

# PIB

BRAZILIAN COMPANIES GO INTERNATIONAL

## A baby per second

Fanem, leader in neonatal equipment, exports to 100 countries and opens plant in India, the heart of the demographic explosion

### ■ ■ TOGETHER AT LAST

The Senai Innovation Institutes and Embrapii form a bridge between scientific research and Brazilian companies

### ■ ■ GLOBAL PATH

Suppliers of the oil and gas sector go in the opposite direction of Petrobras and continue to invest abroad

### ■ ■ INTERVIEW

Jaime Ardila, GM president for South America, believes Brazil is still afraid to open up to world trade



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NUMBER 26  
APR/MAY/JUN  
2014





## MAIS TRANSPARÊNCIA, MENOS BUROCRACIA. ESSA É A RECEITA DE UM BRASIL MODERNO.

A aduana da Receita Federal é a porta de entrada e saída de todas as mercadorias no Brasil. E está cada vez mais moderna e ágil. O empresário que importa e exporta ganhou tempo no despacho dos seus produtos. E pode acompanhar as operações pelo Portal Único do Comércio Exterior ([portal.siscomex.gov.br](http://portal.siscomex.gov.br)) e pelo aplicativo Importador. Quem faz viagens internacionais já pode declarar pela internet e pagar impostos com cartão de débito. E o combate à pirataria valoriza a indústria e os empregos no País. É o Brasil de portas abertas para a modernidade.

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### Mais praticidade para quem viaja

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### Mais segurança para o cidadão

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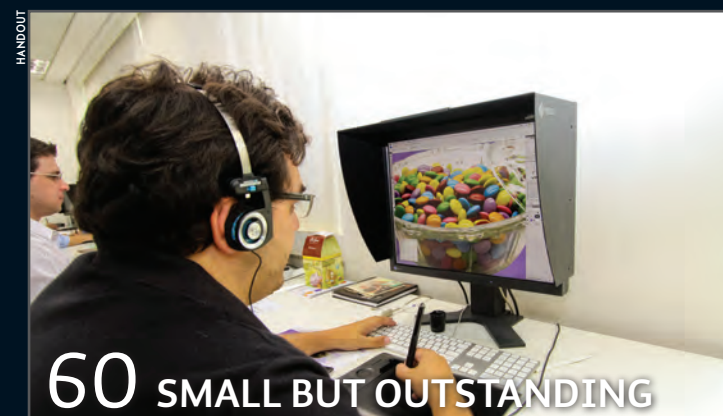
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# The lever of innovation

Brazilian scientists and companies have always had their backs to one another. We have heard this since the beginning of time, and it goes without saying that this distance affects the competitiveness of our multinationals. It is thus with great satisfaction that we register in this edition of **PIB** a sign of change, in an article by the reporter Antonio Carlos Santomauro starting on page 22. Researchers and companies are working together at institutions created specifically to perform science applied to the needs of industry: the Senai Innovation Institute and the Brazilian Company of Industrial Research and Innovation (Embrapii).

This satisfaction extends to the lead article: the cover story is Fanem, a family-run company from São Paulo created in the first half of the 1900s that, slowly, discreetly, persistently and yes, technologically, conquered a decent share of the global market of neonatal medical equipment (used to treat newborn babies). The trajectory of Fanem culminates in the opening of a plant in India, in a story starting on page 40 by the editor José Ruy Gandra.

Our interviewee is Jaime Ardila, the head of General Motors for Latin America. With the experience of someone very familiar with this part of the world, he comments on the willingness (or lack thereof) of our leaders in relation to Brazil's full trade liberalization. He also shows how GM's Brazilian subsidiary has become a center of creation of global vehicles.

Other articles in this edition show that the spirit of internationalization remains alive and kicking among Brazilian entrepreneurs. We talk about oil exploration services companies that are going international at the same time in which Petrobras is stepping on the brakes; and about Blanver, a São Paulo company that has become one of the biggest global producers and exporters of excipients to medical drug and food industries (if you haven't got a clue what an excipient is, read the article).

I wrap things up on a sad note: in June, our colleague Flávio de Carvalho Serpa left us. A native of Minas Gerais, Flávio was a professional who had an uncanny knack of conquering friends and admiration, from *Opinião* and *Movimento* to *Veja*, *Info* and *O Estado de São Paulo*. Flávio was a collaborator of **PIB** from the outset with his elegant texts and clear ideas on politics, business and technology. We already miss him.

Nely Caixeta



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# Antenna

Antonio  
Carlos  
Santomauro

## Better than the lottery

An invite to seek out business opportunities in Brazil and, in between, watch the matches of the Brazilian soccer team in the World Cup (or is the priority the other way round?). Either way, who would say no? Certainly not the 2,300 representatives from the business universe of 104 countries (from all over the world) who are in Brazil during the World Cup at the invite of ApexBrasil (Brazil's Pro-Export and Investment Agency). Between one match and another, they are participating in meetings with representatives from around 700 local companies from different sectors: technology, health, food, beverages, creative economics, fashion and agribusiness. Many of these visitors had never been to Brazil before and most of them quickly accepted the invite. "The World Cup, especially in the country of soccer, was a massive lure", confirms Diogo Akitaya, head of relationship marketing at ApexBrasil, in charge of organizing similar projects at other major events such as Carnival and the Formula 1 and Formula Indy races.



1 2

## Path of Europe

Some good news for Spain: last year, Brazil became the second largest provider of resources for productive investments in the EU, as per data of Eurostat, the Euro statistics committee. €21bn was invested in 2013, only trailing the massive USD313bn invested. Even better: the favorite European nations of Brazilian investors are Spain and Portugal, with a potential advantage for Spain. "Spain has more assets to be acquired and a stronger internal market", explains Luis Afonso Lima, head of Sobeet (Brazilian Society of Studies of Transnational Companies and Economic Globalization). Europe is now the most attractive destination for Brazilians investing abroad, ahead of the US and Latin America. Lima expects Brazilian external investment to keep growing, on the heels of the cooling down of the local market and companies' search for greater competitiveness.

PICTURES: HANDOUT

## Stefanini in Malaysia...

The IT services provider is one of the most internationalized Brazilian companies. Now, Stefanini is arriving in Malaysia, the latest participant of an Asian operation that already included India, China, the Philippines and Thailand. Marco Stefanini, global CEO, recalls that Malaysia is a multilingual country — speaking Malaysian, Chinese and English — which matches its internationalization strategy of offering its products in many languages. "Malaysia is also cementing its status as a center of offshore services and learning a lot from the efficient model of Singapore, to which it is geographically close", he says. Stefanini grossed R\$2.11bn last year, is now in 33 nations and 40% of its business is abroad.

## Brazil-Spain two-way street

In recent decades, Spain has become a major investor in Brazil. Now, trying to escape a major crisis, Spain wants Brazilians to do the opposite. The Spanish Chamber of Commerce in Brazil and the Chamber of Brazilian-Spanish Commerce, which represent the two sides of this interchange, have signed an agreement to facilitate this two-way street. Maria Luisa Castelo Marin, executive director of the Spanish Chamber, says there is potential for Brazilian investments in Spain in areas such as IT, management consultancy and real estate. "Right now the trade relationship is heavily skewed to one side", she says. "Spanish investment in Brazil is much greater than Brazilian investment in Spain". The agreement can help rebalance this situation. "And being in Spain means having access to the EU", recalls Maria Luisa.

1 e 2 "Fans" of  
Apex: business  
between matches

3 Maria Luisa:  
investment  
potential



3

## ...and BB in Shanghai

Banco do Brasil was promoted in China: in May it opened a branch in Shanghai, where it has had a representation office for the last 10 years. It is the first branch of a Latin American financial institution in the country. "This will help expand Chinese-Brazilian commercial interchange, boost Chinese investments in Brazil and the presence of Brazilian transnational companies in the Chinese market", believes Edson Costa, director of Corporate Bank of BB. "The target is to achieve breakeven between investments and profitability in one year". BB estimates that over 25 Chinese companies operate in Brazil and around 70 Brazilian companies have some form of presence in China, currently Brazil's main trade partner: in 2013, trade flows between the two countries totaled US\$83bn.







## 3 questions for Almiro dos Reis Neto

Leaving home is never easy, and one of the factors that inhibit the internationalization of Brazilian companies is the fear of all things foreign: the difficulty in dealing with people who speak a different language and who have other habits. Almiro dos Reis Neto, CEO of the Franquality consultancy firm and a specialist in organizational culture, says what can be done to face the problem.

### **What is the weight of cultural differences in internationalization?**

People who aren't familiar with and who don't understand another culture tend to act and behave

in the same way as their parents. This can create shocks. We Brazilians, in dialoging with someone, need to explain the context, to discuss the general situation in order to then make a decision. Countries like the US and England are more objective. The explanation, if there is one, is smaller. If an American is going to fire a Brazilian, with his objectivity, the Brazilian will think the American lacks preparation and sensitivity. In the opposite situation, the American will be left feeling anguished and ask himself 'why is this person leading me on'? He expects objectivity.

### **It is possible to facilitate the learning curve of cultural differences?**

Learning by trial and error has a cost: it could mean losing business deals, sacrificing a client or a

partner. But there is international research capable of identifying different cultural traits between one country and another. We can train someone to understand how you manage a company in another country and how an executive abroad behaves.

### **Do Brazilians' features help in internationalization?**

Nowadays, many global companies seek executives with characteristics associated with Brazilians, such as teamwork and flexibility. On the other hand, when it comes to maintaining standards, on average Brazilians aren't as disciplined as they should be. And they also tend to be more hierarchical, and need clear leadership. All of this, of course, on average. Culture is a collective phenomenon and each person is an individual who will feature more or less of these traits.

## Sustainable energy

A franchise project of biomass energy company EnerBioMassa was the Brazilian winner of the latest edition of *Energy Innovation IDEAS*, held by the InterAmerican Development Bank (IBD). The competition aims to stimulate initiatives in renewable energies and energy efficiency in Latin America and the Caribbean (projects of another 6 nations received awards). Developed by Helio Tollini, CEO of the RuralProsper consultancy firm, the Brazilian project was chosen out of 563 competitors and will receive US\$100,000 from the IBD, as well as technical and business support. Its aim is to design and analyze the viability of a franchise company of sustainable biomass energy production and trading.





## Dual nationality

Speaking of shoes, the Vert (“green in French) label of ecologically-produced running shoes has arrived on the Brazilian market. They have actually been produced in Brazil since 2005 and sold throughout the world under another brand called Veja. The French name, used only on the Brazilian market, is reminiscent of the design of the shoes and the nationality of François-Ghislain Morillion and Sébastien Kopp who had the idea of making them in Brazil and selling them in Europe after a visit to the Amazon. The Brazilian appeal to the European and global consumer is founded on environmental and social sustainability. The raw materials consist of organically grown cotton from Brazil’s semi-arid Northeast and rubber extracted by a community of tappers in Acre state. (The cotton and rubber suppliers receive a sum for each pair sold.) The shoes with the double name are manufactured in Rio Grande do Sul and exported to 40 countries.



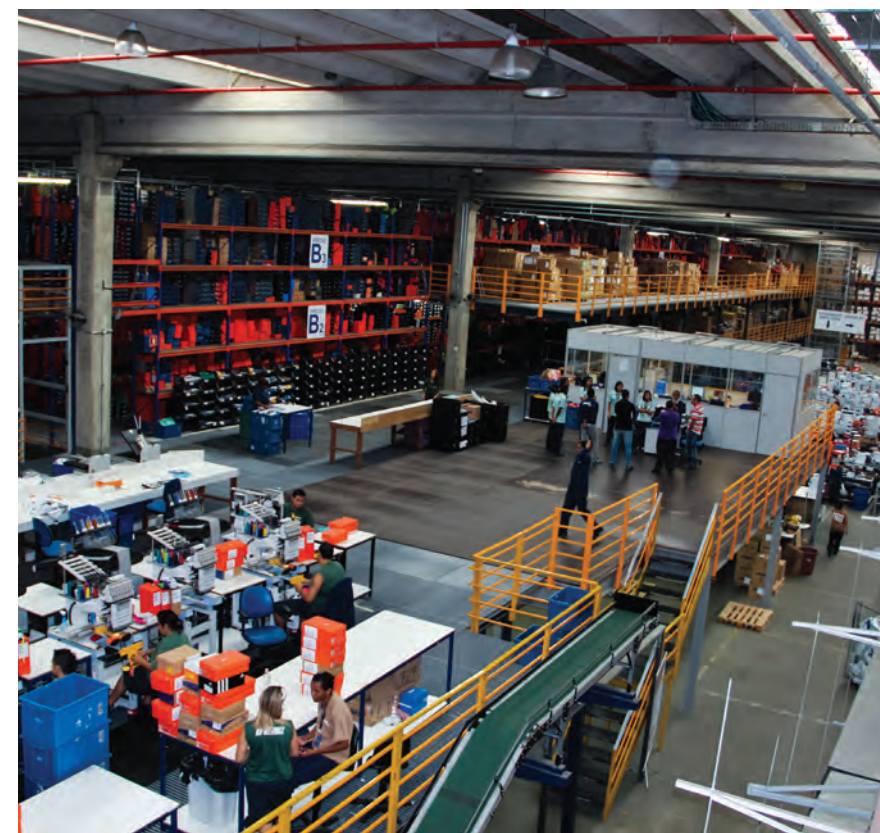
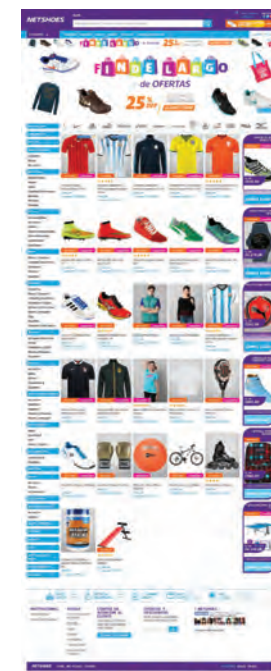
## Business in Portuguese

Nominated in May as Head of the Business Council of CE-CPLP (Business Confederation of the Community of Portuguese-Speaking Nations), the Brazilian Gilberto Lima Junior assumed the position with a specific priority: to list in a report the business opportunities between the CE-CPLP nations (Angola, Brazil, Cape Verde, Guinea-Bissau, Mozambique, Portugal and São Tomé and Príncipe). Lima Junior, CEO of Going Global Consulting, wants Brazil to play a leading role in the group’s economic transactions: “The Portuguese-speaking market is attractive not just because it represents 2.4% of global GDP and has several nations that need practically everything”, he says. “It can also serve as an experimental field for a broader internationalization process”.

