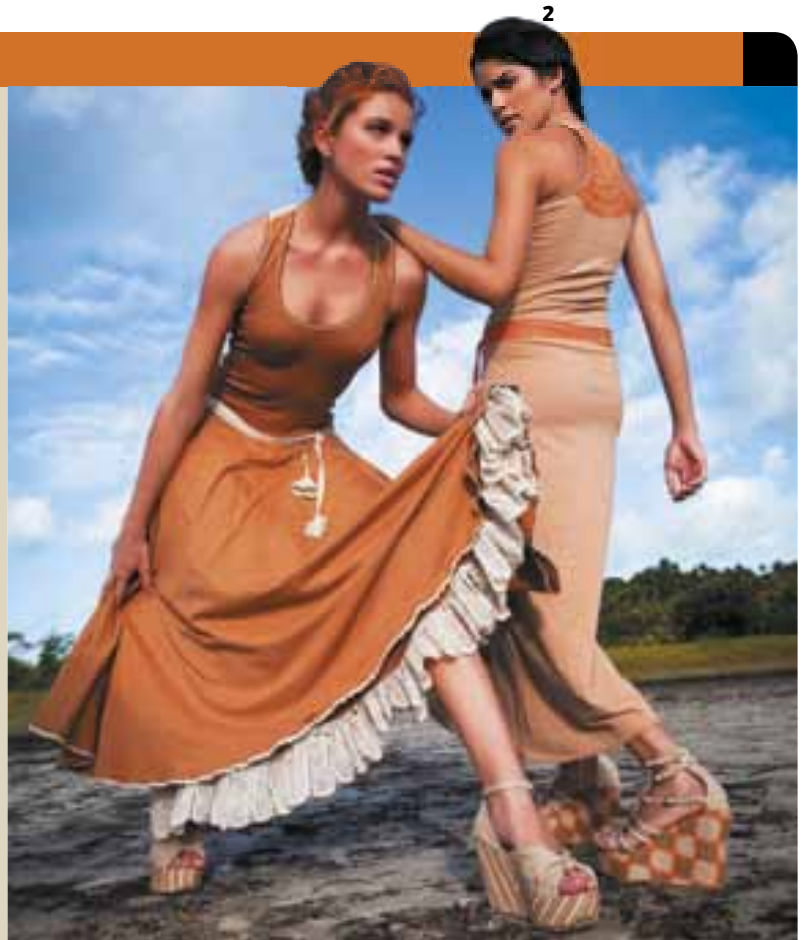
meal industry. In recent times we have seen the emergence of greater value-added items. Today, there are companies exporting cosmetics, fabrics, apparel and even jewels.

As varied as the list of export items is the size of the companies in these segments.

There are large, medium and small ventures. Located in Vinhedo (São Paulo), Ikove is a small producer of premium vegetable oils and bases for the pharmaceutical and food in-

mos seal in its products. Ikove is seeking to adjust its cosmetics and ingredients to the new European legislation, which takes effect in July 2013. “Without this certification, it is impossible to obtain solid partners in the distribution of these markets, which are extremely demanding”, affirms Magnani. “It is a challenge, since we are a small industry aligned with big boy rules, enabling us to operate with more seriousness, competing on a level playing field, gaining space and consequently increasing our market share”.

For some producers, the requirement for new seals and certifications has negative implications. “It ends up raising the cost of the product”, says Evandro Weber, from the Weber Haus cachaça producer. The certifications need to be regularly revalidated, creating new costs for companies. “I think the government should provide incentives to the certifications of companies producing organics, since we are helping reduce the environmental impact”, he defends.



dustries. One of the pioneers in exporting organic cosmetics to Europe and the US, the company's trajectory shows how the market for these products has been expanding. "Today we have excellent demand from Japan and Saudi Arabia", reveals the CEO Fabio Magnani.

Created 11 years ago, Ikove started exporting in 2005 and currently almost 70% of its cosmetics line is exported. The company sells complete food lines containing açaí, cocoa, buriti, murumuru, cupuaçu and mate. "The brand's internationalization arose from international demand", says the CEO. Other companies feature heavyweights such as the aforementioned Native. In addition to dominating the global organic sugar and ethanol market, the company also produces a vast line including juices, cereals, coffee, biscuits, jams, chocolate-flavored milk and olives. Owner of various sugarcane mills in São Paulo's countryside, the brand, one of the business lines of the traditional Balbo family, exports organic products to over 60 countries. These organic products represent 40% of the company's total production and are growing. "We posted 29% export growth in 2012", said a Native spokesperson.

Another large-scale venture is Agropalma, which extracts and produces palm and palmiste (derived from palm almonds) oil, driving the economy of the Tailândia region, 200km from Belém (Pará). To give you an idea of the group's size, it is responsible for the creation of 4,200 direct jobs, and owns 39,000 hectares planted with palm trees, 1,600km of own road and its own export terminal. The project is run by the businessman and banker Aloysio Faria (from Minas Gerais), who also runs other business lines such as Banco Alfa, the Transamé-

rica hotel chain and the C&C Casa e Construção home supplies chain. Agropalma doesn't exclusively make organic products (which today represent 10% of total production). Founded in 1982, the company started investing in organic products 15 years ago. "We began production to meet demand for organic palm oil in the international market. It was only much later that internal

says Gasparine. "This consumption niche isn't affected by crises", adds Fábio Magnani from Ikove. "Their choice is based on a wellbeing philosophy and on the principles of sustainability." Internationally known as Lohas (Lifestyles of Health and Sustainability) consumers, these people are willing to pay more for an organic product since they believe that, in so doing, they are guaran-



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demand emerged", reveals export manager André Gasparine. But the Brazilian market still seems to be incipient. Although organic oils have many uses — industrial frying, chocolates, pasta, ice creams, cleaning products and even cosmetics — 95% of the company's organic products are still exported.

"Outside Brazil there is already a more mature market in which organic products are a lifestyle option",

teeing their health and the health of their family. They also believe that by opting for products controlled sustainably, with the least damage possible on the environment, they help preserve natural resources. Thus, together with the organic product, a lifestyle is also sold. Aware of this, Magnani can readily reel off the advantages of this choice. "The purchase of organic cosmetics guarantees the origin of natural ingredients,



free of chemical additives harmful to one's health", he explains. "An adult uses, on average, nine personal hygiene products per day, exposing himself to 126 chemical substances. We offer the option of a life concept and a healthy choice".

At this stage of the article, no-one longer imagines that producing essential oils, selling natural products and not using chemical additives in the production processes is a work of small, alternative communities, such as that seen in the 1960s. This is a game for the big boys. And the example of Beraca Sabará Químicos

sold *jojoba* oil to national companies. Its main activity was providing products for water treatment, animal nutrition and for the food industry.

Since then, Beraca has become a multinational company and the largest international supplier of oils and ingredients derived from Amazon fruits. "The most sought after extracts and oils are açaí, murumuru, cupuaçu and andiroba", says Sofia Ortega, head of the Beraca export department. "The main appeal to the consumer is that they are buying a product with natural ingredients that also offers major health benefits". Last year, the company posted revenue of R\$138mn. The Health & Personal Care division alone grew 25.4%. In addition to 7 units in Brazil, the company has a subsidiary in the US and one in France – countries home to some of the largest international clients (L'Oreal, Estée Lauder,

as cereals, sugar and organic oils", states Liu, the executive coordinator of the Organics Brazil Project. But there is a difference between these two places, says Liu. "In the European market there is greater difficulty and resistance to finished, foreign-brand products, while US consumers are more willing to buy labels from other countries". Amarjit Sahota, chairman of Organic Monitor (an international entity analyzing the sector) agrees: "The US is the largest global consumer of organic products, representing 44% of the sector's global revenues."

Although Brazil is potentially one of the major producers of natural products, the internal market still hasn't latched onto its consumption. But on the international scene, for decades consumers know exactly what an organic product is and have developed a pro-organic consumption culture. To penetrate this already established market, featuring renowned and longstanding brands, Brazilian exporters are packing their bags and traveling to events abroad. "At home, we don't do anything", says Evandro Weber, the producer of the Weber Haus cachaça, who spoke to PIB from Japan, where he was taking part in a beverage fair featuring a large area devoted to organic products (*see a list of the major international fairs on page 36*).

It was on these trips abroad, since assuming control of the family business, that Evandro saw the possibility of exporting his cachaça. "I realized that organic produce had a major influence in the eating habits of other countries", he says. The family business began in the first few decades of the last century, when his grandfather, a German immigrant, arrived in Rio Grande do Sul.



**2**

e Ingredientes clearly shows this. It was by focusing on clients who love organic products, and betting on the exponential growth potential of this market that, at the start of the 2000s, Beraca decided to invest in sustainable technologies to produce natural and organic products targeting the cosmetic market. Previously, the company, founded in São Paulo in the 1950s, only had a division focused on selling organic products that

L'Occitane and Yves Rocher) of the Brazilian company's organic ingredients.

The biggest importers of Brazilian organic products are developed countries, especially Europe and the US. Of all the organic oils exported by Agropalma, for example, 60% go to the European market, while the other 40% goes to the US. "Both Europe and the US are extremely receptive to Brazilian ingredients such

His grandfather had already worked with the production of distilled beverages (e.g. schnapps) in Germany. “In Brazil, he discovered sugarcane and started making cachaça for his own consumption”, recalls Evandro. In 1948, the family decided to sell the product, and in 2001 Evandro assumed control of the family business. The business progressed and the cachaça company invested in the construction of buildings, modernized equipment and alembics, fermenting and aging systems. “We wanted to work with high value-added cachaça, with quality and a different status to what the others offered”, says the businessman. In 2007, the company started the process for obtaining tracking certification, from the crop to the final bottling. “We already didn’t use agro-toxics or chemical fertilizers on the crops, which is why we received certification so quickly. In three months, in fact”, says Evandro.

This certification was essential for Weber Haus to initiate its trajectory outside of Brazil. Since 2011, a new legislation is in place for the



sale of organic products in Brazil, making it clearer to producers how to obtain a certified product label. For consumers, it is now easier to check if the product is truly organic. Other countries also adopt their own seals and certifications. For Brazilian organic producers to enter these territories, they need to adapt to the local rules (*find out more on legislation on page 32*). The cachaça produced by Weber was in the liqu-

or stores of California with its seal saying “Organic product – Brazil”. The price charged, US\$80 a bottle, is justified by its premium distilled beverage status. But the certifications attesting the organic origin of products usually mean prices 30% greater than similar, non-organic products.

Why? The process for this type of production requires stronger investments. “The cost of the area ends up

## FAIRS TO FINALIZE BUSINESS DEALS

**LARGE ORGANIC** sector trade fairs are held in several countries. Many of them take place in California, on the US West Coast – home to consumers who love healthy food. Another very popular trade fair is the one organized by the US chain Whole Foods Market, a giant in the retail segment, which sells only organic products. The chain has 329 own stores, including 7 in Canada and 6 in the UK. In 2013, sales should surpass US\$13bn, 11% higher than in 2012, while the other food retail (non-organic) sectors are suffering

from stagnant growth. Both Native products and beverages carrying the Weber Haus label are already on Whole Foods store shelves.

In Europe, Germany is home to the most disputed and prestigious global organics fair, Biofach - World Organic Trade Fair. In tandem with this event, focused on the food, beverage and textile sectors, the Vivaness — Trade Fair for Natural Personal Care and Wellness event is also held, which features cosmetics, beauty and wellbeing products. The fairs, held annually in Nuremberg,

take place on eight pavilions totaling 80,000m<sup>2</sup>. In the four days of the 2013 edition, held in February, Biofach received 2,420 exponents from 129 countries and approximately 40,000 market professionals.

Organics Brazil had a sales stand there, taking 12 Brazilian companies with it (versus 24 last year). Ikove was one of them. “The result was extremely positive. We re-launched our lines, formed by 30 products, all certified”, reveals Fabio Magnani. “We also closed new deals with Eastern Europe”. The fair also





**1 and 2** Products and Gasparine: organic produce represents 10% of Agropalma's production

**3** International fair: a US\$13bn business this year

**2**

being more", explains Gasparine, export manager of Agropalma. "When you opt for the organic system, you have to change the entire treatment and planting periods." But the in-

vestment has been worth it. This year, the company expects to see a market consolidation movement. Exporters believe organic products will still grow a lot internationally.

Agropalma is betting on growth of 15-20% in 2013, and Weber Haus expects to sell 10% more. "I don't believe the organics sector has even got started yet", concludes Weber.

created the opportunity for Ikove's CEO to talk personally with prospective clients from Spain, the UK, Italy and France. Organics Brazil calculates that its participation at the Biofach and Expo West (US) fairs earned it US\$37mn in export contracts signed for the next 12 months. "We opened up new business channels (with distributors and retailers) from Russia, Australia and China", says Liu, coordinator of the project.