PICTURES: HANDOUT

## Success in Buenos Aires

On the other side of the River Plate, Netshoes — an on-line running shoes store founded 14 years ago in São Paulo — is opening a new distribution center in the greater Buenos Aires region which will quadruple its storage area in Argentina. “Our sales in this market doubled last year over 2012,” said Alberto Calvo, the company’s general director for Latin America. “The number of visitors to our Argentinean site also doubled and we are now receiving more than four million visits a month.” Netshoes claims to be the world’s largest operation dedicated exclusively to on-line sales of sports goods, with revenues of R\$ 1.3 billion in 2013. It has been in Argentina for less than three years and has a 70-strong workforce. Outside Brazil, it is also present in Mexico.



1 Vert sport shoe/veja: ecological appeal

2 Lima: scouring opportunities

3 and 4 Site and logistics center of Netshoes in Buenos Aires: rapid expansion

## Optimism in the medium term

The economy has stalled somewhat and inflation is raising concern but, despite this, Brazil should still become the fifth-largest consumer market in the world in 2023, overtaking France and the UK. This forecast appears in a report on the country published just before the World Cup by Euromonitor International, a multinational research and consultancy firm based in London. The study said there were plenty of business opportunities in Brazil, thanks to more equal income and broader growth which were increasing the purchasing power of the poorest regions and families. It also said Brazil had become a market with long-term potential not only in terms of luxury goods but also through a wide variety of mass consumer goods and services.



## In the home of fast food

After opening 10 restaurants in Florida, the Brazilian fast food chain Giraffas is starting to spread its brand in the US via franchises. The first contracts will be signed this year, predicts João Barbosa, CEO of the US operation of Giraffas, which has around 400 stores in Brazil. “The expectation is to open the stores in 2015”, he says. The chain has ambitious plans for its sandwiches and grilled foods: by 2020, it hopes to open 200 restaurants in the land of fast food. Barbosa believes the franchise model promises to speed up expansion by demanding lower corporate investment. For now, Giraffas has no plan to enter other nations, despite receiving proposals from the Middle East and Asia. “We want to consolidate the brand in the US and continue growing our presence in sustained fashion in Brazil”.



1 Giraffas in the US: now with franchises

## Competitiveness on the slide...

The 2014 edition of the *World Competitiveness Yearbook* shows Brazil falling three places versus last year. Now, of the 60 nations ranked by the IMD business school (Lausanne) and Brazil's Dom Cabral Foundation, we rank 54th, only ahead of Slovenia, Bulgaria, Greece, Argentina, Croatia and Venezuela. In first to third, the US, Switzerland and Singapore (5th in the previous ranking). This year's edition marked Brazil's fourth straight decline; in 2010, Brazil ranked 38th (more details on Brazil's performance at <http://bit.ly/1lWYO9C>).

## ...and education as well...

Of 40 nations analyzed in The Learning Curve 2014 study, compiled by *The Economist Intelligence Unit (EIU)* and Pearson International, Brazil also ranks poorly at 38th. If it's any comfort, it did at least rise one notch versus the previous edition, surpassing Mexico, now 39th (Indonesia remains in last place). The study cross-checks indicators of the OECD — such as the International Student Evaluation Program and Progress in the International Study of Literacy and Reading — with data on literacy and approval rates. The top four positions are filled by Asian nations: South Korea (1st), Japan (2nd), Singapore (3rd) and Hong Kong (4th).

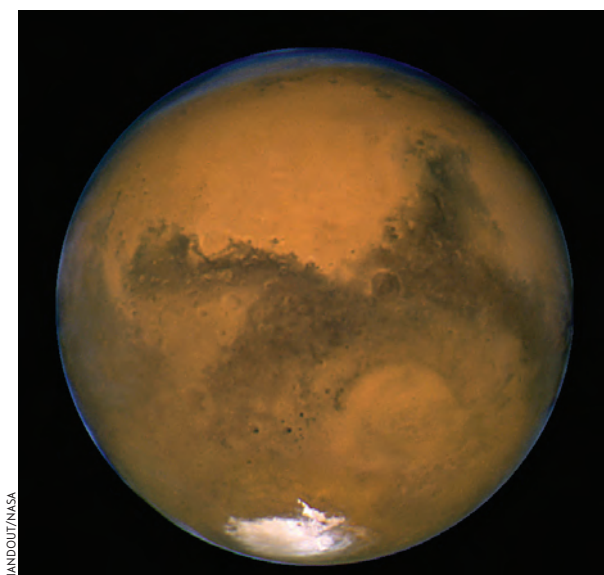


## ...and better in science

Between 2003 and 2012, the publication of Brazilian scientific work grew 145%, almost 3x better than the global average in this period. As a result, Brazil's share in global scientific production rose from 1.7% to 2.7%. These are some of the data from the G20's Research and Innovation study, compiled by Thomson Reuters. On the negative side, the same report shows that the annual average of Brazilian patents (around 4,000) is still below the other BRICs (though better than the other G20 Latin American companies, Argentina and Mexico). Many of these patents also refer to inventions and developments in other nations and registered here purely for intellectual property protection. But we are already seeing a rise in Brazilian scientific production (more details at <http://bit.ly/1evuGn8>).

## The mysteries of Mars

A recent example of the growing scientific research in Brazil shows Brazilian scientists looking at Mars, as part of a study led by the Group of Orbital Dynamics & Planetology of the Guaratinguetá Campus of *Universidade Estadual Paulista (Unesp)*, in collaboration with researchers from France, Germany and the US. The group sought explanations for the formation of the closest planet to earth. Unlike other planets with seemingly similar origins, like Venus, Mercury and Earth itself, there still isn't a well-accepted theory for some specific features of Mars. For example, among other doubts, the reason why Mars has only 10% of Earth's mass, despite having 50% of Earth's dimensions. The study related the size of Mars to the density of the proto-solar nebula — the gas and dust cloud that originated the Solar System — in its orbital region. Published in the February edition of *The Astrophysical Journal*, of the American Astronomical Society, the research was highlighted in the May edition of the *Science* magazine, one of the most revered in the international science field.





1 Ferreira with  
Mujica: betting  
on Uruguay

2 and 3 Project  
of Lobraus:  
business center



## A port on the River Plate

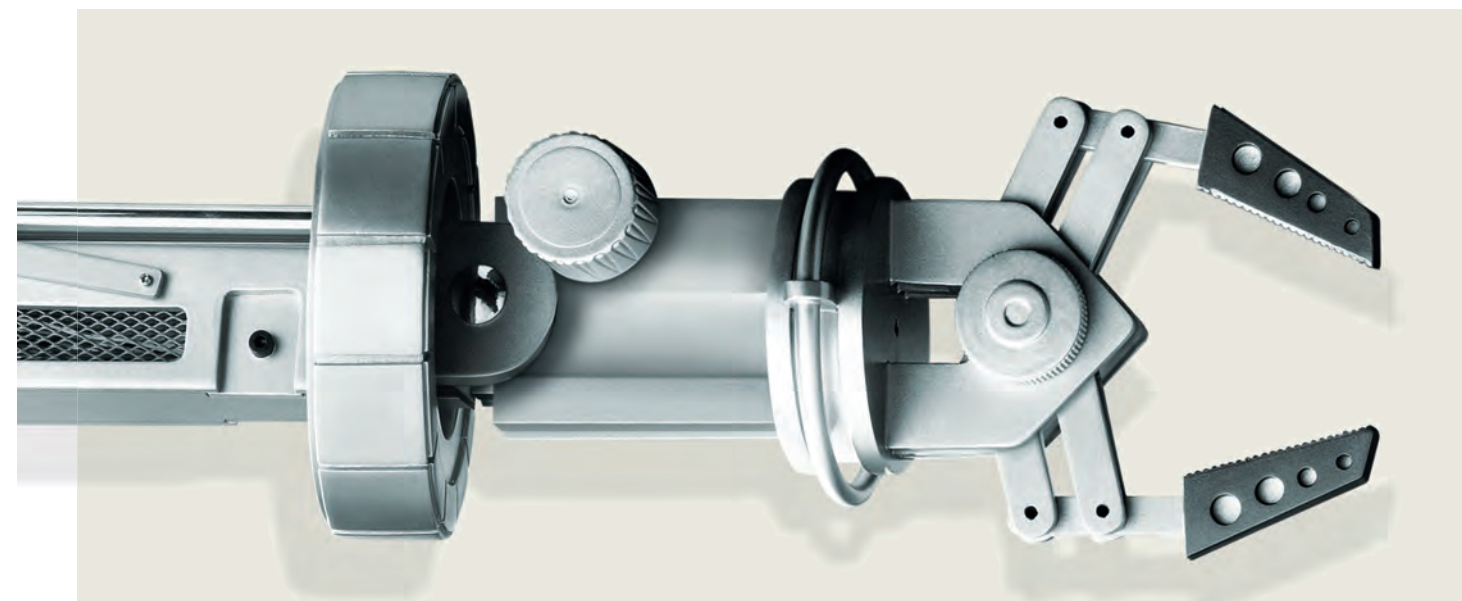
A businessman from Goiânia who has been based in the United States since the 1980 wants to make the port of Montevideo a privileged access way to the South American market. Renato Ferreira is the CEO of Lobraus, a logistics company based in Miami, and has business on the banks of the River Plate. His company receives products from Asia, particularly electronics, in the Uruguayan capital and distributes them in the region. He is now planning to build a large distribution center and office tower with 20 floors in the port area to capitalize on the facilities he found in Uruguay.

Ferreira said he chose Montevideo as Lobraus's South American base because the local port legislation gives him freedom of action. This makes it possible to carry out added value operations as well as customs procedures. Uruguay has other advantages. "It is economically and politically stable, has a low corruption rate, simple labor laws and a financial system that allows the dollar to be used in similar conditions to the local currency," he said.

Ferreira is a regular figure in Uruguayan government delegations to other countries and recently accompanied President José Mujica on a visit to Washington. He estimates the cost of his project at US\$ 60 million and says he has had conversations with Chinese investors interested in a partnership. He wants the building work to get underway this year. "This structure, supported by Uruguayan law, could lead many companies to use the port of Montevideo as the base for their operation throughout the whole of South America".



PICTURES: HANDOUT



## INNOVATION AND TECHNOLOGY FOR A STRONG INDUSTRY



SENAI – National Service for Industrial Training - Brazil trains highly qualified professionals and is a reference in the fields of innovation and technology in Brazil providing services all over the country. It is currently investing R\$ 1,9 billion (Brazilian real) in the implementation of 26 innovation institutes and 90 technology institutes to work in an integrated way on the development of products, processes, applied research, complex problem solutions and anticipating technological trends for the industry.

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## Convivial architecture

Rodrigo Marcondes Ferraz's office's portfolio of almost 300 commercial and residential projects based on concepts of environmental sustainability and social conviviality led to an invitation to make a presentation to the Asian Congress of Architects. The event took place in June in the Malaysian capital, Kuala Lumpur. Ferraz is a partner in the São Paulo firm FGMF which he created 15 years ago in partnership with fellow architects Fernando Forte and Lourenço Gimenes. Most of the team's developments are in São Paulo city and have been featured in specialist international publications, including the well-known UK magazine *Wallpaper*. One of the firm's latest projects is the Natingui Corujas commercial building in Vila Madalena (photo). This horizontal building provides gardens and free areas and is a far cry from the standard commercial glass tower development.

## On the tide of global advertising

The advertising agency David, that was founded in Brazil in 2011, opened an office in Miami in May. This was the firm's second venture abroad and follows its office in Argentina which was opened shortly after its creation. In the United States, David is leading the global communication of Burger King which is now present in around 80 countries and is owned by the Brazilian investor Jorge Paulo Lemann and his partners. David's operations in the US will be headed by Anselmo Ramos who will leave São Paulo, where he led the creation area of Ogilvy Brasil, for Miami by August. Although part of the multinational WPP group, the controller of the Ogilvy network, David was created by two Brazilians — Anselmo Ramos himself and Fernando Musa — and Argentinean Gastón Bigio.

## Crossing the Atlantic

In charge of managing the national concession of master's degree and PhD study grants, Capes (a branch of the Brazilian Education Ministry created to further the education and studies of university graduates) will serve as a model for the Africa Centers of Excellence Project, being implemented in Africa by the World Bank. Budgeted at US\$150mn, the first phase of the project will involve 19 research institutions from 8 African nations: Benin, Burkina Faso, Cameroon, Ghana, Gambia, Nigeria, Senegal and Togo. At the start of June, Brazilian specialists in health, agriculture, IT, engineering and food technology visited Dakar (capital of Senegal) to discuss the implementation of what is called, in Brazil, "Capes Africa".

PICTURES: HANDOUT



1 Natingui Corujas: horizontal condominium

2 Ramos, Musa and Bigio: in the US with Burger King

## QUICKIES

❑ ZERO WASTE — THE FORD PLANT IN TAU-BATÉ, SÃO PAULO STATE, IS THE COMPANY'S FIRST FACTORY IN SOUTH AMERICA — AND ONE OF ONLY 15 IN THE WORLD — TO NO LONGER CREATE WASTE DISPOSED OF IN LANDFILLS.

❑ FOR THE WORLD — THE WORLD CUP AND OLYMPICS HAVE BROUGHT NEWSOURCE GLOBO — THE GLOBO ORGANIZATION'S NEWS AGENCY — A FOUR-YEAR CONTRACT WITH ASSOCIATED PRESS (AP) THAT WILL DISTRIBUTE CONTENT ON THE EVENTS PRODUCED BY ITS BRAZILIAN PARTNER.

❑ NOW IN ECUADOR — TOTVS IS NOW OFFERING MANAGEMENT SOFTWARE IN ECUADOR, THEREBY EXPANDING ITS INTERNATIONAL PRESENCE TO ALMOST 40 COUNTRIES.

❑ RECOGNITION — THE BRAZILIAN SURGEON ANGELITA HABR-GAMA HAS BEEN RECOGNIZED BY THE AMERICAN SOCIETY OF COLON AND RECTAL SURGEONS AS THE AUTHOR OF THE BEST STUDY IN 2013. SEVEN OTHER RESEARCHERS TOOK PART IN THE WORK.

*We are thinking of setting up a fund to lend at least US\$ 2 billion to Africa. China has injected US\$ 12 billion (...) We have to be daring*

FORMER PRESIDENT LUIS INÁCIO LULA DA SILVA, CRITICIZING BRAZIL'S CAUTION IN ITS RELATIONS WITH AFRICA





## Brazilian beauty products in Paris...

The Granado and Phebo beauty products were only featured at a single event dedicated to Brazil in 2013 but that was enough for a major breakthrough. The soaps, shampoos, moisturizers and eau de cologne of this traditional brand were so well accepted that they gained space on the shelves of the luxury Paris store Le Bon Marché. Granado began as an apothecary in the 19th century in Rio de Janeiro when Brazil was still an empire and was quickly raised to the position of official supplier to the court. In 2004, it bought the Phebo brand created almost a century ago in Belém do Pará. The two brands now share space on the *haut de gamme* shelves of Le Bon Marché with names like Lancôme and Dior (which belong to the LVMH group that owns the store). The presence in this Parisian outlet gave the Brazilian brands access to other markets and sales contracts have been made with clients in Greece, Japan and the UK.

## ...and grocery items in France and Thailand

The French retail group Casino is taking advantage of the high profile the World Cup guarantees by offering around 100 products from Brazil in over 2,000 stores and supermarkets in France and Thailand. The project was developed in partnership with the Brazilian Trade and Investment Promotion Agency (Apex-Brasil) and could go to further destinations. "We are studying whether to expand it to other countries," said Olivier Virthe, foreign sales director of GPA (the Brazilian retail group that owns the Pão de Açúcar brand, controlled by Casino). The list of Brazilian products Casino has taken to Europa and Asia includes coconut sweets, a sweet made with peanuts called *paçoca*, grated coconut, farofa flour, wine, table linen, lingerie and mugs, amongst others. "They are being very well received by the French and Thais," Virthe added.



## From São Paulo to Silicon Valley

ISPM, a São Paulo company that specializes in software to manage telecommunications and IT services, is planning to open an operation in the United States this year. The likely location is Silicon Valley, according to partner and commercial director, Álvaro Martins. ISPM opened an office in London around three years ago directed at commercial, operational and marketing services in a number of European countries. It also serves clients in Latin American countries. "This market has always been highly globalized so we are aiming to expand internationally. We have been investing in international expansion for some time by taking part in trade fairs and congresses abroad," Martins added. The company has around 200 employees and expects the international operations to amount to 25% of revenues within five years.

## Two doses of success

The sparkling wine Lunar Oro Brut produced by the Vinícola Família Zanlorenzi Group from Paraná state has received a silver medal in its category in this year's *Concours Mondial de Bruxelles* competition held in Brussels. A jury of over 300 professionals of 40 nationalities chose the Brazilian entry from approximately 8,000 rivals. Meanwhile, the Miolo vineyard in Rio Grande do Sul state has announced record exports in the first four months of the year amounting to US\$ 1.8 million, a jump of 375% over the same period of 2013. Miolo is present in over 30 countries and expects foreign sales of around US\$ 2.5 million in the first half of the year.



## Less bureaucracy

Brazil's federal government launched an initiative in April called the Single Foreign Trade Portal which aims to reduce the period for export procedures from 13 to eight days by the end of 2016. The target for imports is to cut the time from 17 to 10 days by 2017. The Portal should unify the systems of all the bodies involved in foreign trade, avoiding repetitive or overlapping procedures. The new portal allows the user to access the information that was previously spread throughout these systems in a centralized virtual area.

## Swapping technology

The Chinese telecommunications giant Huawei will cooperate with CPqD, a technological research institution in Campinas, São Paulo state, on projects related to 4G technology. Huawei already has its own Brazilian R&D center and should also have a laboratory within its partner's premises. One of the focal points of the cooperation is the development of billing tools for services based on 4G technology. "We have lots of experience in this area," said Carla Guimarães, sales manager for CPqD's industrial segment.

## Money to fly

An investment fund that aims to strengthen the aerospace, aeronautic, defense and security production chains was launched in May of this year with initial assets of R\$ 131.3 million. It is the first Latin American fund directed at these kinds of companies. It will work with private and public resources to try and integrate small and mid-sized enterprises belonging to the sector's productive chains. Investors from the private sector include the plane maker Embraer and Portbank (partnership and manager of the new fund). The public sector will be represented by Brazil's National Development Bank (BNDES) and the São Paulo Development Agency (FINEP).

PICTURES: HANDOUT



# Together at last

*The Senai Innovation Institutes and the Embrapii Institute are beginning to work to narrow the gap between scientific research and Brazilian companies*

ANTÔNIO CARLOS SANTOMAURO

**B**iokyra Pesquisa e Desenvolvimento, from Florianópolis in Santa Catarina state, is a small biomedical engineering company that designs items for implants and minimally invasive surgery — the kind made with miniscule cuts and miniature instruments. It was founded in 2007 and has a workforce of five people — including the partners, mechanical engineers Isaías Masiero Filho and Charles Facchini — and has still not launched any products on the market. For one of its recent projects, Biokyra needed a piece built with nickel and titanium, a complex metal alloy that is difficult to handle. What does a small Brazilian technology company usually do in this situation? “It approaches a supplier in Germany or the United States,” was Masiero’s answer. Instead, he found another way out and linked up with a Brazilian partner

for this project. This partner was the Senai Innovation Institute (local acronym ISI) in Manufacturing Systems from Joinville, also in Santa Catarina, which was responsible for the development of the component.

The ISI Manufacturing Systems was inaugurated last February and is one of the first of 26 institutes that

## The gap between research and industry hurts companies’ competitiveness

will create the national network of scientific and technological research centers for practical use in industry. It is housed within the vast and interlinked structure of the National Industrial Apprentice Service (Senai). This is the main institution for training technical professionals

for Brazilian industry. The Senai Innovation Institute network has been implemented since 2013. Its mission is to be the link between the often isolated worlds of scientific research and productive companies. This proposal fits in perfectly with the Biokyra founders’ mission to transform ideas and inventions

arising from research and medical practice into products that can compete on the growing health care market.

In other words, both company and the institute want to build a bridge between the laboratory and the market. The nickel and titanium part which is being developed by the ISI from Joinville can be seen as an element of this bridge. It is a component that will be built into an appliance called a vena cave filter, one of the projects in Biokyra’s portfolio. When



The Curitiba ISI: specializing in electrochemicals

ready for sale, the filter will help prevent cases of pulmonary embolism, particularly when implanted in the veins of patients who cannot be treated with anticoagulant drugs. By that time, the R&D project that Biokyra ordered from the ISI in Joinville will have become finally an integral part of a medical product available on the market.

Why is this bridge becoming increasingly more necessary? Businessmen, governments and economic analysts agree on at least one point. Its absence is one of the reasons for the difficulty a Brazilian company has in carrying out technological innovation. This difficulty partly explains the fall in foreign (and also domestic) competitiveness of Brazilian industry in recent years. Flavia Gutierrez Motta, manager of Planning and Business Coordination of the Institute of Technological Research of São Paulo (IPT), says that those companies which do not innovate or develop their own technology will have great difficulty competing on the global market. “Innovation is the only way for Brazilian industry. It is difficult to compete with China in cost and scale,” she said.

It was precisely to support Brazilian companies prepared to innovate that the ISIs were created (see box in page 24). Four of them are already operating. Along with Joinville, there is one in Curitiba, Paraná state, for research in electrochemicals, and two in Salvador, Bahia state, for innovation in Automation Production and Conformity and Union of Materials. Another 22 should enter into operation by the end of 2015, creating a distribution network across 13 states



from Amazonas to Rio Grande do Sul. Each one will have from 25 to 30 researchers when fully operating (more than 70 researchers work in the four operational units). They will be dedicated to a technological specialty, according to the skills and expertise developed in these respective regions.

Pará state, for example, where the enormous Carajás ore mines are located, will receive an ISI in Mining Technologies. Pernambuco state, the center of the Porto Digital new technologies hub, will have an ISI dedicated to Information Technology and Communication. São Paulo, the scientific and production center of the sugar cane industry, will have an institute specializing in innovation in Biotechnology (see map in page 25).

The idea of creating the ISIs arose during discussions on the issue within the Business Mobilization for Innovation forum in which some of the biggest companies in the country take part. Once the mission of the institute was decided, the choice of the missionary was no problem. “Senai was chosen for its distribution network and its mission of supporting Brazilian industry,” said Mateus Simões de Freitas, the organization’s innovation and technology manager.

The initial budget for the project to set up the network was R\$ 2 billion. Three quarters of this amount — R\$ 1.5 billion — was ensured by a loan from Brazil’s National Development Bank (BNDES) and the rest will come from Senai’s own resources. “In defining the focus of the region of research of these institutes, we looked at the sectors where Brazil’s industrial balance was not very fa-

## The model for the Senai network is the Fraunhofer institutes in Germany

vorable and those that needed to import a lot of technology,” said Freitas. “We then looked at the relation of the institutes and the locations where they would be installed after conversations with large companies.”

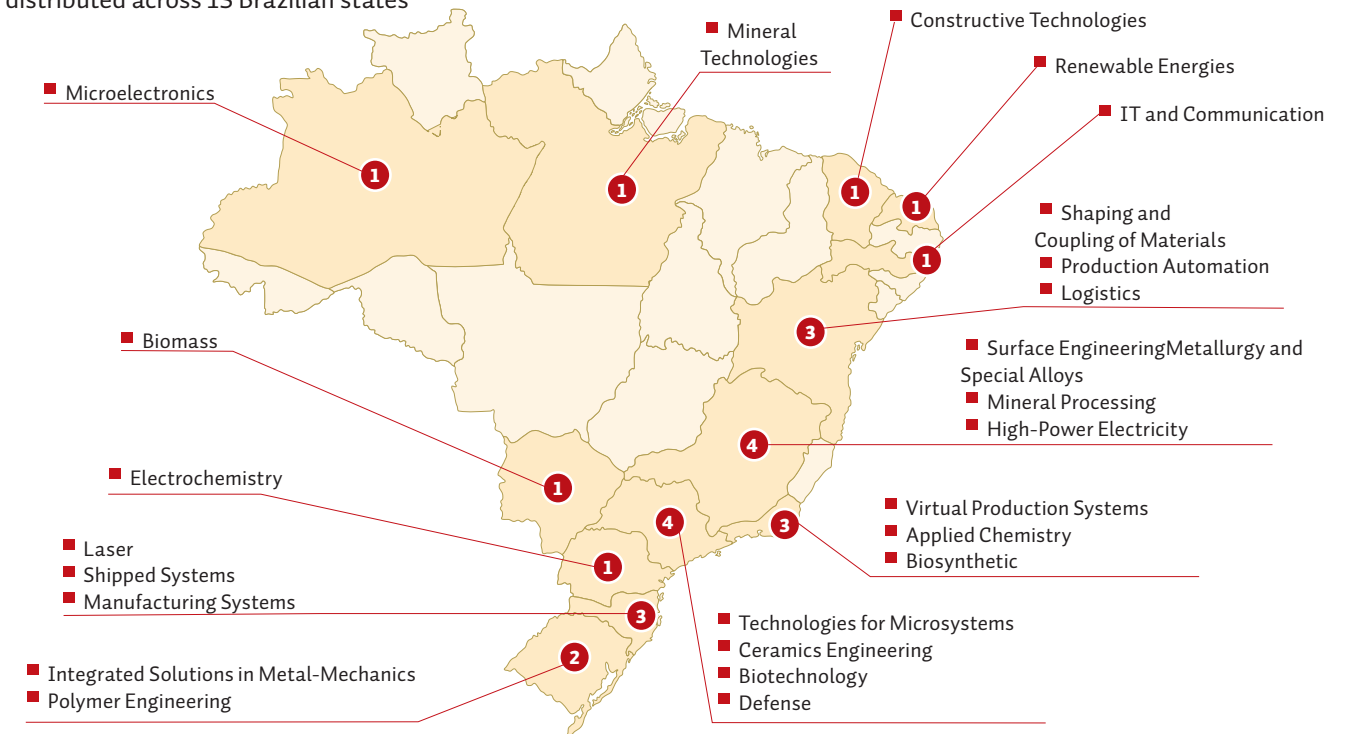
To help with this task, an international heavyweight partner was sought in the shape of the Fraunhofer Gesellschaft which performs the same function in the German Federal republic as the ISI does in Brazil. The Fraunhofer institutes are now seen as the best examples in the world of an organization that

supports applied research with industrial ends. To a certain extent, the role of the ISI is to adapt this highly respected German model to Brazilian conditions (read more in page 28). The partner is cooperating with Senai in planning and creating the institutes that will make up the Brazilian network. “Fraunhofer took part in deciding the scope of the projects and the map of the laboratories and is now helping with the assessment of the implementation process,” said Freitas.