**3**

Yves Lapere  
(left) from the  
Belgian agency FIT,  
at the Intermodal  
fair in São  
Paulo: pursuing  
Brazilian  
investors

# Game of Seduction

*Countries from around the world are opening agencies in Brazil to attract investments. They are offering fiscal incentives and access to their markets in the battle for job creation in their home countries.*

SUZANA CAMARGO

Everybody knows that large multinationals from developed countries play a part in Brazilians' daily lives. You only need to look at the cars on the roads, go to a supermarket or switch on the TV. It has been like this for about a century, particularly during the five golden years of the government of President Juscelino Kubitschek in the 1950s. This was when Brazil became one of the favorite destinations of the large European and American corporations that were attracted by the rapid industrialization and urbanization process the country was undergoing. These were shortly followed by Asian investors.

Throughout this period — and even today, following the stabilizing of the Brazilian currency and better income distribution seen over the last two decades — this movement represented the entry of a large volume of foreign capital to Brazil. However, there has been a new development in recent years in which this flow has gone in the opposite direction. Brazilian com-

panies have also started to become multinationals, “expatriating” resources, technology and knowledge to create businesses and production plants abroad. The world has noticed this change. One of the signs is the increasing presence in Brazil of foreign agencies which are competing amongst themselves for Brazilian investments to fuel economic growth in their own countries.

Foreign trade representation offices have been present in Brazil for a long time and their mission until recently had been purely to facilitate the arrival of their multinationals on the Brazilian market. This role has now changed and they are also trying to attract

## The agencies want Brazilian companies to create jobs back home

Brazilian capital and companies that are active internationally to their countries. These agencies are in Brazil not only to offer products

but also opportunities. They are making efforts to encourage Brazilian entrepreneurs to take their business to their countries, set up there, provide jobs for the local workforce and pay taxes to their governments. The job involves attracting and seducing Brazilian investors who will gain unfettered access to foreign markets in return.

This transformation has come about for two main reasons. Firstly, these countries — particularly in Europe and the United States — have been and are



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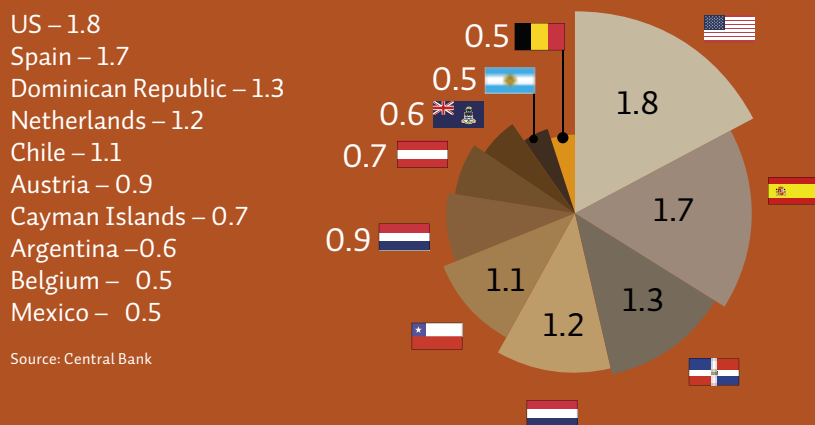


still being hit by the effects of the global economic crisis that has been continuing since 2008. Brazil was also adversely impacted but to a lesser extent. The directors of these agencies believe Brazil can provide solutions to offset their countries' economic problems. "The rise in the unemployment rate [in the rich countries] has raised interest in attracting more foreign companies," says Fábio Yamada, director of Trade and Investment, an agency that looks after the interests of six American states in Brazil, including Pennsylvania and Florida.

The second reason is the greater maturity and desire by Brazilian

### A WELL SLICED CAKE (US\$ billion)

DISTRIBUTION OF direct Brazilian investments by country in 2012





1

companies to cross borders and become global. It is a bit like having your cake and eating it too. The crisis gave many Brazilian companies the opportunity to make acquisitions on advantageous terms. Companies from Brazil and other Brics, such as Russia, India and China, invested over US\$ 100 billion in buying as-

sets in Europe, the United States and Japan between 2010 and 2012 alone, according to figures from the United Nations (see box on this page). Figures from the Brazilian Central Bank show that Brazilian investments abroad came to US\$ 13.7 billion last year alone (see graph on page 39).

Brazilian companies have es-

timated total investments abroad of US\$ 230 billion. As a result, the world now sees South America's largest country as an exporter of investments and the homeland of multinationals with the firepower to move outside its borders. This movement began in the 1970s when the first Brazilian engineering com-

PICTURES: HANDOUT

## CAPITAL GOES IN A NEW DIRECTION

**IN JUST** a decade the BRICS have transformed themselves from a footnote in world investment tables into a whole new chapter that has not stopped growing. The share held by Brazil, Russia, India, China and South Africa of the global flow of investments has jumped from 1% to 9% over the last 10 years. Figures from the United Nations (UN) show that companies from the Brics, excluding South Africa, invested more than US\$ 100 billion in buying European, American and Japanese companies between 2010 and 2012. The UN said that the countries from this block invested US\$ 7 billion a year in 2000, a figure that soared by 1,700% to US\$ 120 billion by 2012.

Most of these investments are directed at acquisitions in rich countries. It seems that the commitment the Brics have constantly made about preferring to invest in developing countries has given way to a more pragmatic approach to take advantage of opportunities that have appeared in the more developed countries during these crisis years. The UN says investments by the Brics in company acquisitions in the adversely affected economies of the European and North American countries came to US\$ 105 billion between 2010 and 2012. This compares with only US\$ 29 billion in the emerging countries.





**1** Suriana's Scaffold: package of benefits to set up in London

**2** Technology institute in Switzerland: skilled labor

Berne Area (GGBA) that represents some of the Swiss states, known as cantons. Belgium also has regional agencies — Flanders Investment & Trade — FIT, for the northern region of Flanders, and Awex — Invest in Wallonia, for the southern region, along with Brussels Invest & Export for the Brussels area.

The UK, which was one of the most active pursuers of investment possibilities in Brazil until recently, has set up the United Kingdom Trade & Investment (UKTI). This agency has a broad network through which contacts can be made to the representatives of the countries that make up the UK, such as Scotland, Northern Ireland and Wales, along with English cities like Manchester, Birmingham and London. France has Invest in France and Holland the Netherlands Foreign Invest-

panies began operating in Africa and the Middle East and has accelerated at an unprecedented pace over the last 10 years.

As a result, a number of different foreign agencies are present in Brazil and want to lure Brazilian companies and their dollars to their homelands. But which countries are

they and how are they doing this? There are dozens and they operate independently or through their consulates. Some of these countries are represented by more than one body, such as Switzerland which has the Swiss Business Hub Brazil, the federal government's investment agency, and the Greater Geneva

The main player in this game is China which led the way with 54%. However, Brazil did not do badly. Brazilian companies have their highest amount of investment today in Europe. The volume of Brazilian money invested in Europe was higher than all the other members of the emerging block as a whole over the last four years, according to sector sources. The amount of Brazilian investments in Europe came to US\$ 67 billion from a total cake of foreign investments of US\$ 230 billion.

Examples of this growing appetite by Brazilian investors are JBS — the largest animal protein

processor in the world — which bought a number of slaughterhouses in Europe, along with three meat processing plants in Italy. Camargo Corrêa bought the Portuguese cement company, Cimpor, while Embraer opened its first European airline parts plant in Portugal. Loans to Brazilian companies to base themselves in Europe have been granted relatively quickly by the European Commission. Brazilian companies are also expected to benefit from measures the Brazilian government should announce shortly following an agreement with the European Union.



ment Agency – NFIA. “Brazilian companies were satisfied with the domestic market for a long time but it is no longer the case for some,” says Egbert Hartsema, head of the

Dutch investment agency. He was born in the Netherlands but grew up in Brazil and speaks Portuguese without an accent. Hartsema has firsthand knowledge of the Brazil-

ian economy and is certain that this is the right time to win over companies that are ready to invest in the Netherlands. His opinion is shared by another foreign colleague (and

## WHAT THE AGENCIES CAN OFFER

**PIB MAGAZINE** sent a questionnaire to 78 foreign embassies in Brazil on how their investment agencies operate towards Brazilian companies. Not all of them offered this service in Brazil. Those that replied to the questionnaire are included in this article.

### BELGIUM

**Brazilian companies present in the country:** Citrosuco, CBL Tank Terminals, JBS Friboi and Biorigin (Grupo Zilor).

#### Advantages offered:

- Deduction of 75% of withholding tax on the payroll for researchers and 80% on interest on patents.
- Subsidies for sustainable projects and employee training.



Flanders Investment & Trade

### CHILE

**Brazilian companies present in the country:** Banco Itaú, Vale, Petrobras, Gerdau Aza and Camil Alimentos

#### Advantages offered:

- Supply lines for certain sectors
- Right to remit capital after a year of activities.
- “Fixity” tax system







Citrosuco's port terminal in Ghent: support for expansion projects

market. They have the flexibility and aggressiveness needed to be a success," says Matter.

These countries realize that the days have gone when they could sit back in their offices and wait for business to knock on their doors. The agencies now take part in trade fairs, organize business rounds and visit the Brazilian regions where the economy is growing fastest. These

## Foreign countries want large and small Brazilian companies

One particular case is the United States. Although the US was the country most in demand by Brazilian investors looking abroad last year, the Americans remain faithful to their main policy of decentralization. The job of finding foreign investors is carried out by the states and not the federal government.

"The American states have become more proactive since 2010 and have begun to pursue international investors. Brazilian businesspeople are travelling more and seeing that the US offers ample business

opportunities," says Fabio Yamada who represents Florida, Pennsylvania and four other American states in Brazil from his recently occupied and spacious office in São Paulo. The office may look larger than necessary but this was a demand by the Florida state government that wants

rival), Martin Matter of the Swiss Business Hub Brazil). "Brazil has sophisticated companies, with managers who are ready to take advantage of the opportunities on the world

are upstate São Paulo in key cities like Campinas, São José dos Campos and Ribeirão Preto. They also go to the Midwest, the powerhouse of commodity exports, and can also be found in Rio de Janeiro, Belo Horizonte, Porto Alegre or the larger state capitals in the Northeast.

### COLOMBIA

**Brazilian companies present in the country:** Stefanini and Votorantim

#### **Advantages offered:**

- Tax exemptions for raw material exports and input purchases.
- 22 free trade zones with no restrictions on exports.



### ECUADOR

**Brazilian companies present in the country:** Odebrecht

#### **Advantages offered:**

- Reduction in income tax from 25% to 22%.
- Exemption from minimum tax for new companies in the first five years and all income tax if they invest in areas the government regards as priority (petrochemicals, pharmaceuticals, renewable energy, amongst others)





1 2



to impress investors with the sheer size of its presence.

In some case, these agencies only awoke to the Brazilian potential after being surprised by some specific investments made in their countries. Take Pennsylvania for example. In 2006, the technology company Campinas CI&T set up an office in Pittsburgh, the state's second city. Initially there was only a single

employee but CI&T now has more than 30 staff there. Just over two years ago, Braskem bought Sunoco Chemicals, which is based in Philadelphia, the state's largest city, for US\$ 350 million. Pittsburgh hit the headlines of the business sections throughout the world in February of this year when it was announced that the giant Heinz group – famous for its ketchup and mustard – had

been acquired for US\$ 23 billion by Brazilian businessman Jorge Paulo Lemann and his partners in association with American investor Warren Buffett.

When the state authorities saw the ketchup business change hands, they decided to take a closer look at where this businessman came from. "Brazilian investors have become a very important part of foreign di-

PICTURES: HANDOUT

## WHAT THE AGENCIES CAN OFFER

### FRANCE

**Brazilian companies present in the country:** Natura, Embraer, Nanoskin and Roncato Advogados

**Advantages offered:**

- Financing programs for small companies with intervention capacity amounting to 42 billion Euros, especially in the innovation areas.
- Partnerships with research centers.
- Simplified system for opening companies.
- Tax credits for research covering up to 80% of the eligible costs in the first year.



### NETHERLANDS

**Brazilian companies present in the country:** Brasil Foods and Petrobras

**Advantages offered:**

- Research and development companies have tax rates of 5% and tax deduction on wages and social contributions.
- Reimbursement of 30% of the wage of a hired worker or one transferred from abroad who has expertise in priority areas.



Pioneers in international business





**1** Hartsema in São Paulo: 10 Brazilian companies in NFIA's sights

**2** Port of Rotterdam: automated trucks and 400 years of tradition

advantageous package. The Dutch agency, for example, will only say that it is pursuing 10 Brazilian companies. Its director Hartsema will not reveal any names and only gives some clues. One of these potential investors includes a family-owned company in the chemicals sector which sells raw materials to industry, he says. The Netherlands has a famous chemicals port in the south of the country, Chemelot, and one of the most modern port systems in the world. Rotterdam has been the largest and most important port in Europe since the Dutch East Indies Company was founded almost 400 years ago. The other company that aims to enter the European market through an office in the Netherlands is based in Salvador and operates in the publicity area. It has clients such as Grendene and the singer Ivete Sangalo.