A second door for technological innovation was also opened last year, just after the Senai network started being assembled. The Brazilian Research and Industrial Innovation Company (Embrapii) was formally launched in December after two years of pilot operations. It resulted from a demand by the companies themselves and is financed by the Ministries of Education and Science, Technology and Innovation. Its name obviously reflects the highly successful Embrapa — Brazilian Enterprise for Agricultural Research Company which is now an important global player in its area. Embrapii was constituted as

## TECHNOLOGICAL NETWORK

THE 26 Senai Innovation Institutes will be distributed across 13 Brazilian states



a Social Organization and can, therefore, receive public money. It will direct around R\$ 260 million to applied research projects in this first year of full operation.

Embrapii operates differently from the Senai network which is made up entirely of new research institutions. Embrapii intends encouraging domestic industry and using the existing scientific and techno-

logical apparatus more intensively through subsidizing innovation and other mechanisms. To do so, it accredits institutions with the experience and know how consolidated in applied research, which are then authorized to receive resources for projects developed in partnership with companies. Embrapii itself can also make a non-refundable payment of up to one third of the bud-

get of these projects. The interested company also has to allocate at least the same amount. (The remaining third can come from the company or from the research center with which the company will work.)

Three institutions have been accredited to receive funds from Embrapii. One of them is the Integrated Center of Manufacturing and Technology (Cimatec), in Salvador run by

## AN EYE ON THE PRACTICAL

THE SENAI Innovation Institutes (local acronym ISI) are marked by their focus on applied research which aims to resolve practical problems and leads to the creation of products that will end up on the market. The very names of each institute show they are linked to specifically defined technological specialties and not

to the broader productive sector (see map above). For example, this means there is no ISI dedicated to the auto industry in general. However, this sector, like the others, can benefit from the knowledge developed in the other institutes — in electrochemicals, materials or automation, amongst others — according to the specialties

needed for each project.

The Automation ISI, which is located in Salvador, is currently working on six projects for Brazilian or foreign companies. It has 34 researchers and has made its own investment of R\$ 1.7 million in equipment. Herman Lepikson, the director of the institute, stresses that the project foresees a labora-

tory, the cost of which is estimated at R\$ 16 million. The Electrochemical institute in Curitiba, initiated its operations last September and has equipment worth R\$ 12 million available. Its director, Luiz Carlos Ferracin, will have a new headquarters by the end of 2015, with a team of 15 professionals and additional investments of R\$ 50 million.

The Curitiba institute is carrying out research in areas such as paints, protection against corrosion, varnishes, new kinds of batteries and nanotechnology. Ferracin gave one example of how the technologies the institute is working on could expand Brazil’s industrial capacity in terms of exports. He said improving protection against corrosion was es-

sential for the carmakers located in Brazil to dispute the more demanding foreign market. “Brazil cannot export cars to Germany because the law there demands a minimum guarantee of 12 years against corrosion and no car produced in Brazil meets this requirement. Our mission is to increase the competitiveness of Brazilian industry,” he added.”





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the same Senai which is setting up the ISIs. (It is no coincidence that the two Senai Innovation Institutes located in Salvador are housed in the Cimatec.) The others are the Technological Research Institute (IPT), in São Paulo, and the National Technology Institute (INT), in Rio de Janeiro. However, this number should grow quickly. “We have already launched a new tender process to accredit another 10 institutions by the end of July,” said João Fernando Gomes de Oliveira, CEO of Embrapii. “By the end of the year, we should have almost 20 institutions accredited.”

Although the ISIs and Embrapii have different operating methods, they have the same ultimate aim which is to build the sought after bridge between the laboratory and the market and allow Brazilian industrial companies to use technological innovation to leverage their

global competitiveness. André Ribeiro Coutinho, a partner and director of Symnetics, a consultancy specializing in business competitiveness, sees them as instruments that could be effective in achieving

### Embrapii can pay up to a third of the cost of a research project

this objective, particularly if they go beyond merely adapting existing knowledge on other markets to really helping to develop their own technologies. “The production of national technology is directly proportional to building Brazil’s capacity to export more added value, assume a position of strategic leadership and avoid the commoditiza-

tion of those sectors that are more directed at production of resources and raw materials,” he said. The new institutions are working with this in mind right from the beginning of their activities.

Learn more about some of the projects developed by the companies in cooperation with the ISIs and Embrapii:

■ **Votorantim Metais** — A new fuel system to refine minerals

is being developed by Votorantim Metais, São Paulo, in partnership with Embrapii and Cimatec, the Senai research center in Salvador. The project required an investment of R\$ 2.5 million, split equally among the three partners. The equipment that resulted from the research has the advantage of being run not only by oil by-products, as in conventional

systems, but also by renewable fuels — vegetable oils, for example — which are cheaper and cause less pollution. The technology has been available for operational use since the beginning of this year and is being installed in the Votorantim Metais plant in Niquelândia (Goias state). It could be taken to the company’s other plants, including its foreign operations in the United States, Peru and China to expand Votorantim Metais’s ability to compete globally. “Cutting costs and respecting sustainability are now fundamental requirements to strengthen competitiveness,” said the company’s technology director Alexandre Gomes. “We have eight other projects approved by Embrapii.”

■ **Movelaria Paranista** — This small furniture company from Almirante Tamandaré, in the metropolitan region of Curitiba, makes prod-

ucts of solid ecologically handled wood for use in restaurants, hotels and events. Together with the Senai Innovation Institute in Eletroquímica in Curitiba, it is developing a proprietary technology for the fin-

### The new institutes exist to match applied science to the demands of industry

ishing of the wood and to reduce its environmental impact. The budget for the project called Green Skin (Pele Verde) is R\$ 600,000. “I can’t talk very much about the technical part of the project because it is innovative in world terms,” said Aurélio Sant’Anna, director and founder of the company. However, in general terms, he says the research is aimed

at replacing oil by-products by others with a natural origin and prolong their working life. He expects to make his first exports this year. “The appeal of sustainability, which will be strengthened by this project with Senai, could be important for our operation on the international market,” he added.

■ **Totvs** — Totvs is a Brazilian multinational company that produces management

1 IPT laboratory; accredited by Embrapii

2 Flavia from IPT: innovation is the only way

3 Votorantim’s Borges: project with Embrapii...

4 ...used at the Niquelândia plant

PICTURES: HANDOUT





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software and is present in almost 40 countries, with offices in Mexico and Argentina and a research laboratory in Silicon Valley in the US. It used Embrapii to bring forward the development of a technology to replace Kanban signboard cards used

for just in time production flow by electronic versions. Totvs formed a partnership for this project once again with Cimatec from Bahia state, with a budget of R\$ 1.2 million, one third of which will be paid for from its own resources. Vladimir

Michels, Totvs manufacturing director, explained that the company was using this project to strengthen its capacity for creating software. “If we had to count on our own internal development team alone, which currently has other priorities, the project would only begin in two years’ time,” he said. The resulting product from the partnership should be on the market in 2015. “It could be a global product as it does not need to be adjusted to meet the local legislation,” Michels added. “I was surprised by the speed of the negotiation in which we resolved everything in around 60 days.”

■ **BG Brasil** — Foreign companies with a presence in Brazil can also work with the ISIs to create technology. This was the case with BG Brasil, a subsidiary of the UK’s BG Group, a partner of Petrobras in oil exploration activities. BG Brasil and the ISI specializing in Automation, based in Salvador, developed a robot for the inspection and maintenance of oil platforms in the pre-salt layer. “The robots will be command-

ed by remote control compared with current robots that are controlled by cables that can get tangled up in underwater rocks,” said Herman Lepikson, ISI Automation director. The first prototype of the equipment should be available in around a year.

■ **Oxiteno** — The chemical company Oxiteno, of the Ultrapar Group, is working with another laboratory accredited by Embrapii — the National Technology Institute of Rio de Janeiro — to develop biotechnological processes for the production of chemical inputs. The project got underway last year and should create new products within two or three years. “Developing chemical products via biotechnology is important not only for the domestic market as sustainability now has global appeal,” said André Conde, Oxiteno’s development and application manager. The company has industrial plants in Brazil, the US, Mexico, Uruguay and Venezuela. He supports the incentives to innovation provided by Embrapii. “We are even looking for approval for a

second project developed through this model.”

The variety of interested companies and the ongoing projects shows that the range of possibilities for this kind of partnership is

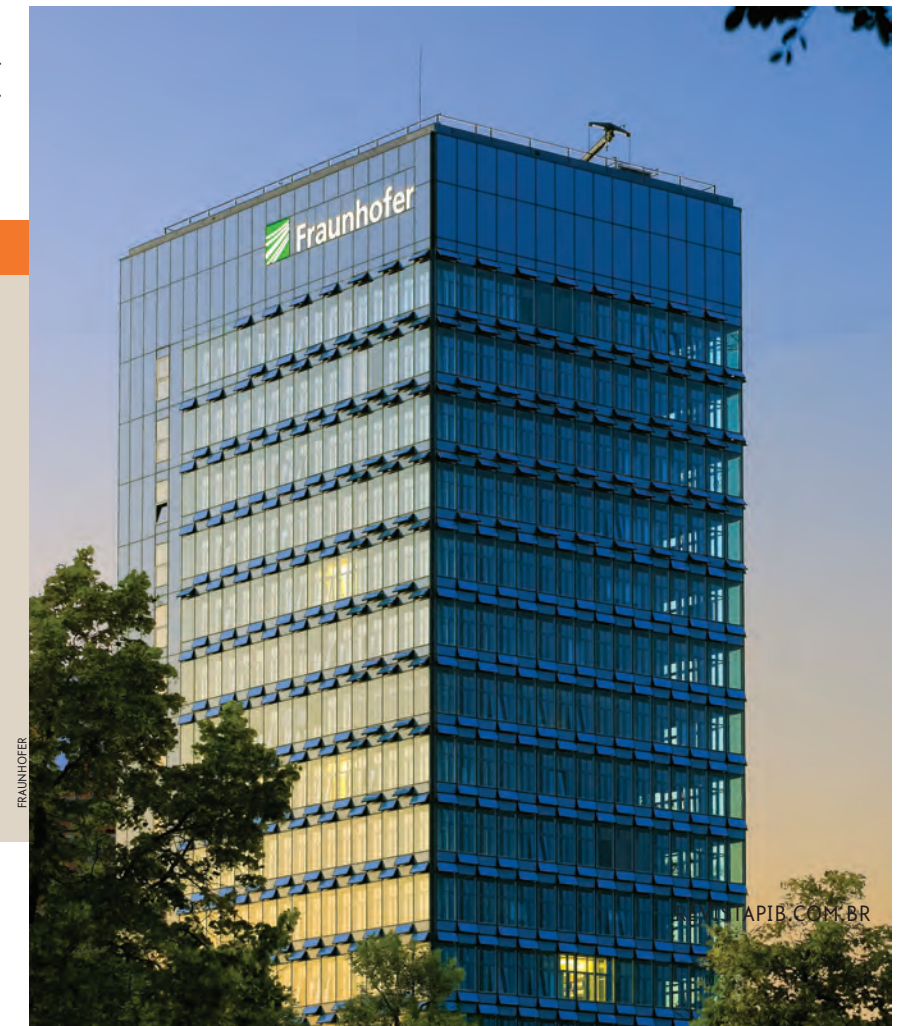
## Creating technology is different — for the better — than buying technology

immense. However, what does a Brazilian company gain by preferring to associate itself with an institute at home rather than a foreign supplier? Biokyra’s Isaías Masiero has an answer and says the advantage does not always come down to price. “The Germans can sometimes

even offer a lower estimate than Senai.” However, he believes proximity is an important factor, as well as the technical expertise, and the fact

that he can sit down at any time with the ISI people and discuss alternatives. “It’s a partnership relationship with a person with a similar culture to mine who speaks the same language. The relationship with a foreign company is the traditional one between a supplier and the client. I say what I want and they follow my specifications without any discussion.” In other words, creating technologies is very different — for the better — than buying technology.

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FRAUNHOFER

## FRAUNHOFER GESELLSCHAFT

AT THE end of the 1940s, the then West Germany, which had been defeated and destroyed in the Second World War, was trying to rebuild its industries. To support this effort, a network of applied research institutes called the Fraunhofer Gesellschaft was set up. This was the result of a coordinated initiative between the government, researchers and business leaders. The Fraunhofer organization subsequently played an important role in the rebuilding of the German economy in the second half of the 20th century and consolidated itself as the largest

association of its type in Europe. (It is named after Joseph Fraunhofer, a 19th century German scientist, engineer and businessman who linked scientific investigation to the practical use of the results.)

The Fraunhofer organization now has around 22,000 people working in about 80 research centers. Its budget came to 2 billion euros last year, made up of government funds and revenues from its research activities. Fraunhofer cooperates with the Senai Innovation Institutes on two levels: the strategic planning of the network as well as the practical

conception of its individual units. Each one of them will have a “sister institute” within the German organization dedicated to the same field of knowledge which, as well as serving as a working and quality framework, may also be associated with the research projects.

The German institution’s arm charged with proceeding with the cooperation with the Brazilian program is the Fraunhofer Institute for Production Systems and Design Technology (IPK) and was chosen for its expertise in planning. Markus Will, the coordinator of the Brazilian office

of the Fraunhofer IPK, believes the creation of the Senai network (along with that of Embrapii) is an efficient initiative to bridge the gap between research and the market that exists in Brazil. “It’s a good way of encouraging applied research to industry well directed public subsidies,” he said. Before the Fraunhofer organization embarked on this project, it already had centers to support projects in Campinas and Salvador, dedicated to the technology of food and manufacturing software. Similar centers are being planned, according to Will.



# Eastward bound

*São Paulo laboratory bets on the growing markets of China and India to drive its exports of excipients*

POLYANNA ROCHA, CAPE TOWN

China is the country to which Brazil sells huge quantities of commodities and from which it imports cheap manufactured products, according to the economic statistics and commentators. However, one Brazilian company that produces and exports an essential input for the pharmaceutical and food industries to more than 100 countries is ready to go against this apparent fate. Blanver Farmoquímica, located in Itapevi, about 45 km from São Paulo city, is planning to make China and India the main

**Blanver exports 60% of its production to over 100 countries**

driving forces of its global growth in the near future. This move will be made even though India itself is a large producer and exporter of generic and branded drugs. “China and India will account for 80% of our growth in the coming three

years,” said CEO Sérgio Frangioni. The company currently has 500 employees and exports 60% of its annual production of 14,000 tons of excipients. In the pharmaceutical industry, these excipients are substances that “carry” the molecules of the active ingredient of a drug and make up most of its volume. Although they are inert and have no pharmaceutical property, the excipients have to be produced to the same strict safety and quality standards followed in the manufacture of the drugs of which they will be part. Blanver also produces excipi-

ents used by the food industry in the production of ice creams, soups and other processed foods (see more on page 32).

The advance towards Asia has an ambitious aim. The company’s plans foresee sales throughout the Asian continent reaching US\$16 million by 2016, eight times more than the current annual amount of US\$ 2 million in the region. (Blanver had total revenues of R\$ 200 million in 2013



Drug production: growing market

and expects this figure to rise to R\$ 250 million this year.) It exports to 11 countries in Asia, besides China and India, and works strategically to win over the confidence of the new consumers of its products. This is particularly the case with the Chinese who have with the third-largest pharmaceutical market in the world. Blanver has identified some weak points in its Asian competitors, particularly in the regulation of the industry and tracking the inputs they use. It emphasizes the issue of quality to gain market share. “We may even lose in terms of price as the Brazilian raw material is more expensive but we have been able to prove that there are higher yields and productivity with our excipients,” Frangioni said.

Blanver was founded almost four decades ago by Sérgio’s father, Giuseppe Frangioni, a European immigrant who studied engineering in Argentina and arrived in São Paulo in the 1950s, attracted by the promising industrialization of the Brazilian economy in the years when Juscelino Kubitschek was president. The company began to exploit the foreign market in the 1980s with the aim of increasing the scale of production and reducing costs to justify the investments needed to keep the company sound. Since then, it has become the third-largest producer of excipients in the world, trailing only American and German competitors. It benefited during this risky jump — Brazil had no tradition of exporting in the drug sector — from a need by the pharmaceutical industry itself. As a supplier to multinational laboratories estab-



## Exporting

lished in Brazil, it needed to comply right from the beginning with the strict medical and industrial specifications that applied in its clients' countries of origin.

This meant that, although Blanver was founded with the domestic market in mind, it was almost ready to export. This precocious qualification made it easier to follow an overseas route at a time that it became clear that Brazilian consumption would not be enough to absorb the company's production capacity. The result was that by the end of the 1980s Blanver's excipients had arrived on the markets of the United States, Canada, Mexico, Germany, Italy, Spain, Chile and Cuba. The company now has a share of around 12% in the global market that is estimated at US\$ 1.5 billion. Frangioni intends investing R\$ 50 million by 2016 to make the family-owned company's position advance by another three percentage points to win 15% of the world cake. However, what makes him think that the company can grow at this rate in a complicated and intimidating Asian market that is so far from Brazil in

terms of geography and business culture?

Frangioni replies that the company has developed a model that is anchored in a permanent concern to meet clients' needs. To do so, it has established an international model sustained by a global network of distributors and exclusive partnerships— there are 45 worldwide — that can not only sell but also work very close to the buyer to resolve its problems. "Beside the quality and consistency of the product, we offer technical support to improve the use of excipients, post-sale support and immediate attendance," he said. "We win the clients' confidence by helping them perform better." The company's investment in obtaining international quality standards was another important step. To supply the markets that it has won since the 1980s in Europe and in the United States, Blanver has had to meet the standards established by the European and American quality and safety certification bodies, which are amongst the most demanding in the world. This is something the Chinese pharmaceutical industry,



for example, which is still under state control, has difficulty in doing. "These are our differentials," he said.

This model has allowed the company to open the doors to the attractive Indian market which hosts a developed pharmaceutical industry

PICTURES: HANDOUT

with a global reach. (For example, around 40% of the generic drugs consumed in the United States are made in India.) Blanver has had a small distribution operation of around 50 tons of excipients a year to India since 2003 that brings in a

mere US\$ 100,000 in annual revenues. However, it became clear to the company at the end of 2011 that India and China had become the countries where there was the biggest per capita growth in drug consumption. The discovery led to

**1** Blanver product: in drugs and food

**2** Frangioni: the target is to win 15% of the global market



## LITTLE KNOWN BUT PRESENT EVERYWHERE

**EXCIPIENTS ARE** little known substances but are much more present in people's daily lives than they might imagine. Beside their generic purpose as a means through which the main active ingredients of drugs operate, they can also perform a role in absorbing drugs and how they function. Some allow the drug to start being absorbed in the mouth while others allow it to disintegrate only in the stomach. Others also accelerate the absorption of the drug or disperse it over a

number of hours.

An excipient is usually made from cellulose or potato starch in a powder form that can be processed and transformed into the pills and tablets sold in drugstores. Not only does the excipient need to meet strict purity standards but it must also be neutral since by definition it cannot interfere with or inhibit the action of the molecules of the active ingredient that "carries" and gives the drug its curative power.

Excipients are also used in food

production, such as ice creams, soups and processed sauces, dairy cream and yogurts, amongst others. They play a role in each food. For example, they prevent the formation of a liquid layer of fat in salad dressings. They are used to prevent the formation of whey in dairy cream and make the product thicker. They bring a creamier consistency to yogurts. Around 90% of Blanver's exported excipients are used in drugs and the remaining 10% in food.







Exporting



1 e 2. Cargo for shipment and pill production: complementary activities

quick. Frangioni estimates that sales to the Indians have already come to US\$ 1 million and will continue to grow. “Our target is to reach US\$ 5 million by 2016,” he said. Blanver is the only Brazilian drug laboratory that exports to India. The immense Chinese market had a turnover of US\$ 66 billion in 2011 and Blanver began looking at it in 2012 when it had sales of around US\$ 100,000. This amount quintupled within 12 months to US\$ 500,000. Frangioni said the aim is to achieve US\$ 5 million in exports to China in 2016. (The other 11 countries in the region that Blanver serves — Thailand, Indonesia, South Korea, Vietnam, Yemen, Syria, Iran, Bangladesh, Malaysia, Turkey and Russia — will complete the US\$ 16 million in sales Blanver intends obtaining in Asia and the Middle East.)

Blanver developed an unusual strategy to open the doors of the difficult Chinese market. This did not involve local partners, international consultancies, representative

offices or high level contacts with the authorities. Instead Frangioni made some visits to China (and also to India) during the establishment of the distribution networks of his company’s products. These distributors are the key parts in the business

## The company has a global network of 45 exclusive distributors

model Blanver has developed for its international expansion. They are the companies which have an in-depth knowledge of the local market and the drug laboratories that buy the company’s input. Blanver’s international teams receive training to provide all the information demanded by the clients quickly and the technical support is made in the local language. It is also Blanver’s policy to maintain enough stocks in

the importing countries to respond to any demands quickly.

All this strategy is based on putting the client and its needs in a central position. The company has gained a further impetus due to a peculiar feature of Asian people which is their low tolerance for lactose, a substance that is present in milk and dairy products. This feature encourages consumption of drinks and food of vegetable origin, most of which have a soy base.

As a result, Asian industries have increased their use of excipients as a thickening agent that increases the viscosity and reduces the sedimentation of particles in the drinks made with soy as the raw material. This is another market niche Blanver is well equipped to supply.

Like any exporting company, Blanver is subject to swings as a result of the exchange rate. The appreciation of the Real in the 1990s

began to cut its profit margins. Frangioni claims that the currency variation was the factor behind some negative results, particularly in the last five years. This led the company to open a second line of activity: the outsourcing of production of other brands, an innovative strategy at that time. “Our price varies in proportion to the exchange rate and our way out is to try and obtain tax relief,” he said. In 1996, Blanver began carrying out some of the production stages of drugs for other pharmaceutical companies. Now it not only carries out some production line stages but, in many cases, the production of the whole drug. The Blanver units produce more than 200 different drugs of brands belonging to domestic and foreign laboratories.

Another means of diversification is the production of the company’s own brands. This got underway in 2011 after the signing of a public and private partnership with the federal government for the development of drugs to combat the HIV virus that

causes AIDS. One of these, Tenofovir, is part of the anti-AIDS cocktail of drugs and is also used in the treatment of hepatitis B. (The federal government reached an agreement for the free distribution of this drug.) Both these strategies ensure revenue

## Blanver produce more than 200 brands of drugs for other laboratories

sources that are not subject to the movements of the exchange rate. However, companies that export manufactured goods have another resource available to gain markets and distribute risks. This is to go one step further on the international front and become an actual multinational company by setting up production units outside Brazil’s borders. Is Blanver considering this possibility?

Frangioni does not rule out the idea, particularly in relation to India, a country that has the technological capacity, low production costs and skilled labor. However, any such initiative would have to wait at least until the results of the company’s Asian expansion plan in the coming three years become apparent. At the same time, he has studied the experiences of western producers which began to produce in Asia and noticed there were obstacles to a more in-depth international expansion in this sector. The difficulties range from problems of regulation and quality control in countries like China to the availability of an input that is essential for the industry, water. “Water is fundamental in our segment but is scarce there,” Frangioni added.

These qualifications indicate that Blanver’s path, at least for the immediate future, is to continue producing in Brazil and export to countries that need its specialist products. Unfortunately, a family-owned concern, not necessarily a giant, with its productive base firmly rooted in its country of origin but

able to compete internationally and carve out its own niche in a global environment that demands technological sophistication, attention to quality and a thorough view of the market is still a rarity in Brazil. Powerful exporting countries like Germany are based on companies with this profile. The global footprint of “made in Brazil” products would be given a great boost if they were to be more of them.



# Connected to the world

*The São Paulo state government develops an innovative policy of establishing international relations with countries, states and international organizations*

RODRIGO TAVARES\*

**W**hen we think about international policy, we immediately think of national governments and their classic methods of diplomacy. However, throughout the world a number of subnational levels of government (such as cities or states), have recently been operating strongly on the international front to defend their specific interests. Within Latin America, São Paulo is the most outstanding state in this innovative external relations model — known as paradiplomacy (or federative diplomacy, subnational international policy or decentralized international cooperation).

Under the guidelines created by the administration of state governor Geraldo Alckmin, the model adopted by São Paulo state focuses its foreign activities on areas that bring direct benefits to the population, such as health, transport, security and education. It is a kind of international policy that emphasizes the human and local element, regaining news horizons and legiti-

macy. On the other hand, we wanted the state to become a globally recognized player. If São Paulo was a country, it would be the 19th largest economy in the world and the second largest in South American after Brazil itself.