There is room in the dispute for Brazilian investments for all sizes. Small countries or those which are

rect investment in the state and our strategic planning,” says Pennsylvania state governor Tom Corbett who decided to cross the Equator to get a firsthand look at the source of these welcome investments. He visited Brazil in April along with a large committee to meet investors, business leaders and authorities. The agenda was kept secret during the preparation of the trip as secrecy

plays an important role in pursuing investments, particularly from large companies.

While a small company can make the decision to invest abroad quickly, studies to establish a big multinational can take years. During this time, the agencies involved in the negotiations try to keep the process a secret so that other countries will not put forward a more

#### MEXICO

**Brazilian companies present in the country:**

Odebrecht, Stefanini, Gerdau and Marcopolo

**Advantages offered:**

- Federal financing funds and fiscal incentives at municipal and state government level.

#### SLOVENIA

**Brazilian companies present in the country –**

**Advantages offered:**

- Total tax exemption for investments in research and development sectors.
- State financing for greenfield projects.
- Gradual reduction in corporate income tax from 18% to 15% by 2015.

#### IRELAND

**Brazilian companies present in the country:**

Lanx Capital Partners, Banco do Brasil and Embraer

**Advantages offered:**

- State financing can be negotiated, reduction of 25% in taxes for research and development companies, corporate income tax of 12.5%.
- Intellectual Property System that foresees a fiscal reduction in certain acquisitions defined as such.



Public Agency of the Republic of Slovenia for Entrepreneurship and Foreign Investments





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still developing are also active. Slovenia, Chile, Ecuador, Colombia, Zimbabwe and Turkey, amongst others, also want their share of the Brazilian cake. They hit the road whenever they see an opportunity of a good deal and good deals are not only million dollar investments. The agencies of these countries serve small and large investors and have an extensive menu of offers to attract such diversified clients: tax exemptions, flexibility in opening companies, subsidies and unrestricted movements in free trade

zones, and providing financing for research and development.

The experience of São Paulo businessman Rodrigo Scaff, who has just moved to London, shows how these negotiations work. Scaff is a partner in Suriana, a consultancy which specializes in strategic plans for international expansion and has clients like Tramontina, Miolo Wine Group and São Paulo Alpargatas. He will be responsible for the opening of the company's first office abroad. "It will be highly advantageous to have a physical presence outside

Brazil," he says.

The company was supported during its moving process by UKTI, the British Investment agency which has been in Brazil for 10 years. It answered questions on the procedures for opening an office in London, local taxes, the most suitable kind of visa and questions on the English way of life, such as the costs of housing, education and health. It also recommended accountancy firms and relocation companies.

The UKTI does more and introduced Scaff to the Touchdown

PICTURES: HANDOUT

## WHAT THE AGENCIES CAN OFFER

### UK

**Brazilian companies present in the country:** JBS Friboi, Marfrig, Banco Bradesco, Bovespa, BNDES, Banco Itaú BBA and Pandorga Technologies.

#### Advantages offered:

- Companies can be opened in only 5 days.
- Flexible labor contracts.
- Rental of shared offices for £ 100 per month during the first year of the new company's presence in the country.

### SUDAN

**Brazilian companies present in the country:** Groups STR (oil) and Pinesso (cotton and soybeans)

#### Advantages offered:

- Exemption from state taxes on investors.
- Guarantees against expropriation, nationalization or blocking of capital and fixed assets.
- Allocation of land for projects in the agricultural, industrial and mining areas.







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program of its partner, London & Partners, the official agency for promoting investment in London. "I will share my office for a year with other companies while we start the European business and pay £100 a month in rent," he says. This is a very small amount by the expensive London standards. The package of benefits offered by the agency is a good example of the facilities available for small Brazilian companies interested in venturing abroad.

The pièce de résistance among all the attractions on offer to the

Brazilian investor is the location. All the European agencies claim that their country is not only the biggest entry point to the continent but also provides a fast shortcut to the American and Asian markets. Specialists say this is not just a question of geography but also highlights a certain psychological element. "Having a business card with your head office in London opens doors for any company," says Fabrício Mazzari (\*) the UKTI manager in São Paulo. "The UK is a hub for the rest of the world."

Mazzari knows what he is talking about. The agency has registered annual growth of 10% to 15% in the businesses that are attractive in Brazil. It has helped 32 Brazilian companies which decided to expand or open offices in the UK over the last five years. Another 30 projects are expected to be arranged by 2015. Once the companies have been installed in the UK, they become British and can use the UKTI services throughout the world. Nine Brazilian organizations announced investments in the UK last year alone. These included Marfrig, JBS Friboi

1 Sunoco  
Chemicals  
plant in  
Philadelphia:  
bought by  
Braskem two  
years ago

2 Pennsylvania  
state governor  
Corbett:  
visit to Brazil  
after Heinz  
purchase

(in Northern Ireland) and the banks Itaú BBA, Banco Nacional de Desenvolvimento (BNDES), Bradesco and Banco do Brasil. Of these, the BNDES and Itaú BBA used the UKTI services. "We helped Itaú not only with the installation but also with the expansion and change of its European headquarters from Lisbon to London," Mazzari says.

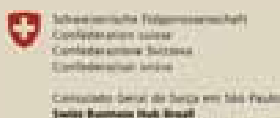
The Greater Geneva Berne Area (GGBA) is the commercial representative of six Swiss cantons: Berne, Fribourg, Vaud, Neuchâtel, Geneva and Valais. The GGBA recently coordinated the arrival of two Brazilian companies to Switzerland, the southern-based food research and development company T Nutri, and Siena Idea, an IT company from Campinas (São Paulo state). "Brazil has been featuring as a country of potential interest for these cantons for a number of years," says GGBA representative Hamilton Belizário. He echoes the UK agency's Mazzari and backs the 'business card effect'

## SWITZERLAND

**Brazilian companies present in the country:** Vale, Vicunha, Banco Itaú, Banco Safra, Fibria, HT Nutri and Siena Idea

### Advantages offered (\*):

- Support by well-known scientific institutions.
- Cantons ready to discuss new business models and agreements.



## TURKEY

**Brazilian companies present in the country:** Camargo Corrêa, Votorantim and Metalfrio

### Advantages offered:

- Fiscal and customs deductions for companies.
- Help in finding physical space to install plants and offices.
- Support for loans.
- Premium pension plans.

\* As the Swiss cantons are independent entities, the advantages and benefits offered vary according to the location of the operation in the country.



a presence in Europe can bring. “I think Brazilian companies realize that turning their business international is not something that can be done from an office in Rio de Janeiro, São Paulo or Mato Grosso,” he adds. “You cannot give a client the attention it deserves from far away.”

There is no doubt that having a presence in Europe, a market with 740 million potential consumers, 50 countries and an economy that produces one third of the world’s wealth, adds value to any commercial enterprise. However, if investors are looking for economic facilities and incentives, it could be worth the effort of going to the other side of the world, specifically Hong Kong. One of the main attractions of this special administrative region of China is the absence of taxes. There are no taxes on products and services or capital gains or any withholding tax on dividends and interest. Nor is there any inheritance or tax on assets held abroad or in Hong Kong. Even wine is untaxed. “It takes less than an hour to open, register and incorporate a company in Hong Kong and can be done through the Internet on a government site,” says Danilo Hartfiel, account executive at InvestHK who has been there since December 2011. Hong Kong also offers easy access to the Asian market, particularly the highly coveted mainland China.

Hartfiel says companies like Vale, CSN, Banco do Brasil, Banco BTG Pactual, Fibria, Marfrig, Perdigão, TAM, Bradesco Securities, Copersucar and Falcão Bauer arrived in Asia via Hong Kong. “The companies that have most easily expanded internationally are those linked to the IT and telecommunications market,” he says. “At the same time, Hong Kong has great experience with incubators for technology companies,

an extremely well prepared workforce and government policies that encourage startups.”

Another example of how important Brazilian investments abroad have become can be seen through the timeline of FIT, the agency that represents the northern Belgian region of Flanders. The agency has been in São Paulo since 1998 and created an arm dedicated to investments in 2009 although the Belgians had been impressed by the Brazilian potential since the iconic merger in 2004 of the Brazilian drinks company AmBev and Belgium’s Interbrew. “The creation of InBev (as the merged company was called) highlighted the potential of Brazilian businesspeople when the deal was concluded,” says FIT’s economic adviser Yves Lapere. The agency currently has 70 offices throughout the world, the largest of which are in

New York and São Paulo. The Brazilian branch has seven employees, two of whom were hired last year. They all got together a few weeks ago to help sell the ports in the Ghent region at the Intermodal trade fair, one of the biggest transport and logistics events held in São Paulo.

Within South America, Ecuador has also wakened up to the potential of Brazilian investments. Its agency to attract business, ProEcuador, has increased the number of staff at the Brazilian office. The operation is also responsible for the trade and investment strategy in South America and the Caribbean. “Ecuador chose Brazil as a priority for increasing exports and attracting investments,” says the agency director Daniel Carofilis. “We have obtained loans of U\$ 400 million from Brazilian companies for strategic projects such as the Refinería del Pacífico and the



HANDOUT



Hidroelétrica Mandariacu.” The refinery project, which is headed by the Brazilian construction company Odebrecht, and the Mandariacu hydroelectric plant, partly financed by the Banco Nacional do Desenvolvimento (BNDES), have created more than 2,000 direct jobs in Ecuador.

Ecuador is an oil producer and has been developing a program to attract capital for investment in the exploration of minerals such as gold, silver, copper and zinc. It also wants to attract Brazilian capital to invest in agribusiness, renewable energy, ports, airports, roads and biotechnology, led by the creation of patents and natural medicine, wood processing and renewing forests.

On the other side of the Atlantic, in Slovenia – formerly a part of Yugoslavia, located between Italy and Austria – Brazil has surged ahead as the main trading partner in Latin America, according to the InvestSlovenia agency. There has been an increase of 50% in bilateral trade over the last three years involving around 130 Brazilian companies which export there. The turnover of this business came to US\$ 200 million. To go further than exports and attract Brazilian capital, the Slovenes offer advantage including state loans for greenfield projects, staggered cuts in corporate income tax from 18% to 15% by 2015, and total tax exemption for investments in the research and development sectors.

It was thanks to these sector incentives that the São Paulo company Nanoskin – that makes artificial human skin, nutritional and cosmetic pharmaceutical products – recently opened a subsidiary in Strasbourg, in eastern France. The company is based in São Carlos, upstate São Paulo, and 70% of its production is exported. It has now set up a laboratory in the French town. “I received

a visit from the director of the Invest in France agency who told us about the fiscal advantages and also described the advanced bio-nanotechnology center in the region, the Alsace BioValley,” says Pierre Basmaji, a partner in Nanoskin. “I also received legal advice on opening the company and was shown the places that were available.” The very fact of being located in the country was enough to bring about some deals. Basmaji said he received contacts from a number of companies interested in distributing existing Nanoskin products and those to be launched in France in the future.

Slovenia encourages research and development in general while

## High technology companies are seeds of multinationals

France looks for companies in the bio-nanotechnology area. Ireland’s Industrial Development Agency (IDA) wants to attract companies in the IT, biological, financial services, engineering, digital and social media and games areas and those which use clean technologies. The incentive packages on offer include loans for startups, along with lower taxes. Ireland also offers encouragement and support. “Companies with high levels of technology bring new ideas and new business models and are the seeds for new multinationals, whether through growth, mergers or acquisitions by more established organizations,” says the IDA’s Renate Buzon.

The Netherlands is interested in encouraging investments in the agri-food, horticulture and logistics

areas. Switzerland, which is a world financial center, opens its doors to banks and financial institutions. In 2012, it helped the Brazilian group Safra acquire Sarasin Bank of Basel and the expansion of Itaú’s operations in Zurich.

Large multinationals usually learn the ropes on their own or enter into direct contact with local governments to negotiate incentives and benefits. This is what Safra and Itaú did in transactions that were carried out without the participation of the Swiss Business Hub Brazil, the Swiss government investment agency and the GGBA, the commercial representative of the six Swiss cantons already mentioned which is in Brazil to attract investments. Large deals also put the country in the forefront of small and medium-sized companies interested in finding opportunities to expand their businesses. The investment agencies are looking exactly at these smaller companies. “Switzerland is more attractive for Brazilian companies that can integrate with the already established business clusters,” says Martin Matter, director of the Swiss Business Hub Brazil.

The agencies from richer countries take a more clearly defined approach than from those from developing nations that want to take advantage from Brazil investments. The representatives of the developing countries, such as neighboring Latin American countries, welcome investments in more basic areas – mining, heavy industry, energy, infrastructure, agricultural exports – sectors in which Brazil



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has resources and technology. The more developed countries lay out the red carpet for those companies with higher added value activities that have little impact on the environment. The agencies of rich countries, such as the Netherlands, Switzerland, Belgium and France, are more interested in advanced and clean industries and anything related to renewable energy, along with state-of-the-art services such as financing and logistics. “The “Say YES to Innovation, Say YES to France” campaign draws particular attention to initiatives with innovation built into their DNA,” says François Removille, director of the Invest in France agency. Life science companies (biotechnology, nanotechnology, medtech, pharma) and software development are the most in demand.