The state has 42 million inhabitants and is bigger and richer than most countries in the world. However, it was not globally engaged. This more outward looking profile is now reflected in the level and density of the links São Paulo has

**If São Paulo was a country, it would be the 19th largest economy in the world**

built over the last three years on the international front consisting of a portfolio of 150 cooperation projects, relations with over 110 countries, 80 international agreements signed annually and a strong activity in receiving foreign delegations, amounting to over 450 a year. This

is a very different situation from what occurred in the recent past when the state's international participation was almost nonexistent and limited to some trips abroad by the governor.

To make this change meant correcting the lack of appetite for international subjects that still exists in Brazil. The size of our country is a well of opportunities but also obstacles. An exercise to change the cultural mindset was carried out within the state government right from the beginning to get rid of the ingrained idea in Brazilian society that we are large enough to look after our own needs.

It was also essential to institu-

tionalize international practices, providing them with sustainable mechanisms and sources of oxygen far removed from the electoral cycles. The 26 secretariats within the São Paulo state government are now internationalized and follow guidelines established by the Special Advisory Office for International Affairs. Furthermore, in 2012, the state adopted, with the symbolic support of Brazil's foreign office, the Itamaraty, a government international relations plan with quantitative goals — an unusual development on the global front, not only for subnational but also national governments.

Innovative measures like these drew the attention of the international community. An article published by the prestigious magazine *Foreign Affairs* in October 2013

and another in the *Financial Times* in December of the same year helped generate a wave of interest in the state. They were followed by other articles in the press in Brazil, the US, Spain and India highlighting São Paulo's example. As a result, the state government has been invited to a number of international forums to present the São Paulo model of relating itself to the world. These include the *World Economic Forum* on

*Latin America* or events held by *The Economist*. The São Paulo model is often seen as one of the most innovative at world level for subnational governments.

International cooperation initiatives are announced on an almost weekly basis to ensure that the state government's mission and goals are met. For example, governor Alckmin and the then heir to the Spanish crown — now King Felipe VI — an-

French specialists in the Serra do Mar: sustainable urbanization



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nounced an interchange program in the first half of this year that will benefit students from the São Paulo public education network. It follows the example of the existing similar program of vocational training of students from the Paula Souza Center with the UK, Argentina, New Zealand, US and Chile. The program will allow young people enrolled in the Education Secretariat's Language Studies Centers to go to Spain and learn Spanish from November. They are among 839 São Paulo students from the public network who have already participated or will participate in this year of interchange programs in Spanish, French and English. All the travel costs are paid by the São Paulo state government.

An agreement that drew attention was signed at the end of last year when the French President, François Hollande, visited São Paulo. This accord will allow the technology used to depollute the river Seine to be replicated in the Tietê and Pinheiros rivers that cross São Paulo city. This was one of more than 20 agreements announced with France. Another initiative involves French cooperation in developing a program to build popular sustainable homes in the Serra do Mar area which is one of the most biodiversity rich regions in the whole of South America. French specialists from the Île-de-France (the metropolitan area of Paris, the richest in Europe) visited Cubatão in June to get to know the Serra Mar Social and Environmental Recovery Program (local acronym PRSM), coordinated by the state government. The visit led to a cooperation program that will use sustainable technologies, such as reusing water, renewable energy, waste management and new building techniques in one of the town's

districts.

Another outstanding initiative adopted in 2014 was a new intelligent system of criminal monitoring, a state-of-the-art technology to improve police work. This was brought about through a partnership between the state government with Microsoft and the New York police department. The new system allows information from various data bases to be filtered in a pre-established way that issues an alert on crimes. These are only some examples among hundreds of cooperation initiatives created by the state's 26 secretariats announced since 2011.

## French techniques will be used in cleaning up the Tietê and Pinheiros rivers

All this activity could give the impression that there is an inherent risk to the international relations developed by the São Paulo state government and that they could interfere or clash with Brazil's diplomatic initiatives which are the responsibility of the federal government. Nothing could be further from the truth. The São Paulo state government has no intention of competing with Brasília or giving any opinion on Brazil's foreign affairs but only to run the areas under its responsibility, such as security, education or infrastructure, with the help of a foreign arm.

We live in a modern connected world. A São Paulo state secretary carries out his or her functions in his/her office in the state capital, upstate, Brasília or abroad. In this case, the international policy is not a specific area with a constitutional responsibility but an arena in which

the state policy is exercised. To do so, the idea that São Paulo should undertake *local* international relations has been put in place. This is not a contradiction but a good indicator of actions that are in line with the modern world.

In this new world, hundreds of subnational governments – in Europe, Asia or North America – are already carrying out international relationships. All the American states, French regions and the German *länder* have gone international. California, for example, recently signed an agreement with China in which both sides pledged to carry out joint efforts to combat global warming, promote clean and efficient energy, and support the development of a low carbon economy. This was the first agreement signed by China with a sub-

national government to tackle climate change. There are thousands of examples. The French region of Île-de-France recently established an unprecedented partnership with Vietnam to set up a new bus network in the capital, Hanoi.

Brazil is lacking in innovative ideas and a pioneering approach in its relationship with the world and has to adapt to these modern times. The daring São Paulo model shows that, in politics, it is possible to overcome inaction with ambition and slim budgets with rich creativity. We all win at the end of the day. As Brazil's greatest diplomat, Baron Rio Branco, said: "faced with the entrenched pessimism of those who see the world through their own annoyances and sadness, and even in the darkest hours of our tired and despairing people, confidence in the destinies of Brazil is the best tonic."



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# The factory of life

Leader in neonatal equipment, Fanem, which already exports to 100 countries, has opened a plant in India. Its recipe? Technology, innovation and persistence

JOSÉ RUY GANDRA

Fanem (whose acronym stands for National Electro-Medicine Equipment Factory) is a slap in the face for those who believe that only commodity giants such as Petrobras, Vale or Gerdau, companies operating with very high sales volumes and a generally low level of added value, can forge a path, make their mark and achieve success abroad.

FANEM X-RAY

Date of foundation	3 September 1924
Expertise	Neonatal equipment
Headcount	330
Revenue	US\$50mn
Domestic market share (neonatal)	85%
Export revenue	US\$14.5mn (2013)
Exports	To 100 countries representing 90% of exports (neonatal line)
Presence abroad	Plant in India, commercial office in Jordan and representatives in 100 countries
Investments in R&D	7% of annual revenues
HR	Annually trains over 6,000 health professionals
Recognition	Won more than 100 awards for exports, technological innovation, brand strength, design and quality



PICTURES: HANDOUT



**1 and 3** Plant HQ in India and commercial office in Jordan  
**2** Karen, one of the heirs, Rakshith Shetty, Indian CEO, Marlene and Djalma

The company, founded by the German immigrant Arthur Schmidt 90 years ago, has a colorful history. Producer of a vast portfolio of neonatal products and laboratory equipment, Fanem now leads the Brazilian market in the neonatal segment, with a market share above 80%. “Our clear mission is to defend human life in its most fragile period”, states Djalma Luiz Rodrigues, executive director.

Via a streamlined network of commercial representatives, Fanem

also exports to over 100 countries, on five continents, products such as incubators (its flagship product), phototherapy cots, beds for huma-

nized birth and intensive care units (ICUs) for babies. This internationalization process culminated, last year, in the opening of a plant in In-

dia, in the city of Bangalore.

“We simply had to be in a market so avid for neonatal products”, says Djalma, widow of Marlene Schmi-

dt Rodrigues, granddaughter of the founder Arthur, who passed away in April 2012. “She was the one who

## THE PATH OF INDIA



**FOR** A long time, setting up a plant in India was the ultimate dream of Marlene Schmidt Rodrigues, ex-executive director of Fanem and Djalma’s wife. “When I heard that a child there was born every second, she said: ‘That’s where we are going’”, recalls Djalma. It was, above all else, a question of opening up new growth horizons. “If we just continued in the domestic market, we would eventually be limited to repositioning products we had already sold in Brazil”, says the current executive director.

The plan was executed calmly

and patiently. “First we opened an office in New Delhi and stayed there 2 years to study the local market”, says Djalma. “We then hired a CEO, Rakshith Shetty, and decided to build a plant in Bangalore”. The plant, which now has 22 employees and cost USD5mn, produces much of Fanem’s neonatal products, especially incubators, cots and neonatal ICUs.

Products from the Bilitron line, highly efficient in treating neonatal jaundice, are even more noteworthy. Since they use Super Led tech, introduced globally by Fenam, they

provide an average reduction of 40% in the treatment time of babies compared to halogen phototherapy. And since it doesn’t emit infrared and violet rays, it is safer and more comfortable for babies.

The opportunities in India are just as grandiose as the competition. “The market is huge but so is the competition”, says Djalma. “All the big players are present, not just the Chinese and other Asian players but large multinationals as well, like GE and Philips”.

Karen, Djalma’s daughter, attended the plant’s inauguration in

2012. Djalma visited India in 2013 and was fascinated with its contrasts and cultural diversity. “I saw huge skyscrapers and babies in maternity wards wrapped up in newspapers”, she says. Having passed away in April 2012, Marlene, the mentor of this project, didn’t live to see her dream become reality. In a tribute to her, a mamoeiro, a tree she adored, was planted in front of the plant’s HQ in Bangalore.

Fanem already has a network of commercial reps covering the entire Indian subcontinent. The plant’s revenues have been growing consistently. The future of the operation still demands more thinking rather than any major actions. “We will grow when the time is right”, says Djalma. One of the few things she is certain of, however, is that: “Our next step is China”.



PICTURES: HANDOUT



had the idea”, says Djalma. “Upon discovering that a new baby is born every second in India, she was categorical: “That’s where we are going”.

In addition to the Indian plant, Fanem has a commercial office in Amman (Jordan), where the main challenge is to boost exports to the Middle East and North Africa. The region accounts for a growing share of Fanem’s sales. “It is also one of our main bets for the future”, says Djalma. The two projects involved the use of own proceeds, and Fanem has already invested just over USD-5mn in the Indian plant.

Leader in the national medical equipment industry, Fanem now responds for 90% of exports of Brazilian neonatal equipment. Around 35% of its annual revenue, estimated at USD50mn, comes from exports. In 2013, it exported 5,000 electro-medical equipment items, mainly incubators, which brought in USD14.5mn. In the last decade alone Fanem obtained USD100mn from exports.

Above all else, it is the nature of the products sold by Fanem that stands out. The company operates in a highly technological niche, a rarity among Brazilian companies. In a hypothetical comparison, it is much more of an Embraer than, say, a Vale. This is explained by its roots, since at Fanem, used as a source of innovations, technology, especially electronics, was always at the forefront.

Fanem was founded in 1924 by the German Arthur Schmidt, sent over by Siemens to Brazil to install the first X-ray devices in Brazilian hospitals. He decided to stay, and opened a small workshop on Rua Asdrúbal Nascimento, in downtown São Paulo, where he provided technical assistance for non-Brazilian equipment. “Since he was already familiar with medical equipment



from Germany, he started working on devices such as incubators and

### Initial clients included the Butantã and Adolfo Lutz Biological Institutes

electronic mixers”, says Djalma. “His first creation was an electrical wave device, used to treat cerebral dysrhythmia and epilepsy”.

Arthur started to earn some notoriety after registering the patent of an electro thermostat and, at the start of the 1930s, by producing the first Brazilian centrifuges. With the help of his son, Walter Schmidt, he made Fanem a well-known brand in Brazil’s health

production chain. Together, they opened the company’s first plant in 1937 on *Avenida Ataliba Leonel*, in the North of São Paulo, close to the

PICTURES: HANDOUT



1 Fanem plant in Guarulhos: automation

2 Walther, son of founder: technical expert

famous Carandiru Prison. Due to its contribution to the development of the first Brazilian laboratories, Fanem rapidly gained admiration and respect in the health segment. It also gained a portfolio of heavyweight clients, such as the Adolfo Lutz and Butantã Biological Institutes, the Luiz de Queiroz Agricultural Faculty (Esalq), the Oswaldo Cruz Foundation and the Medicine Faculty (which would later become part of the São Paulo University).

The arrival of Arthur’s son, Walter, injected a new dynamism into

the business. In addition to his involvement in the management side

### Fanem started testing international waters in the 1970s

of the business, which he helped modernize, Walter provided a major technical boost to Fanem thanks to his electronics knowledge acqui-

red in Germany. “He had the exact notion of the importance of technological know-how and the need to maintain it as the main vector in the development of products”, says Djalma.

In his period at the helm of Fanem, Walter also strongly diversified the company’s product portfolio. But his main contribution, the one that over time would completely change the company’s profile, was to create and launch the neonatal line. “He discovered the business niche that would make Fanem famous”, says Djalma. The apex was the launch, in June 1954, of the 008 incubator, the first made in Brazil and Latin America. The model was so good that it remained in production until 1984. The nadir, two months after the launch, was the death of the founder Arthur Schmidt.

Walter, who thus assumed control of the company, ratified and strengthened Fanem’s commitment to technological know-how. Under his management, he benefited from the decisive support of two people. His daughter Marlene Schmidt Rodrigues who, after raising three daughters, joined the company in 1978, and her husband Djalma (from Curitiba), who already worked at the company since January 1962, two months after they married. “I started working in supplies, while I was doing my MBA”, he says. “I married the heir to the throne, but I didn’t rest on my laurels. I worked really hard in the pursuit of new technologies”.