Brazil’s trailblazing record in the research and production of alternative energy matrixes has always lit up foreign eyes. Countries like the US, Chile, the Netherlands, Belgium and the UK, above all, are very interested in applying resources in the research and development of renewable energies. The UK has estab-

lished an ambitious plan to reduce CO2 gas emissions by 50% by 2027 and by 80% by 2050. It will need all the help it can get to do so. Switzerland offers special incentives for imports of biofuel and local production of solar and wind energy. Abu Dhabi in the United Arab Emirates is also looking for Brazilian investors in this clean energy area. The emirate is involved in the construction of a city called Masdar that aims to be the first totally sustainable city in the world. The project is estimated at US\$ 19 billion and has resources from the government and financing from European and American companies and banks.

However, we should not think that rich countries only want high added value products and developing countries only more basic businesses. The proof that nobody discards a good and profitable commodity is the presence in Belgium of Citrosuco, one of the largest orange juice producers in the world. “Our largest consumer market is Europe. Belgium was chosen as our international base as it has an excellent port infrastructure and distribution network,” says Fábio Álvares da Sil-



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va, the company’s general logistics manager. Citrosuco expanded internationally in the 1980s, a period when Flanders Investment & Trade - FIT had not yet arrived in Brazil. Even though it played no part in the Brazilian company’s initial installation process in Belgium, the agency later provided advisory service for expansion projects. A total of 80 Belgians work for Citrosuco which provides raw material for bottlers in Europe, Russia and the Middle East. Another commodity distributor, CBL Tank Terminals, a subsidiary of the InterAlli Group, based in Curitiba in Paraná state, is also beginning its operation in Belgium. CBL specializes in ethanol, vegetable oils, diesel and other products and will invest US\$ 104 million in a liquid bulk terminal in the port of Ghent that should be ready by 2015.

Investors from the developed countries in emerging markets want to take part in the outlook for economic growth, says Alexander Groh, a professor of finance and one of the authors of the Global Venture Capital and Private Equity Country Attractiveness study. “The emerging countries invest in the de-



**1** Artificial human skin produced by Nanoskin: from São Carlos to Strasbourg in France

**2** Hong Kong's advantages: no taxes and minimum bureaucracy

English (the country was run by the United States for almost 50 years), expertise in IT and outsourcing processes. "A trade mission is expected to come to Brazil to invite Brazilian companies to invest in the Philippines," he says. "Brazil is one of the biggest economies in the world and the Philippines has much to learn here."

veloped countries to have access to technology, experience and market share," he says. The main destinations for Brazilian investments last

in direct foreign investments in 2011, employ 250,000 people.

International interest in Brazil as an exporter of capital and companies is more than a passing phase. These agencies are here to stay and those which are not yet present are catching up. The Philippines, an emerging country in Southeast Asia located near Taiwan and Indo-

## International interest is not a phase: agencies are here to stay

year were the United States, Spain and the Dominican Republic, followed by the Netherlands and Chile (see complete list on page 39). The agencies believe that job creation is as important as the injection of foreign capital into their countries. "The ideal goal is to have at least five jobs created within a period of three years," says Hartsema, of the Dutch NFIA. "The end focus is always job creation, either through exports or investments," says Lapere of FIT. Foreign companies in Switzerland alone, which received US\$ 10 billion

nesia, is an example. The Philippines does not have an agency in Brazil and its international transactions are carried out through embassies and by a trade office in Washington. However, this will soon change. "We have plans to set up an agency in São Paulo that will also be responsible for business with other South American countries," says Eric Valenzuela, the vice-consul in Brasília. He says the Philippines can offer Brazilian companies a strategic location, half way to China and other Asian markets, a skilled work force that speaks

*\* Fabrício Mazzari was succeeded as deputy head of the UKTI team by Raquel Kibrit after this article was prepared.*

## THE 10 DESTINATIONS FOR INVESTMENT 2012-2014

**COUNTRIES WHICH** multinationals regard as the main destinations for investments in the coming years



Source: United Nations Conference on Trade and Development World Investment Report, 2012





TAEWONUM

# Private investment is crucial

*Brazil needs structural changes in order to take part in the world value chain, says World Bank economist*

NELY CAIXETA AND ARMANDO MENDES

**B**razilian economist Otaviano Canuto is a vice-president of the World Bank and has been head of its Poverty Reduction and Economic Management Network, a division of more than 700 economists and specialists in the public sector, since 2009. Canuto (57) who was born in Aracaju, Sergipe state, was previously a vice-president at the Inter-American Development Bank. He believes Brazil has made great achievements with its latest economic policies. "The combination of reasonable growth and a sharp reduction in poverty had made Brazil the center of attraction on the world stage," he says. However, he believes the government has erred by insisting on applying the same recipes it used to face the crisis of 2008 and feels it is now time to tackle the bottlenecks of competitiveness and expand the rate of private investment. Canuto has four children and relaxes by playing the guitar in his spare time in Washington where he has lived for nine years. Learn more about his views in the following interview he gave PIB by Skype from his office at the World Bank.

**The growth and diversification of Brazilian industry gives the impression that Brazil should have a greater presence on world markets but this**

**has not happened. What is missing?**

I think Brazil will depend increasingly more on expanding productivity, technological modernization and the services sector. Services in particular are important input items in the competitiveness of the other sectors. The transport sector is an obvious case. One of the factors behind the loss of Brazil's competitiveness is the great extent to which our services sector is closed. The regulations and barriers to entry put off new participants. Brazil

**The emerging market countries were swept up by the crisis and reacted in different ways**

must open the services sector up to allow new competitors to enter and take on the established companies.

**Brazil was one of the stars in the new world economy after the crisis of 2008. However, if the optimism that existed until recently seemed excessive, is the latest more pessimistic view not also somewhat exaggerated?**

You're right. The nationalistic ju-

bilation seen at that time was over the top. The situation now is that there are no clear signs that the developed economies have reversed the trend to low growth and this is also dragging the emerging market countries lower. In general terms, the negative movement of the advanced economies has overshadowed the independent sources of growth in the emerging economies. In these circumstances, the quality of the response of countries' economic policies makes the difference. That's why, even with the gloomy outlook for the advanced economies, we are seeing different recovery rates among the emerging countries. Countries in our region like Chile, Colombia, Mexico and Peru are growing faster than Brazil despite the difficulties.

**Where are the Brazilians getting it wrong and the Mexicans, for example, getting it right?**

Brazil and Mexico got it right when they used their arsenals of fiscal, monetary and credit measures as an anti-cyclical response to the external shocks of 2008 and 2009. They had the advantage of having created the scope to do so, thanks to their solid macroeconomic policies in the previous period. However, Mexico realized that this was a "one shot" kind of response and any repeat of the anti-cyclical measures would be

less effective when the global crisis shifted from an acute to a chronic state. Since then the area of discussion - and the policies promised - have returned to the structural reforms needed for sustained growth. For its part, Brazil has repeated the anti-cyclical fiscal and semi-fiscal policies but the effects have not been the same the second time round. I believe private investors' interest will only start reawakening when the government's long-term agenda becomes clearer against a backdrop of slow global recovery with great risks of further setbacks.

## **What was the great value of Brazil's recent economic policy?**

What brought Brazil pride in terms of the international view was the tremendous success shown not only in statistical terms: anyone who travels around the country sees the great success there has been in removing people from poverty over the last 10 years. Even considering the disappointing recent growth rate of GDP, there is no way Brazil's growth rate can be compared with China's. China is currently undergoing what Brazil experienced in the decades from the 1950s to the 1970s. The truth is that Brazil did not take as great advantage of this stage as the others are now doing as Brazil's concern during the period of fast growth was never about raising people above the poverty line which is the case with China. We have not done a good job of the opportunity that arose from increasing income from a low to a medium level. The combination of reasonable growth with a sharp fall in poverty put Brazil at the center of the world stage and this attention has still not disappeared. Brazil underwent a virtuous cycle during the Lula years because the combi-

nation of an inclusive social policy - the "bolsa família" grant scheme for poor households, increases in the minimum wage and new credit policies - brought an enormous gain. All this was positive. It was good to have a leftist government doing it as this showed everyone that Brazil was committed to stability regardless of who was in power. This led to a dramatic fall in the country risk which was expressed in a kind of "stability dividend" in the form of higher private investments.

## **What has stopped functioning at this time?**

It is not a question of what has stopped functioning. Brazil had a very low personal credit rate compared with other countries.

## **It is a waste of time to try and compare Brazil's growth rate with that of China**

As the fundamental conditions of the country risk changed and the Lula government also introduced innovations that reduced the risk of credit operations, such as the payroll loan model, there was an increase in the sustainable level of credit. Brazil benefited from the expansion of the market while this adjustment to a higher level of credit was made but once it reached this point, it stopped. Home loans still have room to expand but the change in the level of personal credit - with a corresponding boost to consumption - has stalled for the time being.

## **What needs to be done if this situation is to continue to improve?**

Expand the investment rate which was low during this period. The government now seems to see this clearly but this will not just depend on public investment as a ratio of Brazil's GDP. There is no ability or fiscal scope for this. The private sector must be involved. The government has wakened up and will take measures to ease the private sector's risk aversion, with investments in ports, roads and energy. Amongst other things, the government will have to increase purchases by electronic means, be more transparent and make the public auction procedures more open. It will also have to allow more competition, including from abroad. If this does not happen, there will be no increase in the efficiency of the services sector or reduction in costs and Brazil will remain closed. It is a pity that we are not more integrated into the trade circuits. The thinking behind productive organization abroad, with the increasing number of sectors, is that of integrated value chains.

## **How can Brazil gain by becoming a part of this new thinking?**

Let me give you a practical example. Not a single part of my iPad has been made in the US. How then do the manufacturers make money? They do so by profiting from the return on their investments abroad and from royalties. This appliance is actually a mixture of services and royalties with the industrial product. However, not all of it is produced in China. It is part of a value chain from various parts of the world. In the Brazilian case, the Embraer plane is not produced entirely in Brazil. It is competitive because Embraer makes money in



line with the value of its design capacity. I don't know where the turbine comes from, perhaps England. Embraer is a very successful value chain. It is essential that the trading costs, including tariffs and regulatory restrictions, are not high between one point and the other in the chain, otherwise the links will be destroyed. This is the case in Brazil which has expensive and inefficient links in the port and airport costs and lots of regulations. Therefore, Brazil cannot be part of a global chain and remains outside the competition in many industrial sectors.

**Is there a lack of bilateral agreements as many people claim?**

Maybe but this does not solve the problem. What is important is that exports should become part of a value chain that includes better services, transport and innovation, as is the case with the iPad I just mentioned.

**Has Petrobras gone in the opposite direction from this recipe?**

Petrobras is a perfect example. Colombia reshaped its state-owned oil company, Ecopetrol, inspired by the success of the previous Petrobras model. I was at the Inter-American Development Bank (IDB) at the time and spoke about the Petrobras model to the chairman, Luis Alberto Moreno, who is a Colombian. I made reports on Petrobras and well remember that he sent one of these studies to the Colombian government. It was a comparison between the successful Petrobras model and the Venezuelan company, PDVSA, and Mexico's Pemex, both state-owned. The two had stopped investing, including in exploration, and lost their competitive capacity while the opposite occurred in the

Brazilian case. Now, years later, we see that a large part of the fall in investment in Brazil last year was due to the halt by Petrobras. This was because it began to be used as an anti-inflationary instrument and is forced to pay more through an ambitious program requiring it to use local content. The result of this is that Petrobras is not growing and expanding at the required rate.

**In other words, Petrobras stopped aiming for profit when it took on other functions?**

You only invest money anywhere in the world if you think the risk/return combination is compatible. I, as a citizen, will "buy" Petrobras shares not because I think the company has a social role to play but be-

**The private sector's nature makes it passive and risk averse. It obeys the rules but does not invest**

cause I will get my money back. A company has to be profitable and be able to make a return on the investment before people will buy shares in it.

**Colombian's Ecopetrol has a higher capitalization value than Petrobras, does it not?**

Yes. This is one of the reasons for the love affair between the markets and Colombia and Mexico and their distancing from Brazil. The new Mexican president is showing signs and taking concrete steps to carry out an agenda of what we can

only call structural changes. Brazil has some isolated initiatives in this direction. Our staff who follow the local governments regard Minas Gerais as the best run state. Eduardo Campos has also begun making changes affecting entrenched interests in Pernambuco to improve the incentive structure for the quality of teaching instead of resting on his laurels. Brazil is moving in this direction and has to open a new agenda. The finance minister, Guido Mantega, more or less said this in his testimony to the House of Representatives.

**But he said that the crystal ball was only working half the time...**

Yes but he also mentioned that the emphasis on stimulus measures cannot just be on consumption but on how to boost the investment rate. However, the private sector is a very cautious complicated animal.

**What do you mean? You have said that companies that want to become exporters, for example, need to change their approach.**

I don't really have much faith in this. The private sector is by nature passive and averse to risk. It will accept a new rule but will only adjust the capital that has already been invested. However, under no circumstances will it borrow money and issue shares to increase investments if the expected risk-return ratio is not attractive. Companies adapt themselves by evaluating the risk return. There are the normal business risks but the businessman has to live and manage them. What is difficult for the private sector are those risks that run out of its control, such as the volatility of political decisions and corruption. The private sector runs away from these risks as fast as it can.

Coffee is  
Arabic;  
soyabeans  
are from Asia;  
but Cheese  
Puffs are born  
in Brazil

# Starch, cheese, exports

*These very Brazilian cheese puffs are increasingly popular around the world*

LUCIA REGGIANI

**H**ot cheese puffs, fresh from the oven, with a cup of coffee. A very typical Brazilian scene, that takes place daily in the bakeries and snack bars in the more than 300 stores of the supermarket chain Pingo Doce, in Portugal. And despite the rec-

frozen form from Contagem (MG), produced by Forno de Minas. Besides Portugal, the US, Canada and Uruguay all buy cheese puffs from the company. In 2012, Forno de Minas exported one thousand tons, the equivalent of 40 million frozen cheese puffs (and 7% of the company's total production). For this year, the company's president, Helder Mendonça, expects to double his export volume and the number of countries that buy his products.

"The world is looking for innovative products, particularly the United States and Europe. And cheese puffs happens to fit into this sce-

**The smell of roasted cheese has arrived in the US, Portugal and Canada...**

ognized ability of the Portuguese for making bread, puffs made with roasted cheese come all the way in

nario, because they are not made of either wheat or cornflour and due to the fact that they are practical, and can be taken straight out of the freezer and put in the oven", says Mendonça. The fact that they do not contain gluten, colouring or preservatives has also helped sales, going abroad mainly to stores that sell natural products, such as Whole Foods, a chain with a presence in

HANDOUT



**40** million  
frozen cheese puffs  
were exported  
in 2012

US\$ **8** million  
in export sales  
forecast this year

**20**% of sales  
likely to be to other  
countries in five  
years time

the United States, Canada and the United Kingdom. The problem is that the same ingredients that help in exporting the product, according to Mendonça, make it difficult to make cheese puffs outside Brazil. To start with, this dainty morsel from the state of Minas Gerais, is made from sour mandioc starch, dried in the sun, a product that is exclusive to Brazil. And it uses a

type of cheese from Minas Gerais made in a basket, has been considered to be part of the Country's cultural heritage since 2008.

To produce the cheese from pasteurized milk — a requirement of the sanitation authorities — without losing its properties, was a challenge overcome at the beginning of the product's industrialization, some 20 years ago, recounts Mendonça.

A professor from the Federal University of Viçosa helped in developing the cheese, and the creation of an exclusive dairy firm Leiteria de Minas, keeping the characteristics of the product original.

“Using a very particular process, special cheese and mandioc starch, it makes sense to concentrate production in Brazil. In addition to the fact that the price difference be-



tween a normal container, for dry products, and a refrigerated container for the transport of frozen products, is not that large”, says the president of Forno de Minas.

To speed up export sales and globalize cheese puffs, a specific directorship was established in October last year. The director in charge of this department is Ricardo Machado, who brought 25 years of international experience at Coca-Cola to the company, the last five of which was divided between India and China. Also part of the team is an export manager from Fiat. The duo have a mission to seek out partners and clients abroad, and spread the habit of consuming Brazilian cheese puffs throughout the world.

With the new directorship, greater effort is being made to participate in trade fairs and marketing initiatives with customers being invited to try samples at the point of sale. Forno de Minas had already participated in various biennial food fairs, such as the French trade fair Sial, in Paris, and the American trade fair Sense Food, which is held in San Francisco and New York. The company participates at these events with ApexBrasil (Brazilian agency for the Promotion of Exports and Investment), which also include coffee producers. Thus, at the stands it is always possible to eat cheese puffs with a cup of coffee, a truly Brazilian duo, and well ingrained in the Country's tradition.

Brazilians that live abroad are the initial public audience for the frozen puffs, but the main objective is to sell to local consumers. Those based in Canadá, according to Mendonça, are the most integrated with people from other countries, and have helped to spread the word about the product. “The creation of consumer habits is a slow process.



Brazilians provide the impetus, but the actual tasting of the product is another thing. 100% of those who tasted the product like it. So much so that there are always people from abroad that enter our website and ask where they can find the product”, he affirms.

One of the people searching for Forno de Minas was Monika Batista, sister of the mega-entrepreneur Eike Batista, but for another reason. Since 2010, Monika has been producing frozen cheese puffs in California (USA), under the brand name Mâni, on a small scale. “She sells five tons a month in the American market, 10% of what we export to that country. As she had been finding it difficult to get hold of the ingredients, she looked as up to see whether there could be any synergy with us”, says Mendonça. “We are currently looking at the idea.”

Focus given by the company to exports is part of the market recovery process, as well as revitalizing the brand name, after the unsuccessful internationalization that took place in a move from overseas to Brazil. Created in 1991 as a micro-company in Contagem (MG), Forno de Minas prospered and attracted interest from the American firm General Mills, which acquired it in 1999.

“We were leaders in the domestic market, and were beginning to expand our line of products when we sold the company”, recounts Mendonça, the founder of the company with his mother Dona Dalva, the creator of the recipe for the frozen cheese bread, and sister Héliida. Exports represented 2% to 3% of the 80,000 kg/day of production, and were shipped to the United States, Italy and Japan. Dairy firm continued In the hands of the founders, providing the special cheese for the

company. But the new owner, with the aim of cutting costs, began to alter Dona Dalva’s recipe. “The original recipe contained 20% cheese. When they got the company back, the puffs only contain 2% cheese, and aroma, a formula which became



## Former owners bought back brand-name, and went back to original recipe

the standard among the company’s competitors.”

Consumers perceived the drop in quality, and the product lost market share. When the company was handed over to the Americans, Forno de Minas was selling 1600 tons a month. When it was closed, in April 2009, it was producing 500 tons a month, and no longer exported any production. “We made a proposal to General Mills and bought back the brand-name and the assets”, says Mendonça, for an undisclosed amount “as stipulated in the contract”. The plant remained closed

for three months while the founder changed the processes and returned to the original recipe. “Currently we are producing 1200 tons a month. In 2012 we grew by 56%, and this year we are set to expand by around another 50%. We are recovering market share”, affirms the president of the company.

From the supermarkets, Forno de Minas received support and encouragement, with recognition and publicity from the consumer. “We had spontaneous media coverage, and did some work on the packaging. We are now preparing for a national campaign with WMcCann.” In addition to cheese puffs, the company produces pastries, pasties, flans, mini-pies, and waffles, all things that one likes to eat at breakfast or for a snack, and it intends to offer this entire line of products to the export market, which this year is likely to account for sales of US\$ 8 million.

The focus on the international market is over the medium term. In five years Mendonça expects exports to account for 20% of sales. “It is an ambitious but attainable target. We have sent our samples to various countries and have 10 deals well on the way. If we close four of them, we will double our client base abroad.” To expand this market, Forno de Minas expects to invest US\$ 400,000 this year on trade fairs, publicity, travel, sales outlook material and, product sampling, the most seductive part of the marketing drive. Who can resist a hot cheese puff fresh out of the oven?

## The sun shines for everyone

*You don't have to be big to go international. Below, three examples of small companies who were successful selling aromas, propolis and educational software to the global market.*

### P3D sets up shop in China

Opening a company this year in Peking was the solution found by P3D Educação to get round Chinese state bureaucracy and take its software to local schools. The educational programs contain tridimensional objects, such as a skeleton or a bird, which the teacher can manipulate. The company already exports to over 10 countries and wants to grow in Central America and Asia. "At the moment, 1.5 million students, worldwide, learn biology, geography and chemistry using the tridimensional objects of P3D", says Mervyn Lowe, one of the partners. The new company's HQ will be in Peking and the creator of the software controlling the weight of most of the country's 300 million students will be its 50/50 partner. P3D targets selling the programs to 100,000 Chinese schools in a period of 10-15 years. The quality of the product is well-renowned and has been winning awards – the last of them, Worlddidac 2012, received in Switzerland, went to the *Biology 4* module.





## Survival kit

The planning difficulties of Brazilian micro and small companies is well documented, and helps explain their high mortality rate – for every 100 companies opened in Brazil, 27 close before completing 2 years of operations, according to Sebrae-SP research. To help such companies in their planning process, which excludes exporting their products and services, the entity has created the Planeja Fácil Sebrae-SP (or Saebrae-SP Easy Planning) tool, whereby the company receives a kit featuring a panel (to erect in a place visible to both the company's manager and his team) and a set of self-adhesive papers and an explanatory letter. Duly applied, according to the entity, this material becomes a self-orientation map, enabling the user to visualize, among other things, the internal and external scenario, the market risks and opportunities. The material is available for download at Sebrae-SP's site.

<http://www.sebraesp.com.br/index.php/component/content/article/153produtos-online/marketing/publicacoes/7403-pfa-2>

## Propolis to Japan

The bees produce and MN Própolis, from Mogi das Cruzes (São Paulo), has been exporting propolis to Japan since its creation in 1982. Its founder, Norihito Matsuda, realized the Japanese market's interest in unrefined propolis, for industrial use in foods, cosmetics and medications, and started researching the product. He discovered that the Brazilian resin contains a special compound, called artepillin-C, a substance that has antibacterial, anti-cancer, antibiotic and antifungal properties, and saw a business opportunity. He adapted production to Japanese quality standards, complying with local legislation, and started exporting. MN now sells propolis, honey, teas and Agaricus mushrooms to Japan, South Korea, Hong Kong, Taiwan, Thailand, Israel, Turkey, the US and Canada, according to Jeferson Tsuyoshi Umezaki, export manager. Exports represent 70% of revenue (not disclosed) of MN, and the company expects to grow 50% this year, with the opening of the Chinese, Indonesian, Malaysian, Singapore, French and German markets. The company, according to Umezaki, works with local distributors.

## Spells in Chile

Passion fruit with mango. The combination of fragrances of tropical fruits with a natural product appeal is what Feitiços Aromáticos is betting on to conquer the Chilean market. In 2012, the São Paulo cosmetics company started the process of approving its products at ISP, a regulator in Chile, and is already qualified to distribute them, according to Raquel Cruz, CEO of the company. "Now, we are starting to negotiate distribution at drugstores and supermarkets", she says. The company's flagship product for the external market is the Brasil Aromáticos line, formed by body massage oil, liquid soaps, moisturizing cream and ambience aromas. Currently, the company's exports represent 2% of revenues, which totaled R\$2.4mn in 2012. Raquel intends to grow at least 100% abroad this year, including sales to Colombia, Mexico and Angola.



Rodrigo do Val Ferreira, with his colleagues at the Felsberg office in Shanghai

*Legal practices are following the increasing number of Brazilian companies abroad and also setting up operations abroad*

LUCIANO FELTRIN

**L**awyer André Almeida led a nomadic existence from the age of 16 to 26. He was the son of an executive who traveled around the world as a service provider and lived in countries as different as Poland, Chile, Greece and the US. The decade he passed on the road convinced him that barriers or distances were nothing to fear as obstacles to business success. Now aged 49 and leading a respected law firm in São Paulo that has almost 100 lawyers, André is preparing to open his first representative office in New York and transform his Almeida - Direito Corporativo practice into “Almeida – Corporate Law”.

“The firm has a very strong international bias. It is in our DNA,” he says. “As more than half our clients are foreigners and Brazilian companies have been buying and taking increasingly more legal action abroad, we have a lot of work in the US which justifies the opening of an office there.” The American outpost’s main activities will be mergers, acquisitions and arbitration processes involving Brazilian companies and investors.

Although this is a modest trend among Brazilian law firms,



Law  
firms go  
international







2

the decision to set up a physical presence in other countries is accompanying the speeding up of the international expansion of the Brazilian economy. This has been occurring on two fronts: foreign organizations set up in Brazil or buy or form partnerships with local companies to keep an eye on the domestic market while Brazilian companies have been increasingly pursuing more opportunities in the rest of the world.

The strength of this movement can be seen in the fact that three big international acquisitions involving Brazilian companies were registered in February alone, according to the PwC consultancy. One of these was the sale of Drogaria Onofre for R\$ 600 million to CVS, an American group with 7,500 units in the US. This was CVS's first acquisition outside its home country. Another was the purchase of the Peru-

vian company Comercial Matusita by Tigre, a producer of PVC pipes, which aims to invest US\$ 32 million in the deal. The third transaction

## Brazilians are among the biggest home buyers in Miami

involved companies based in Brazil that will have repercussions abroad. This was the acquisition by Abril Educação of the Wise Up language network, which has schools in the US, Colombia, Mexico, Argentina and China, for R\$ 877 million.