It was under the control of Walter and his two right-hand ‘men’ that



Fanem initiated, albeit timidly, its international expansion. Starting in the 1970s, the company began to test international waters and to export with a certain frequency. In 1970, the first wave of products shipped

## Transfer of technology was first export step

abroad, namely laboratory materials, went to Colombia and Mozambique. Exports were still taking baby steps, restricted to a few countries from Africa (Angola and Mozambique) and Latin America (Chile, Colombia and Peru).

Walter actually preferred to bet on another route: the transfer of technology. In 1969, Brazil received US mission teams to sell electronic medical equipment. One of the sensations was the Isolette C86, an

incubator with the most advanced technology at that time. “We thus entered into a joint venture with Air Shields, a subsidiary of Narco Scientific Industries, to make the incubator in Brazil, in exchange for a 24% stake in our capital”. After successive acquisitions of Narco by other companies, this stake now belongs to the multinational Dräger – which, in fact, competes with Fanem in global markets.

“When we started producing the Isolette, 15% of the technology was Brazilian”, says Djalma. “In 3 years, this percentage is already 50%”.

The agreement with Narco sparked a major upgrade in Fanem’s product line. The technology was nationalized with an admirable speed and enabled major expansion in the company’s portfolio. The need to adapt the plant to new demands and to more modern production processes led, in 1974, to the start of

construction work, in the municipality of Guarulhos, of the company’s new plant, much bigger and much

more technologically advanced.

Still under the management of Walter, during the 1980s, Fanem diversified its portfolio radically.

Always in search of innovations and quality progress, Fanem signed technological agreements with several Brazilian universities, including

Unicamp, which resulted in the production of the first Brazilian phototherapy radiometer, the 620 model. These and other phototherapy products developed at the time significantly reduced the complex and invasive procedures of blood transfusions in babies (necessary when there was an incompatibility of the child’s blood type). The first Brazilian hyperbilirubinemia (neonatal jaundice) machines were also initially developed by Fanem. The first light bulbs were fluorescent. Later, they introduced halogen lamps that, later, gave way to halogen dichroic lamps. Fanem made another innovation front out of the material, introducing, for example, the use of plastic in its products.

In a short time, the share of product lines in sales shifted. “Laboratory products represented 70% of our revenues and the neonatal line 30%”, says Djalma. “With the new processes adopted at the company,

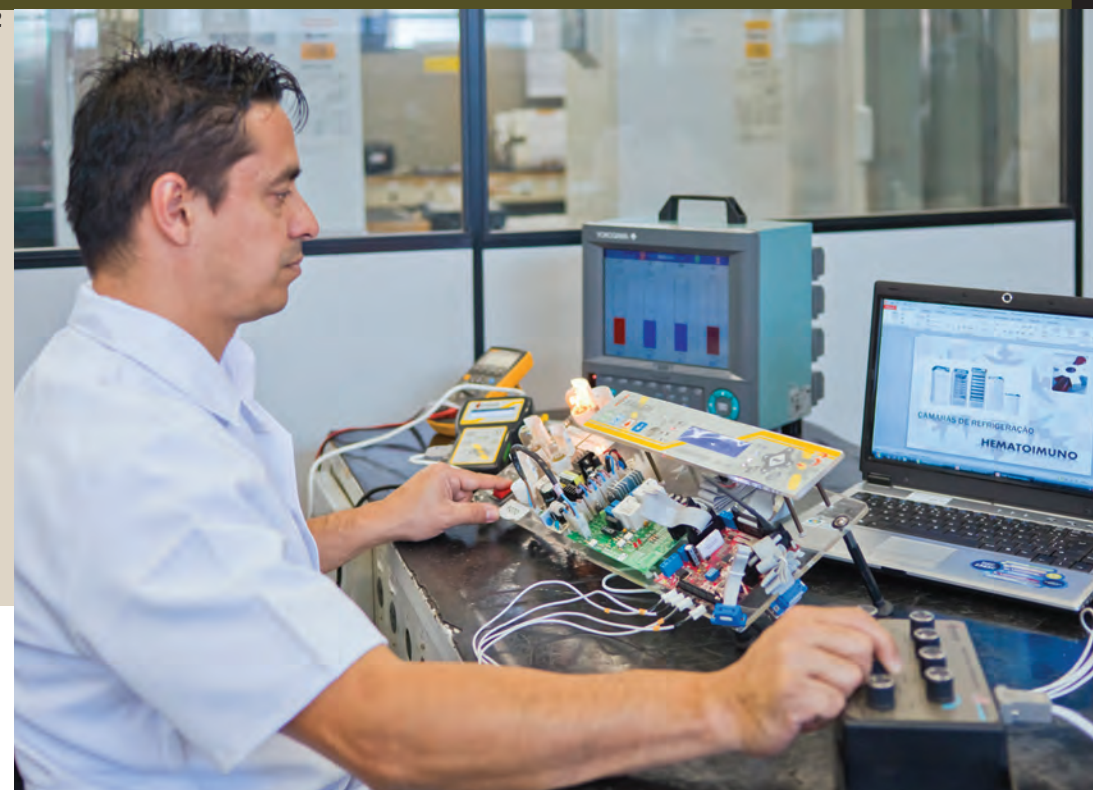
## THE DIGITAL FANEM

As usual, the amounts involved in the operation weren’t provided. But Fanem has just invested in SensorWeb, a tech start-up from Florianópolis. With the deal, the company wants to ensure its seat at the future table where telemedicine and telemetry will use the internet as one of their main operating channels. The step marks the entry of Fanem into e-Health.

In the immediate short term, the company’s aim is to refine its equipment monitoring portfolio and facilitate access to information on this equipment. Accord-

ing to executive director Djalma Rodrigues, the technology will initially be used to monitor certain equipment of the laboratory line to accompany and register the information of the cold chain (temperature and humidity).

But further down the road, the technology, which involves remote access, Internet and cloud-storing, should be used in other product lines. “The idea is that, in the future, all Fanem equipment will be remotely monitored by a maintenance team, reducing transport costs and improving customer service”, says Djalma.



PICTURES: HANDOUT

## Joint venture with SensorWeb start-up paves the way for telemedicine

Unicamp, which resulted in the production of the first Brazilian phototherapy radiometer, the 620 model.

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**1** HQ of neonatal line plant in Guarulhos (São Paulo) **2** Technical assistance: bet on remote monitoring





1

this share inverted". Having said that, the laboratory line is ramping up again. "The automation of laboratories has generated demand for products with up-to-date technology", says Djalma. "It was an opportunity to update and improve our portfolio in the area". Today, Fanem is gearing up to adjust its products to a new era – the digital area. To do this, it has just invested in the SensorWeb start-up, eyeing the telemedicine and telemetry health market (see text on page 46). With the sector regulatory landmark and the creation of Anvisa (Brazilian health sector regulator), the quality of Fanem products has strengthened even more. The agency is now de-

manding compulsory certification of its products so they can be exported. "We were the first to obtain the certifications", says Djalma.

### Djalma: "No one ever thought we could export to Germany"

With the death of Walter, in 1990, Fanem fell under the control of Marlene and Djalma. He started to devote his time to the certification of products, organizing distributors and representatives and improving

production processes. Marlene contributed with the growing humanization of products and management, by constructing the technical assistance network, with the design of products and relationship with clients. He opened up training fronts. She created the Study Center, which aims to strengthen the link between company and clients.

"I focused on the plant and she took over the general management", says Djalma. "We add all the family forces, including our in-laws".

One challenge, however, seduced both of them: conquering the

PICTURES: HANDOUT



2

export market. "One of my most proud achievements is implementing an export culture at Fanem", says Djalma. "Walter himself didn't believe Brazil could export medical equipment to Germany". The start was tough. "It was like convincing the buyer that Paraguayan technology was superior to Japanese technology".

But over time, the company's export business became increasingly professionalized. "After the first export, I got excited and started putting the export department together and, gradually, to start running the business. That was when we really started exporting". The quality of products, always certified by enti-

ties such as Inmetro and, later, Anvisa itself, boosted expansion. But Djalma says three other factors were

### With Apex, Fanem is a constant presence at the world's biggest sector fairs

even more important. "Persistence, persistence and persistence".

In 2000, with the support of APEXBrasil (Brazilian Pro-Export and Investment Agency), they attended all the international trade fairs in the electro-medical equipment

sector: MEDICA, in Dusseldorf; Fime, in Miami and Arab Health, in Dubai. And, of course, HOSPITALAR, held annually in São Paulo, the biggest sector event in Latin America.

At each sector fair, new partners, in new markets, became part of the company's network of commercial representatives. An example of a

**1** Initial years, with the founder Arthur (standing, with suit buttoned up)

**2** Rakshith trains commercial representatives at Bangalore plant





successful export vocation, Fanem, represented by Marlene, starred in two government campaigns incentivizing exports to all sectors of national industry. In 2008, in a clear reward for its efforts, Fanem received the Apex Prize for opening up new markets. One of the main export triumphs, says Djalma, is our portfolio's cost/benefit tradeoff. "Fanem has an excellent market positioning by offering top technology products at friendlier prices".

This advantage stems from a heavy investment in R&D – on average 7% of annual revenue – and permanent attention to the complete suitability of its products to client needs. This suitability translates into care, for example, in adapting their plugs sockets to each client. Or in translating software into different languages.

Ironically, at times this extra attention leads to awkward situations. A few years ago, at a presentation of

its products to health professionals in Dubai, Fanem made a point of translating the software and its equipment into Arabian, to surprise its potential clients. "But we were the ones left surprised, as we found out

### Quality and good cost/benefit are Fanem's trump cards

that the nurses and medics didn't speak Arab but English, since they hailed from places like India, Pakistan and the Philippines", recalls Djalma laughing out loud. "We had to redo everything overnight".

Another permanent attention point is training. In 2013, Fanem trained 6,286 people. Of this total, 5,224 were clients, 704 were commercial reps from Brazil and abroad

and 358 were from Fanem's internal audience. The company's relations with clients received a shot in the arm with the creation of the Fanem Study Center, by the hematologist Karen Schmidt Rodrigues Massaro, one of the daughters of Marlene and Djalma. The Center is a liaison between the company's products and the health production chain. Karen is also administrative director and president of the Family Board. "We are really becoming professionalized here", says Djalma, without going into more detail.

In its organizational design and external expansion model, Fanem is highly reminiscent of Italian exporters. Like them, Fanem is a family-owned, medium-size company (300 employees in Brazil and 30 abroad, not including commercial reps) and its main competitive

advantages are precisely its quality and the good cost-benefit tradeoff of its products.

In 2006, upon returning from a commercial mission to Africa led by ex-president Lula, Juan Quirós, then head of APEXBrasil, heard an emblematic complaint of Lula. "I'm tired of traveling abroad just to speak about Petrobras, Embraer and Vale. Where are the other exporters?", asked Lula. "We have good cases in all sectors", said Juan, citing companies from different segments, including Fanem in the health segment. "Health is important, as it carries a very big humanitarian message", said Lula.

The hand of fate made a timely intervention. The following week, in Argel, capital of Algeria, a woman gave birth to sextuplets. The photo of the father, praying at a neonatal ICU, was seen all over the world. The babies were in an incubator exported by Fanem. In the same week,

upon hearing about the story, Lula attended the HOSPITALAR trade fair, in São Paulo, and visited the Fanem stand, where he spoke excitedly with then director Marlene. "We saved babies weighing 360 gra-

### Lula: "I'm tired of going abroad just to talk about Petrobras, Embraer and Vale"

ms", Marlene told him. Impressed, the ex-president posed for photos wearing a Fanem cap.

Lula's gesture aroused media curiosity. The *Veja São Paulo* magazine decided to write an article on Fanem and on Marlene and Djalma. In the interview, Djalma told the reporter that 85% of the incubators of São Paulo maternity hospitals were made by Fanem. Stunned, the repor-

ter said he would check this percentage, which seemed too high. Two days later, the reporter rang Djalma saying he had checked the stats at the 15 top maternity hospitals in Greater São Paulo. "You are wrong. It's not 88%", said the reporter. Who, after a brief silence, added. "It's more! It's 98% to be more exact". On the other end of the line, Djalma beamed as broadly as the world Fanem is so keen to conquer.

**1** Finishing work on centrifuges at Guarulhos plant

**2** Detail of Bilitron, which combats neonatal jaundice

PICTURES: HANDOUT



Vale in Mozambique:  
taxation deters  
multinationals  
from investing

# The risk of expatriating companies

*Debate on taxing offshore gains begs the question: does Brazil really want to be the home of transnationals' HQs?*

ROMERO J.S. TAVARES AND FLÁVIO CASTELO BRANCO\*

**F**or Brazilian multinationals, the answer to the above question is easy to explain and hard to understand. The question takes us back to the discussion of the law, recently passed in Congress, regulating the payment of taxes on offshore profits by companies established in Brazil.

Ever since Provisional Measure 627/13 (converted into Law 12.973 on 13 May 2014) entered Congress' agenda, the question of Brazilian companies' competitiveness and in-

ternationalization has started to be debated at greater length by society and Congress. The debate needs

**Companies, like our athletes, may have to move abroad to stay in the game**

more time and must continue. And since the new law does not resolve the main flaws of the Brazilian taxa-

tion system in this matter, it is worth elaborating on the question: is it in the interest of Brazil to house the central, global or regional offices of large multinationals (Brazilian or international)?