International deals of this size not only require long meetings in which price and payment conditions are discussed but contractual clauses that meet the legal require-

ments of each country involved. At a time like this, having a law firm that is used to operating abroad is strategically important and ensures that the deal will be closed properly.

The Brazilian firms that were pioneers in providing these services have begun to harvest the first fruits of this expansion. One example is Mattos Filho that has 303 lawyers. The company arrived in New York just before the economic crisis of 2008. The decision to set up its first office outside Brazil was inspired by the explosion in the number of initial public offerings (IPOs) launched by Brazilian companies. The outlook was promising and a record 64 IPOs were carried out in 2007.

Signs that the crisis was on its way did not put the firm off. "At that time we felt a new profile of investor interested in Brazilian assets was emerging, as was the case with private equity funds. That is why there was a need to give a better service to the financial community that



2



3

**1** André Almeida: the international expansion is in the firm's DNA

**2** Wise Up: an international business made in Brazil

**3** The purchase of the giant Heinz group had a touch of Brazilian spice from 3G

was taking part in these operations,” says Daniel Calhman de Miranda, a partner at Mattos Filho in the US. “While many firms were wondering whether they should go to the US we were wondering why we were not already there. So we went.”

Even faced with the challenging economic outlook that set in, the number of Brazilian companies present in the United States formed a critical mass of possible business opportunities for the legal firms that could not be ignored. Mattos Filho found that financial institutions and investors from different areas which were among the firm's clientele in Brazil were already present in the US.

“Banks like Itaú, Bradesco and BTG, along with the state banks like Banco do Brasil and Caixa were present in New York and often asked for legal work and advice,” he says. The firm's neighbors in Manhattan include funds and investors looking for good opportunities, such as Tarpon, Pátria, Vinci Partners and the Brazilians of 3G, which recently bought the American food manufacturer Heinz in association

with American mega investor Warren Buffet.

The big demand for work at the Mattos Filho's American outpost has brought a positive cash flow since the first year of activity. Operating in the world's main legal market has also proven advantageous in terms of expenses. The costs of maintaining its present structure

## Foreign lawyers in the US must be highly specialized

- three lawyers, of whom two are partners and one associate – and renting a group of rooms in the east side of Manhattan represents less than 1% of the office's total operating costs.

As the movement is growing, the firm is preparing to expand and will double the 180 m<sup>2</sup> it currently occupies in May. “The rent is similar to that of Avenida Faria Lima in the Jardins district of São Paulo. We

need more physical space, as the office in New York is consolidating itself as the entrance for Brazilian investments in the whole world,” says Miranda.

The physical expansion of the office installations seems proportional to the growing volume of business amounting to hundreds of millions of dollars that has been passing through the New York office. One of the latest was the acquisition by Natura of a 65% equity stake in the Australian group Emeis Holding, a manufacturer of the Premium cosmetic and beauty products which

are sold in Australia, Asia, Europe and North America under the Aesop brand. The transaction, which began last December and is scheduled to be finalized at the end of this April, amounts to US\$ 71.6 million.

Encouraged by the New York office's good results and the belief that an office with a lean structure could be very profitable on the external market, Mattos Filho is planning to set up a new office in Lon-

don, a hub of growing importance for Brazilian companies in Europe.

Even Brazilian firms that have had a representative presence in New York for a relatively long time are now beginning to adapt to the new possibilities arising from the flow of Brazilian companies abroad. Demarest & Almeida, which was founded in 1948 and has around 250 lawyers, is one such firm. It set up operations in New York 19 years ago and is making changes to ensure it has a more aggressive presence on the American market.

To keep up with the new times, Demarest & Almeida sent Adriana Daiuto, a partner of 15 years, to the US six months ago. Her first mission will be to check out the landscape before the firm shortly takes a more vigorous approach and attracts companies and investors planning to install or expand their presence in Brazil.

“We are at a stage of restoring connections and establishing new contacts,” says Adriana Daiuto. “My role at the moment has been much more institutional: going to speeches, events, speaking to local firms and presenting the office’s work.” She believes physical proximity to potential clients brings results. “A client we attended in Brazil invited me to a business lunch recently, something that had never happened before. This kind of meeting is fundamental in creating greater proximity, trust and business opportunity.”

New York’s importance in the business world goes without saying. However, as the world is full of opportunities, other firms have chosen to set up in other cities. This was the case with Choaib, Paiva e Justo Advogados which opened an office in Miami five years ago. The city is also a powerful business

hub, especially for Latin American capital projects. It has a partnership with a local firm, Magno & Associates, and has been specializing since then in attending Brazilians who

## Having an office in China could be more important than one in the US

are looking for property in the city, a business that represents 40% of the office’s entire turnover. Brazilians are the main foreign buyers of property in Miami after Canadians.

The role of the lawyer in operations like this is not only to guide the client and meet the local legal requirements but to provide tax

consultancy services. Acquiring real estate in the region may have thrilled investors, thanks to the combination of the appreciation of the Real and the sharp fall in American home prices after the crisis, but it also has its traps. The succession and inventory tax, for example, which in Brazil is around 4%, can be above 40% in the US.

However, the Brazilians who approach Choaib, Paiva e Justo Advogados are not only interested in having a summer home in the city. “We have received lots of inquiries from Brazilian services companies, such as information technology, engineering and homebuilders, that want to set up their operations here. There are also







Noronha lawyers in Beijing and Shanghai: going to China was not a crazy decision

zilian companies for some time but was felt to be inaccessible for law firms, is now hosting other Brazilian practices besides Felsberg e Associados.

“When I decided to open an office in China, an ambassador who was a friend of mine said my eccentricity had reached the stage of being crazy,” says Durval de Noronha, chairman of Noronha Advogados which he founded in 1978. He says his was one of the first Latin American firms to receive permission from the Chinese government to set up business in 2001, first in Shanghai and then Beijing. Noronha also claims no other Brazilian firm is as internationally active as his. The company also has offices in Argentina, the US, Portugal, South Africa, India and the UK.

If the enormous economic weight of China was not fully perceived 12 years ago, Durval de Noronha says there was nothing crazy about setting up in the country. “As we had worked for Chinese government organizations during the process of negotiating China’s entry to the WTO, we knew that there was an enormous economic transformation underway and that many business opportunities would arise for a Brazilian law firm.”

Twelve Noronha lawyers currently work in China and only one is Brazilian. The presence of Chinese lawyers has also been increasing in the firm’s offices in London and São Paulo. “As China is Brazil’s main trading partner, it creates a great volume of work for our offices around the world. The office in Belo Horizonte, for exam-

people in the ethanol sector arriving,” says Erick Magno, an American lawyer at the firm.

Brazilian companies are already part of the city landscape. Construtora Odebrecht, for example, was responsible for expanding the international airport and building a branch line of the metro in the city. It announced an agreement with the local authorities in February for new works at the airport which now will include a four star hotel, commercial area, restaurants, parking places and offices. The project is worth US\$ 512 million.

Felsberg e Associados, which specializes in resolving corporate litigation cases, has been in the US for a decade and has offices in New York, Washington, Dusseldorf and Shanghai. “Operating in the American legal market where the

big firms have thousands of lawyers requires great specialization,” says Thomas Felsberg, who heads the firm. “Our partner in Washington, for example, specializes in

**Legal business with Korea has been growing by 15% to 20% a year**

cases over investments in troubled countries. If there is a problem in Burundi you can call us,” he jokes.

The American market may be the preferred destination of Brazilian law firms that want to become international but it is not its exclusive target. Even China, which has been a coveted destination for Bra-

ple, is very busy as a result of the Chinese interest in mining.”

There are some who say a presence in China is as important or even more important than in the US. “The Chinese have a very particular way of doing business,” says Heloísa Di Cunto, a partner in Duarte Garcia, Caselli Guimarães e Terra Advogados, who has been in Beijing since 2003. “They appreciate ceremony and an eye to eye contact. When they move in your direction, they go to your country and want you to do the same. The opening of our office followed this logic of reciprocity,” she adds. Heloísa Di Cunto has been watching how business with her Chinese partners has been developing for a decade and sees a change in the needs of the international law firms. “You don’t need to be in the US to do business nowadays but you do need to be in China.”

Another move Brazilian law



1

## GOING ABROAD WHILE STAYING AT THE DESK

**WHEN LAW** firms go international, it does not necessarily mean some of their employees will be transferred abroad. Such operations can be very expensive and are only justifiable if there is a great volume of work. Firms also have the option of forming a partnership with another practice to represent the mutual interests of their clients in the countries where they operate. A third way is to set up desks in their offices dedicated to attending clients from a particular country. These desks consist of groups of local lawyers and representatives of specific countries who will advise firms

or companies from these places on the laws of the country where the lawyers are based.

This is what Tozzini Freire Advogados has done through its groups that attend Japanese, Chinese and Korean clients. The firm has around 400 lawyers and has given investment advice to the Korean companies KIA, Hyundai and Samsung as well as Chinese banks in Brazil. It also represented the Japanese brewer in the acquisition of Schin-carol in 2011.

“We believe desks are the best way of taking part in international operations. The model was created

to give better service from inside Brazil to clients abroad but it also allows us to take Brazilian companies abroad,” says José Luis Freire, founding partner and chairman of the executive committee. Tozzini’s Asian Desk is lead by lawyer Shin Jae Kim, a Korean who is a naturalized Brazilian.

Asian investors also receive special attention from Demarest & Almeida which has six Korean lawyers in São Paulo with a desk that serves 50 companies. It also advises the Korean consulate and embassy in Brazil. “This area has expanded by 15% to 20% a year



**1** Daniel: “We wondered why we were not present in the US”

**2** Odebrecht development in Miami: paradise for Brazilian homes buyers

**3** Thomas Felsberg: the desk ensures the client has someone who speaks his language

**2**

firms are making is to set up business in Portuguese-speaking countries. This includes places like Angola and Mozambique that have been attracting investors from all over the world. Diamantino Advogados is concluding the terms of a

partnership to operate in Portugal and is preparing to go to Africa. It is also arriving in Macao, a former Portuguese colony which is now a special administrative region of China, although this has not been finalized. “It is a way of being clos-

er to China,” says founder Eduardo Diamantino. These movements are highly symbolic: 513 years after the arrival of the Portuguese, Brazil is setting out on a voyage of opportunities reversing the course of its former conquerors.

since 2011,” says Mário Nogueira, the partner who coordinates the group.

The establishment of the desk at Felsberg & Associados was aimed at creating an area to receive investors from countries that traditionally accounted for the firm’s greatest business volume. Canada, France, Spain, China and Germany already had desks. One has just been set up for India, a country where the market is completely closed to foreigners.

“The desk is a long-term strategy focused on developing a

steady flow of business and giving better attendance to clients from different parts of the world. It is a guarantee that the foreign

investor will be served by someone who speaks its language fluently and knows its culture well,” says Thomas Felsberg.

**3**





# Big spenders but demanding

*Brazil still does not know how to welcome Moslem tourists who need to be looked after in line with the rules of their religion when they travel*

JOÃO MENDONÇA DE LIMA NETO\*

**T**he Brazilian tourism industry should open its eyes to the potential of Islamic tourism, particularly at a time when Brazil is getting ready to host mega sporting events that are attracting the attention of countries with a majority Moslem population. Islamic tourism is a niche the sector has underexploited, particularly in Brazil. This segment had a turnover of US\$ 126 billion in 2011, an amount that is estimated will rise to US\$ 198 billion by 2020. Tourists from the Gulf countries alone (Saudi Arabia, Bahrain, Qatar, United Arab Emirates, Yemen and Kuwait) spent a per capita average of US\$ 2,812 a day in cities like London, New York, Istanbul, Dubai and Kuala Lumpur in 2011.

Islamic tourism has considerable potential. Around 1.7 billion people

- 25% of the world's inhabitants - share the Islamic faith. This is a vast and extremely diversified group. Fifty-four countries have a

**Tourists from the Gulf  
spend almost US\$ 3,000  
per capita a day**

Moslem majority and there are large populations elsewhere, including Europe (56.04 million), India (138 million), China (23 million), Russia (16.4 million) and the United States (2.6 million). Moslems are a mixture of different peoples and, contrary to the popular belief, are not necessarily Arabs. The Islamic world consists basically of two large groups: the 'Arab' countries of the

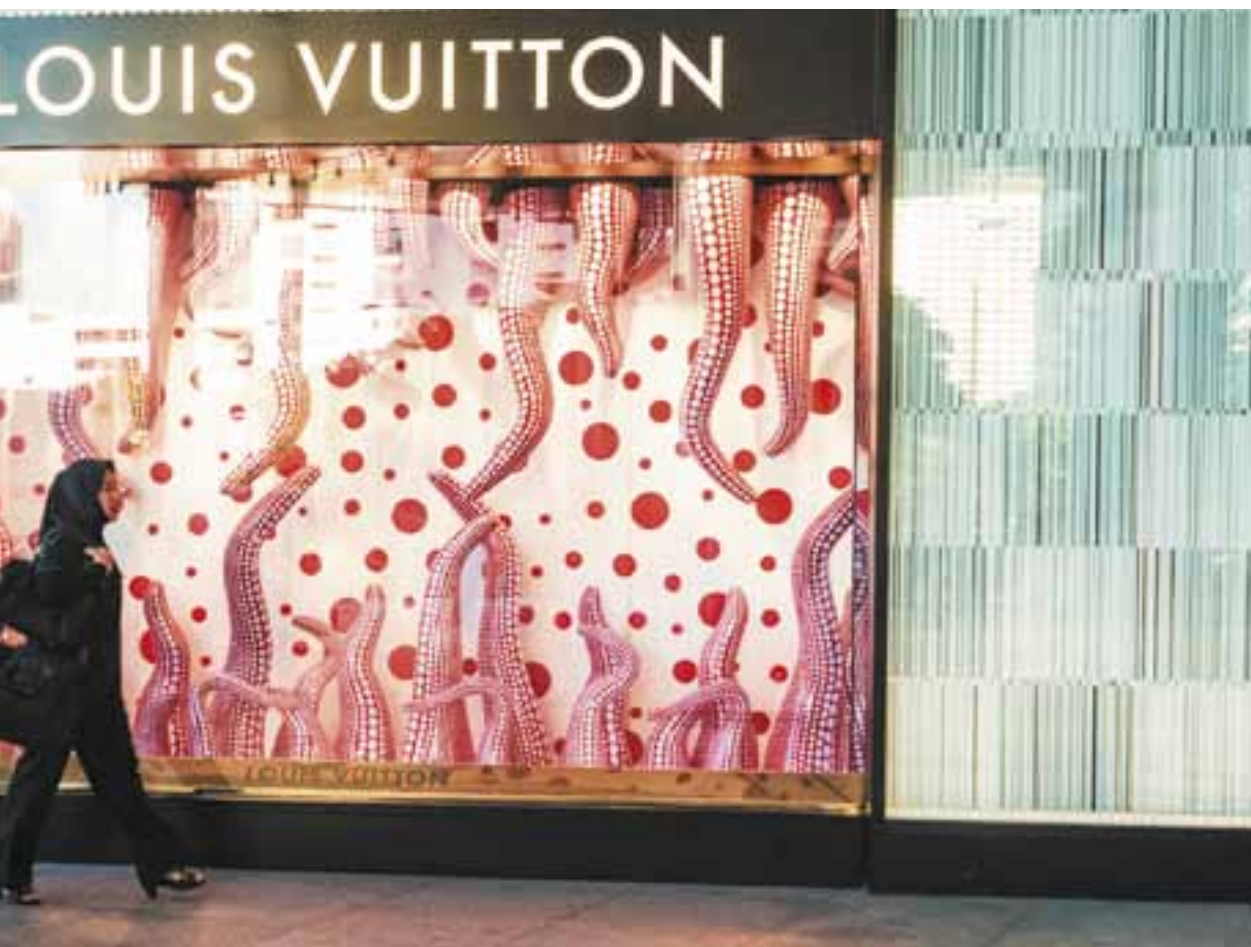
Middle East and North Africa and 'non-Arab' countries in Asia, the rest of Africa, the Americas and Europe.

What makes Islamic tourism rather unusual is that Moslems follow all aspects of their lives according to the Koran, regardless of their origin or background, even when they are travelling. The Sunnah

— the work that covers the life and teachings of the Prophet Mohammed — lays down the principles that form Sharia Law and defines what is allowed (*Halal*) and what is banned (*Haram*) for Moslems.

Hotels and restaurants throughout the world interested in attracting Moslem travelers are making efforts to observe





Islamic tourists go shopping: big spenders

Islamic rules and proscriptions but Brazilian tourism operators are still not paying enough attention to this possibility. For example, not a single Brazilian hotel is mentioned on the Crescent Rating Internet site which presents a list of hotels that specialize in Islamic tourism in 21 countries. In the case of restaurants, the Zabihah site assesses more than 10,000 restaurants throughout the world regarded as suitable for Moslems. Unfortunately the company was able to find only one restaurant in this category in Brazil, the B'Rimos Lebanese restaurant in Curitiba.

How do you prepare to receive Moslem travelers? Firstly, you need to avoid everything that is banned (*haram*). This means, for example, no consumption of pork and alcoholic drinks as well as a ban on gambling. A hotel room with a mini

bar containing beer or spirits will certainly be regarded as *haram*, as will a restaurant that includes pork on its menu. On the other hand, the

## Brazil has only one restaurant that is recommended for Moslems

*halal* principles have to be followed which means a Moslem has to lead his life according to the Koran. In the case of food, *halal* includes

animals that have been slaughtered the correct way (*dhabihah*), creatures that live in water (except amphibians), vegetables and fresh herbs, water, fruit and its juices, grains and cheese, amongst others. For a product to be considered *halal*, all the stages of its productive chain must follow Moslem principles. This means that the food should be certified by an authorized Moslem body, a number of which exist in Brazil.

Accommodation as well as food

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*João Mendonça de Lima Neto is a diplomat. He is currently Brazilian Ambassador in Abu Dhabi, in the United Arab Emirates.*

must also be *halal*. Hotels that want to serve this tourist niche should at least put a copy of the Koran in rooms (in Arabic), provide a rug for the guest's daily prayers and have a sign on the wall indicating the direction of the holy city of Mecca. A stricter interpretation of the Islamic rules means that the hotel should offer separate wings or floors for men and women. The same rule applies to leisure areas, such as swimming pools, saunas, massage parlors etc. Maids should also cover their heads with a veil. Food in restaurants should be prepared according to Islamic principles and alcohol is obviously banned.

Brazilian hotels and tourist operators which pay attention to

## Four airlines will shortly be flying between Brazil and Islamic countries

these rules will be rewarded by big spending tourists. An in-depth analysis of these numbers gives an idea of the sheer potential of this market. Figures from the member countries of the Organization of the Islamic Cooperation (OIC) show that the Islamic world had a total GDP of around US\$ 13.5 trillion in 2011 and an average per capita GDP of US\$ 13,596. The Gulf countries have the highest per capita income in the world. For example, Saudi Arabia has GDP per capita of US\$ 24,500, the United Arab Emirates has US\$ 48,800, and Qatar has an incredible US\$ 102,800. Among the Asian emerging countries, Indonesia has an average income of US\$ 4,700 while Malaysia has US\$ 15,800.

DinarStandard, an American research company that specializes in the Islamic tourism industry, says this segment had a turnover of US\$ 126 billion in 2011, equivalent to 12.3% of total world tourism. A recent study by Arabian Travel Market highlighted Gulf travelers for their individual expenditure, led by tourists from Qatar who spend a daily average of US\$ 4,100 per person on international trips. They also travel as a family and bring their employees along. For example, tourists from the United Arab Emirates and Saudi Arabia traveling with their families average between six to 12 people.

Obviously the Brazilian tourism industry needs to adapt to attract this segment of the international tourism trade, particularly as the air transport facilities already exist. Brazil is currently served by three airlines with daily flights from Islamic countries (Emirates Airlines, Qatar Airways and Turkish Airlines). There are also other countries that serve them through their connections to routes that include Islamic countries. Moreover, Etihad Airways will start flying between Abu Dhabi (United Arab Emirates) and São Paulo on a daily basis from June of this year.

Although it is impractical for Brazil's hotel sector, restaurants and leisure spots to adapt to all the principles of the Koran, some moves (such as providing a copy of the Koran in bedrooms, rugs for prayers, indication of the direction of Mecca, no alcoholic drinks in the mini bar and, perhaps, access to an Arab television channel) would certainly be appreciated by most Moslems. They would also greatly



JOÃO PEDRONÇA, DE LIMA NETO





The Zayed  
Mosque in Abu  
Dhabi: religious  
tourism

welcome a menu with *halal* food in the restaurants.

It is worth asking why a Moslem would want to travel to Brazil apart from on business. There is a general view that Moslem tourism is directed primarily at religion, i.e. visiting places associated with the Prophet and, above all, the Haj pilgrimage to Mecca that every Moslem is supposed to make at least once in his lifetime. However, there are verses in the Koran which encourage travelling for the sake of acquiring knowledge, such as:

Say to them: "Travel through the land and see how He has begun the creation and how He will invent the next life. God has power over all things."

This shows that Moslems are not restricted to leaving home just for religious reasons. Like other people, they travel for business or the pleasure of visiting other parts of the world. Thanks to its lavish fauna and flora, Brazil has a particular fascination for the Arabs from the Gulf and North Africa who live in desert regions with few natural attractions. Nor is the Moslem prevented from visiting Brazil's historic cities and baroque churches. Islam is a tolerant religion that encourages the acquisition of knowledge, including learning about other religions. A large number of Moslems are also sports fans who will certainly be coming to Brazil in large number for the mega sporting events scheduled to take place in the coming years. It is not too late for Brazilian hotels, restaurants and tourist operators to start making adaptations that will greatly strengthen their ability to attract the Moslem tourist.



## RANKING 1

### Brazil looking good

**BASED ON** a recent study by the Global Business Travel Association, The Economist magazine affirms that in a few years Brazil is likely to supersede Italy, France and England as a business travel destination. It is a segment that is growing more quickly than tourist travel. It will account for over US\$ 27 billion in global earnings in 2013, up 12.9% compared to 2012. “Domestic travel currently dominates the Brazilian business travel market”, says The Economist. “But with the World Cup and the Olympic Games on the horizon, new opportunities will appear, and more companies are likely to take an interest in this market”.

**ACCORDING TO** the latest ranking from International Congress and Convention Association (ICCA), Brazil rose by two places, from ninth position to seventh position, the only country in Latin America in the top 10.



## HOTELRY

### Sleeping and working in 2013

Three spectacular hotels, each one with its own style, are being inaugurated in the first half of this year, in London, Shanghai and Washington. In London, a new hotel from the Shangri-La chain will occupy 18 of the 95 floors of the new mega-tower The Shard, a project by the Italian architect Renzo Piano (also designer of the controversial Beaubourg Museum, in Paris). In the form of a pyramid, the building is already a new symbol of the city. At 310 meters high, it is now the highest tower in the European Union ([www.shangri-la.com](http://www.shangri-la.com)). In Shanghai, there is the new Mandarin Oriental Pudong, for executives accustomed to travelling first class. It offers spectacular views over the River Huangpu and is already accepting check-in reservations from June 1 ([www.mandarinoriental.com](http://www.mandarinoriental.com)). Meanwhile in Washington, the Capella Georgetown has just opened, with 49 apartments and suites in the heart of the bucolic district which is home to two universities and the financial center of the American capital. The Capella resolves two problems that always torment executives on their travels: it offers flexible hours for checking in and checking out and does not charge for the internet ([www.capellahotels.com](http://www.capellahotels.com)).

**1** The Shard Tower (London), the highest in Europe: a luxury hotel at vertiginous heights

**2** Stadium for the World Cup: the event will also speed up the business travel

## AIRPORTS

### GRU, no. GULP!

**BRAZIL'S PRINCIPAL** international airport, recently privatized, has yet to come off the list of the world's worst airports, despite expansion works and ongoing modernization.

**SMALL PRECAUTIONS** can help travellers to lessen the hardships when disembarking at Guarulhos, or GRU its IATA code.

❑ **INTERCONTINENTAL** flights that arrive early in the morning at GRU often spend long minutes waiting for a docking port to be freed up in order to be able to park the plane at one of the gates, so buses are often requested by the flight crew for the disembarkation of passengers in more distant locations, a long way from the main building. Passengers are warned to always take a collapsible umbrella with them. No airline company offers a courtesy umbrella service from the door of the plane to the bus.

❑ **IF** travelling in the early hours of the morning, do not count on airport services in the wee dark hours. Examples of this are closed VIP lounges, as well as the only pharmacy in Terminal 2.

❑ **NEVER** schedule a departure for Friday after midday (traffic chaos on the Marginal freeway beside the River Tietê) and don't arrive during the week very early in the morning (again, chaos on the Marginal freeway).

## RANKING 2

### Brazil looking less good

**ON THE** theme of "Reducing barriers to growth and the creation of jobs", the annual report on the competitiveness of the travel and tourism sector from the World Economic Forum (Davos...) analyses 140 countries on five continents, considering factors and policies capable of stimulating the development of the sector. The ranking reveals that Switzerland, Germany and Austria lead in terms of competitiveness in travel and tourism, with Spain, England, the United States, France, Canada, Sweden and Singapore completing the top 10. Brazil ranks in 51st place, after Panama (37th) Mexico (44th), Costa Rica (47th) and Bulgaria (50th), but in front of Chile (56th) and Argentina (61st).

**THE REPORT** shows how the tourist industry can contribute to resilient economic growth, and the creation of jobs, citing the factors that adversely affect it.



## TECHNOLOGY

### Superfluous indispensables

**LINKEDIN, CHAMPION** of the social media channels dedicated to executive networking, asked the 10 best known CEOs and American journalists that always travel for work: "What do you never forget to pack in your baggage?". Three of the products cited appear to be really useful:

**1) A SOFT COMPACT** bag made from synthetic material, Spacepak from the company Flight 001, achieves miracles when it comes to squashing in cloths, while also having a compartment that separates clean and used clothes. It has no wheels, but empty it weighs less than 450 grams and can be taken on board, because it measures 40 x 27 x 11 cms and only costs US\$ 46. [www.flight001.com](http://www.flight001.com)

**2) MOPHIE** Juice Pack Plus, extra battery for the iPhone 4 and 4S which doubles the battery storage capacity of the phone without needing to recharge it. It also functions as a protective cover and costs US\$ 99.95. [www.mophie.com](http://www.mophie.com)

**3) HEADPHONE** which cuts out external sounds, and part of the on-board vibration, reducing tiredness over long flights. Here are two great products: Beats Executive, from the company Dr. Dre (US\$ 299.95, [www.beatsbydre.com](http://www.beatsbydre.com)) and, at the same price, the mythical QuietComfort 15 from Bose. [www.bose.com](http://www.bose.com)



## GASTRONOMY

### Value for money Japanese cuisine in São Paulo

**IN A** metropolis where Japanese cuisine triumphs in restaurants, which tend to be good and expensive, a new and successful novelty has introduced the attributes of creativity, quality of ingredients good taste in furniture installations, and fair prices. The address is fairly improbable - Avenida Pedroso de Moraes between Rua dos Pinheiros and Avenida Rebouças - and the name of the place is also improbable: Aya Japanese Cuisine. But the proprietor-chef Juraci Pereira is by no means improbable: he parked cars and worked as a waiter, before becoming sushi-man and chef in traditional restaurants such as Nagayama and Kosushi. He also worked for 11 years with Jun Sakamoto. A great attraction in São Paulo's West Zone.

[www.restauranteaya.com.br](http://www.restauranteaya.com.br)

## MEXICO

### 9 flights a week

**THE MEXICAN** economy has been growing at an average of 4.5% over the last three years, and Mexican per-capita income (US\$ 15,300) is already 50% higher than that for Brazilians (US\$ 9500). To meet the growing demand provoked by business opportunities and interest in tourism, from June Aeroméxico is to add another two flights a week to its daily night flights, which leave Guarulhos at 10:55 p.m. and Mexico City at 11:30 p.m. the new flights, on Thursdays and Sundays, will be in the day time leaving from São Paulo 12:45 p.m. and returning from Mexico at 9:50 a.m. The company's level of service is reminiscent of the old Varig, with rivers of champagne flowing in executive class and hot meals even in economy class, including breakfast.





2

**1** Dr. Dre  
Headphone: to  
listen to great  
music and  
great silence

**2** A dish from the  
Aya restaurant,  
São Paulo:  
worthwhile  
Japanese food

**3** Boeing 777  
of Aeromexico:  
nine GRU-MEX  
flights a week

**4** Aeromexico  
executive class:  
Comfort and rivers  
of champagne

## CITIES

### The right addresses in Buenos Aires

**THE CITY** of Pope Francisco has always been a fabulous destination for either business or leisure: grand hotels, great restaurants, first rate music and art in notable museums and theatres. In the Recoleta district, a few meters from the venerable Alvear Palace hotel, this column recommends three quality establishments. In the tranquil Calle Ayacucho, a bisecting road off Alvear, is Ulisses Recoleta Suites, an apartment hotel in contemporary style offering good quality for money. The simple apartments not only have well-equipped studio flats, but also duplex apartments offering two bathrooms, one on each floor. On the lower floor, the comfortable living room can be turned into a second bedroom at night ([www.ulisses-recoleta.com.ar](http://www.ulisses-recoleta.com.ar)). In the same Ayacucho Street, half a block down, on the corner with Posadas street, there is a great find, for those who love cigars: Prado y Neptuno Cuban Bar Boutique ([www.pradoynep-tuno.com](http://www.pradoynep-tuno.com)). One can buy authentic Havana cigars and also smoke them there, in a friendly and welcoming atmosphere, with a good range of drinks and coffees to drink with your cigar. A few meters from there, in Posadas Street, is a small, elegant and well-supplied wine store, which is our third great find: Le Choix des Vins. The proprietor is always present, recommending good producers and the best Argentinian harvests and he will wrap up a case of wine for travelling, and deliver it to the hotel, a rare courtesy these days and most welcome.



4



# Globe-Trotter

## EXPRESS TOURISM



### If you only have a few hours....

**EVERYTHING IN** Windhoek shuts down from 5 p.m. apart from restaurants and bars so you should plan ahead. Don't waste the daylight hours: go for a walk along both sides of Independence Avenue, starting from the Hilton Hotel. You will see two of the most attractive points for the visitor: the Craft Center, where you can find most of the fine, exotic African souvenirs you may be looking for, and the luxury Diamond Work store.

**NAMIBIAN DIAMONDS** are regarded as the purest in the world and you should try and negotiate a discount as a tourist. Use the remaining time to visit the galleries and craft stores where you will often find interesting items. If you can stay later into the night, there is no better place to go than Joe's Beer House. The restaurant is a meeting place for the whole city, with different kinds of atmosphere and a pleasant happy hour. Don't forget to ask your hotel to make an advance reservation.

**ONE POINT** to remember if you go there. The food is game which is the national specialty and will accompany your beer or wine. You may find zebra, ostrich, kudu, oryx, springbok and other kinds of antelope meat on the menu. This kind of meat is actually healthier than beef as it does not contain much fat. These local specialties are as tasty as the meat we are more familiar with and you will not really notice much difference between them and our beef and French fries. The wines are South African which are often better than European or South American varieties although they may not be as well known.







DREAMSTIME

## WINDHOEK, by Juarez Delgado

WINDHOEK, THE capital of Namibia —located between Angola and South Africa— comes as a surprise. It is a small, well ordered city of 330,000 inhabitants situated 1,750 meters above sea level on a high desert plateau. It has a European heritage dating from the time it was a German colony. Navy captain Juarez Delgado lived there with his family from 2010 to 2012 when he was military attaché at the Brazilian embassy. There is a small Brazilian community in Windhoek, consisting mainly of naval personnel acting as advisers to the Namibian government. Juarez admires the efficient city planning and courtesy of the people. In this article, he talks about the beautiful mountains that encircle the city, the cuisine, arts and crafts, diamond trade and recommends walks in the city and trips to beaches almost 400 kilometers from the capital where the water is cold.

**1** Windhoek:  
located on  
a plateau  
between  
mountains

**2** Wild  
animals:  
photo safari

**3** Items of  
Namibian  
art: on sale in  
the capital



JUAREZ DELGADO



CRAFT CENTRE

## If you have a whole day...

**ON TOP** of what has already been suggested, try a “red bus” city tour. The bus stops at all the interesting spots and takes the tourist to the traditional district of Katutura, a thriving place where all the different African ethnic groups live together in a poor township dating back to the apartheid era. (Namibia was governed by South Africa before it became independent in 1990 and was subject to the same racial discrimination laws.) This trip will give you a chance to see some local



CRAFT CENTRE



historic spots, monuments and museums, including the Lutheran Christ Church, the symbol of German colonization.

**ANOTHER TRIP** is a quick photographic safari to farms near the city. You can rent a car or ask for some transport tips at the hotel. The safari will take four or five hours, with around two to three hours spent on the farms. You will be able to see wild animals in a controlled location and obtain information from local guides. Find out in advance what is included so you will know what to see and film. The tourist is usually not disappointed and sees what is expected. This is important as some places seem more like a large zoo, with animals wandering around. Once you are back in the city, have a meal in the Stellenbosch Wine Bar or Am Weinberg restaurants. A meal for two served with game and a bottle of good South African wine comes to the equivalent of US\$ 60.



1

2

3





PICTURES: JUAREZ DELGADO

**1** Christ Church  
in Windhoek:  
Lutheran  
tradition

**2** Sand dunes  
in Death  
Valley...

**3** ...and  
Swakopmund on  
the coast: varied  
walks available

## If you have a whole weekend...

**IF YOU** have more time, you can get to know the wild, fascinating face of Namibia by exploring the beaches, deserts and the savannas far from Windhoek. The first option is for visitors who enjoy cities and beaches: rent a car or book a room in Swakopmund, a beach resort that attracts visitors from southern African countries. The city is typically German and located on a coastal desert. The desert creates dunes that end in the beach and the city is surrounded by sand on all sides. This is not the only reason that it is charming and elegant. There are dozens of places to stay, ranging from the most luxurious to the simplest, all of them very agreeable for a weekend.

**APART FROM** shopping, arts and crafts, and eating, you can also go for walks along the coast and in the desert. The coast is washed by the cold Benguela current that comes from Antarctica and makes the sea a paradise for fishermen. The water is cold but you can take a dip on hotter days. The whole coastline — which runs from the Kunene River in the north on the border with Angola and the Orange River on the border with South Africa — makes up the Great Namib Desert. It is so inhospitable that seafarers called the region the Skeleton Coast because of the number of dead animals they found and shipwrecks that ended in tragedy as the unfortunate survivors often died of thirst within a few days of reaching land. However, these tragic shipwreck stories do not prevent anyone from practicing radical sports on the dunes and “off-road” driving is a national craze. You can also make surrealistic trips across the desert sand if you go inland with a local guide and a 4x4 vehicle.

**THE SECOND** suggestion for adventurers is to get to know the desert with its unique landscapes and dunes that are more than 200 meters high — Death Valley, the nearby savannas and the famous Sossosvlei park with its red dunes on a former riverbed. You should not miss any of this. If you choose the complete package, that includes a balloon trip, then your spirit will rise to a higher level and will never forget the sunrise and sunset over the red desert. One option is Dunas Safari in Windhoek.

**FINALLY, AND** also not to be missed, is a safari trip to Etosha Park, with a guide or on your own, renting a 4x4 car. If you follow the right advice and take the normal precautions when visiting a wild area, you will see lions, elephants, giraffes, rhinos, cheetahs, ostriches, zebras, kudus and oryxes, the last which is a symbol of the country. You will also see dozens of other animals, running along the roads sometimes accompanying your car. A bit scary? It will certainly pump up your adrenaline but there is no danger. However, look out for elephants. They know who is boss. You can photograph the others at leisure.



Mayra, in  
Brussels:  
gaining  
from  
the two  
cultures

## Gateway between Brazil and Europe

MAYRA SOUZA

I moved to Brussels in January 2008, to work at the European headquarters of the Japanese car manufacturer, Toyota. I had just finished a Masters degree in international business from the Birmingham Business School, in England.

Brussels is a place that is almost too calm for someone who comes from Rio de Janeiro or London. But in time, I began to discover its enchantments: the rich history, the languages, the architecture, the gastronomy and the cultural events. Here, in the capital of the European Union, international organizations and companies attract a large global community (my best friend is from Azerbaijan and I speak to her in English although in Belgium one speaks French, Dutch and German!).

The growing importance of Brazil in the business world led me to receive an invitation, in 2010, to establish a Brazilian Desk here for Deloitte, the world's leading consultancy companies. The object was twofold: to provide help, in the taxation area, both to Belgian companies expanding in Brazil, as well as new Brazilian multi-nationals that had arrived in Europe. Belgium can be a great gateway to the European market. In addition to having

an excellent logistics network, the country strives to make it easy for new companies to establish themselves through tax incentives and attractive tax legislation.

On the other hand, I can see that Brazil has advanced well ahead of the Europeans in the creation of operational instruments, such as electronic tax invoices and support systems for foreign trade. Siscomex, for example, was implemented in Brazil in 1998, while the European equivalent (EU Paperless Customs) was introduced only in 2008. In general, Brazilian companies are viewed as entrepreneurial, ambitious and young in spirit. The better-known operate in the area of aeronautics, food (orange juice and meat), paper and pulp. But there is a growing interest from technology and fashion companies.

My experience in Brazil and Europe taught me the best way of conducting business. The Belgians are more systematic and conservative, while Brazilians are flexible and less averse to risk. Being pragmatic, the Belgians arrive at the negotiating table well-prepared and like to end meetings with decisions taken and agreed future calendar. They are punctual and expect others to be the

same -- commitment and reliability in day-to-day work are regarded as a form of respect for others.

If you have a good business case and show organization, the decision process can be rapid. One should bear in mind the region where Belgium is located — the local language is a factor that carries weight in the country's delicate internal relations and sensitivity shown to political peculiarities can avoid misunderstandings. As for affinities? Indisputably, Belgians and Brazilians are both lovers of football and beer. I believe that, deep down, Belgians would enjoy some of the lightness and sunny climate which Brazilians have the luck to live in! (Brussels is the rain capital of Europe).

After a Brazilian posting in 2012 — as an “ex-patriot” in my own country —, at the beginning of this year I assumed the post of regional and global manager or the Customs Department of Cytex, one of my old clients from the Brazilian Desk. I provide internal consultancy for business units spread across the globe. I confess that I considered staying in Brazil, but my heart and the quality of life here called me back to Brussels.



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