One fact must first be addressed by those analyzing the question: the Brazilian taxation system, which governs how and when taxes are charged on offshore profits, continues to reduce the competitiveness and attrac-

tiveness of Brazil for international companies (Brazilian or foreign) looking to have their HQs here, by bringing forward the payment of income tax on profits reinvested abroad in productive activities. Brazil is the only country to impose this obstacle. Thus, our initial question morphs into another one: in order to grow and remain competitive internationally, will the more sophisticated Brazilian companies have to leave Brazil?

With the World Cup in mind, we now have a national team formed

by heavyweight players who have left the country in search of better playing and financial conditions in Europe. And many of our best Olympic athletes cannot find in Brazil the means to help them achieve their full potential, and have thus moved abroad in search of better conditions

to practice their talents and profession. It will be sad to observe that the destination of Brazilian companies that became multinationals will also be to leave Brazil in order to grow.

We can see a similar phenomenon in the domestic market. The size

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DIVULGAÇÃO VALE DO RIO DOCE



of the Brazilian consumer market is limited by high prices, inflated by the massive tax burden and the Brazil Cost we have to put up with. By artificially limiting the size of our consumer market via inflated prices, we limit the size of our productive capacity, our labor market and our economy as a whole. All the companies that sell their products here deal with the same problem. All of them (Brazilian and international) suffer the onus of this tax burden and pass it through to Brazilian consumers one way or the other, with greater or less efficiency.

But foreign multinationals have an advantage that makes them more competitive in the Brazilian market: they grow abroad. They develop people, technologies, intangible assets in more favorable environments abroad, and they use these people and goods to compete here in Brazil. The more internationalized a company is, the more resources it will have to optimize its supply chain and obtain internal productivity gains via the international division of labor and production within its own structures. Foreign multinationals are masters in this game, while Brazilian multinationals are prodigious (albeit incipiently so) in fighting an uneven fight.

In order to expand their scale and sales, due to the limitations of the internal market, the best Brazilian companies were forced to internationalize; they initially needed to export and then produce abroad, and acquire and operate offshore companies. As a result, they boosted their productivity and also managed to remain competitive in the Brazilian market. Most of these companies are financed by the capital market, although this internationalization movement has also been supported by entities of the Brazilian

government, such as the BNDES (National Development Bank).

But Brazilian government policies are inconsistent. While the offer of financing encourages internationalization, early income tax payments are a massive deterrent. Brazil's tax inefficiencies haunt our companies in their forays abroad, persecuting them and burdening them, whilst giving foreign multinationals an advantage over Brazilian companies.

We run the risk of encouraging a disastrous phenomenon (for us) which theoreticians call corporate inversion. It's nothing new abroad. It is simply the offshore transfer of the HQ/corporate head of a multinational. The more operational assets

## Brazil is the only country to tax its multinationals in advance

a Brazilian company has abroad, the more plants, mines and construction activities it has outside Brazil, the easier it will be to expatriate its HQ. This change occurs when you transfer the HQ and central governance of the company to more competitive and attractive countries, with mature capital markets. If this happens, it will result in a migration of talents and functions such as the development of intangible assets, and a decline in the national capital market.

Now, it is even advantageous for a Brazilian transnational to migrate to the UK or the US — without mentioning even more flexible European jurisdictions. If the Brazilian taxation system lacks sophistication to offer a more competitive environment to Brazilian multinationals, it also lacks the legal base to prevent

such a movement from happening. The debate on Provisional Measure 627/13 sparked questions and investigations, by the more global and competitive Brazilian multinationals, on the viability of this expatriation or inversion. Despite loving Brazil, the best Brazilian companies, just like the best Brazilian athletes, may have to leave the country to remain in the game.

The final text of Provisional Measure 627/13, now written into Law 12.973/14, aims to improve the legislation of the original text, and several items were revised and problems mitigated for some sectors and companies. For example, the government has created a presumed credit

rate that Brazil believes is an acceptable international level. But the final text chooses some national sectors for the supposed benefit, and excludes others from this credit. It is a mis-

taken policy, and fails to recognize that in many key markets for Brazilian companies (such as the Middle East, China, Africa and Asia), taxation occurs upon consumption or on natural resources.

As a result, income tax rates are relatively low for all the companies established and competing there with Brazilian peers. In other words, the supposed advantages of the new law do not prevent Brazilian companies being less competitive in these markets. We have to tackle these problems via a democratic and well-informed debate in order to update and perfect legislation. The Brazilian people, society, individuals and companies must decide, via their elected representatives, if they want our best business athletes to continue playing in Brazil.

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# To really open things up

*GM's head of South American operations believes Brazil still fears opening up to global trade*

NELY CAIXETA AND MARCO ANTONIO DE REZENDE

**S**ince June 2010, Jaime Ardila, a 59-year old Colombian with dark eyebrows and gray hair, has headed up GM's South America operations, overseeing the company's activities in Brazil, Argentina, Paraguay, Uruguay, Chile, Peru, Colombia, Ecuador and Venezuela.

With a degree in economics from Jorge Tadeu Lozano University (Bogotá) and a master's degree from the London School of Economics, Mr. Ardila is a staunch advocate of free trade. He believes the growth path of South American countries depends much more on a genuine opening up to trade relations with the rest of the world than on blocs such as Mercosul, which he sees as short on free trade spirit.

Despite his love for Brazil – “It was the only South American country where I had yet to live”, he says – he is harsh in his criticism of some of the main bottlenecks of our productivity, such as Brazil's precarious infrastructure and complicated tax and labor legislation. Married to Martha, his Colombian wife, Mr. Ardila gave PIB the following interview:

**How do you assess the current situation in terms of free trade in Latin America? Is Mercosul a viable model?**

Mercosul members are countries that, in political and ideological terms, still don't believe in free trade. For a trade agreement to work, you need parties who believe in free trade and who believe that trade liberalization is important. Paraguay (a 100% trade free country) and Uruguay are increasingly more inclined to branch out

**In a fully integrated world, it is tough for a country to remain isolated. You lose competitiveness**

of Mercosul and join the Pacific Alliance (Mexico, Chile, Colombia and Peru). Brazil has very few trade agreements in place. Brazil and Argentina took years to negotiate an agreement with Europe. Let's hope things work out now, but there's no

denying they took too long to do this. Chile started trading with Europeans a long time ago.

**In a recent interview to PIB, the Brazilian economist Otaviano Canuto, vice-president of anti-poverty at the World Bank, said that the time for Brazil to sign bilateral accords may have already passed. He thinks it is more important for Brazilian companies to participate in the global value chains formed by industry globalization. Do you agree?**

Yes, I do. Brazil's fears in relation to trade agreements go back a long way. People tend to think this is a fear of the (ruling) PT party... that the PT party has a very conservative and outdated philosophy. But there's more to it than that. Things have always been this way in Brazil. During the military dictatorship period, Brazil had a closed economic model, in an attempt to protect industry and the entire national production sector. So Brazil has always had few trade agreements in place. They always thought the domestic market was sufficient, but over time this isolation has led to enormous economic distortions, such as the lack of competitiveness



in key sectors. In today's fully integrated world, it is very difficult for a country to remain closed to trade relations. Political groups ideologically contrary to free trade, from an economic point of view, are well aware of this. It is a philosophy that needs to change. Several Brazilian companies (some very good and competitive ones) have already joined the international value chain, but we should be seeing many more.

**Who are these very competitive companies?**

Today, companies such as Embraer and Tramontina are very competitive in the world. Some groups, such as Odebrecht, are international companies that can compete in any global environment. But we're talking about relatively few examples in relation to the size of the country. The only truly internationally competitive sector in Brazil is agriculture, despite the infrastructure deficiencies that are a major obstacle: insufficient ports and roads, for example. From the point of view of productivity and efficiency, only Brazilian agricultural production is technologically comparable to other important markets, including the US.

**You mentioned Brazil's internal protectionism. The local auto sector is accused of existing at the cost of government solutions and stimuli, on the back of crises.**

This is a misconception, and let me explain why: the Brazilian auto sector needs protection and stimuli because it pays very high taxes. Government interference involves maneuvering this heavy tax burden. There is no sector that pays more tax than the auto sector, from import tax to IPI (industrial

product) tax. Some may ask: "Why does the government give the auto sector this privilege, such as IPI tax reductions/exemptions?" The IPI tax in the auto sector is an absurdity. It shouldn't exist. They should permanently reduce taxes. It is a very taxed sector – and the regulations that impact our costs are enormous. If we expose ourselves to international competition overnight, we will even lose out to our own companies in other countries. Am I afraid of losing out to the Chinese and the Koreans due to Brazil's trade liberalization? No! I'm going to lose out to GM in other countries, where we are much more competitive. In an industry such as

**The Brazilian GM's engineering is comparable to the best GM engineering centers in the world**

ours, logistics, export and labor costs are exceptionally high. The need for protection reflects these dysfunctions and this government policy in place for so many years.

**The government stimulates consumers to buy cars, but they then suffer from bus corridors and cruel traffic.**

It isn't a matter the government ignores or doesn't understand. The government is fully aware of the industry problems. It knows what needs to be done. But fundamental changes take a lot of time and require, in certain cases, legislative and political reforms, which are

difficult and slow processes. I'm not saying there will never be a right time to do so, but what is the right moment to carry out a fundamental reform to our labor and tax legislations? Or to totally modernize infrastructure and improve logistics costs? It's easier said than done.

**Brazilians have historically been very proud of their auto industry. Nowadays, is there any industrial sector Brazilians can feel proud of? For example: what is our contribution to truly innovative projects? Or: are there models of global cars being created in Brazil?**

All Brazilians should truly feel proud of their auto industry. In technological terms, i.e. the ability to develop, design and engineer new products, Brazil's capacity is comparable to any first-world country. GM's engineering in Brazil is on a par with its best engineering centers in the world. We have 4 centers for creating and developing new models: in Detroit (US), Germany, South Korea and Brazil. Brazil is totally comparable with the others. In terms of cars made in Brazil, everything from their design to the final product, including all the engineering and development work, is done right here. We're talking about an enormous technological capacity, which is the result of years and years of work. In terms of production, and especially the cost of production, efficiency levels are also comparable with any other country. Brazilian workers have the same level of training as Americans or Koreans. And I'm not just talking about GM, I'm talking about the entire industry.

**In the specific case of GM, is there any model that was created in Brazil and produced abroad?**

Yes. The Cobalt, for example, is a model 100% developed in Brazil and which is already being produced in Indonesia and Uzbekistan, and sold in many Asian countries. Another example is the S10 pickup, a big hit that was also created in Brazil. It was 100% developed in Brazil and is now being produced in Thailand, South Africa and Egypt and sold in virtually all the emerging markets.

**Are there many Brazilians working at GM's other global plants?**

There are around 80. It used to be a 100 but now there around 80 Brazilians working outside of Brazil, including the head of GM in Korea, the head of GM in Argentina and the head of GM in Venezuela. On the engineering side, there are also lots of Brazilians working abroad and doing a great job at GM.

**Was any Brazilian innovation adapted in cars produced in other countries?**

Everything related to the flex engine is 100% Brazilian. It is predominantly Brazilian technology and GM was a pioneer, together with Volkswagen, in developing the flex-fuel engine.

**Do you see any chance of the flex-fuel engine being adopted in other countries?**

In the US, where the use of ethanol is increasing considerably, flex-fuel engines are already arriving with the help of our technology. The use of ethanol hasn't grown as fast as in Brazil, but it is on the rise.

**Do you expect new production technologies to drive down the cost of ethanol?**

Yes, costs will fall quickly thanks to new technologies that

are less water-intensive, create fewer environmental problems and don't affect food production. In the US, ethanol is almost 100% produced from corn, but they will eventually end up using cellulosic ethanol. I expect the use of ethanol to increase in the US market.

**Before heading up GM in South America (from your Brazilian base), you ran the company in Argentina and, before that, in Colombia, your home country. What is Colombia like today?**

Colombia has changed a lot in the last decade. I think international investors, including Brazilians, probably didn't perceive this

**In Latin America, only Chile and Mexico have more trade accords and are more open than Colombia**

change until recently, but it started for real at least a decade ago. It mainly occurred in two areas, starting with safety. Colombia was a country that provoked concerns in relation to security. Not for investments, but personal safety. People were worried about guerrilla warfare and safety on the streets. That was what changed first. And it truly changed. Nowadays, Colombia is a safe country. Back when I was head of GM there (1999 to 2001, when I moved to Argentina), I had security guards, armored cars...Now the situation has improved massively.

**What was the second most important change?**

Trade liberalization and opening the country to foreign investment. Colombia was always a very stable country in macroeconomic terms. People maybe don't know this but, from a macroeconomic standpoint, it is a country that has never restructured its external debt or suffered from hyperinflation or economic crises. As far back as I can remember, let's say the last 50 years, the country has grown little but steadily. Inflation was always comparatively low and macroeconomic stability has been the rule. But it was a very isolated nation. Foreigners and international investors didn't understand Colombia. What the country did in the last decade was to really open up its trade relations, attracting investments, by signing free trade agreements with the main blocs: US, EU, Korea. Colombia still isn't on the same level as Chile or Mexico, which had a head start and benefit from numerous regional and bilateral free trade agreements. But, in terms of trade agreements, it is now getting closer to countries that are positive examples of major trade opening, such as Chile and Mexico.

**In terms of direct investments, which countries are most present in Colombia?**

The US and Chile, the latter with a major tradition of direct investments in the country. And now we are seeing many investments from countries that signed trade agreements with Colombia, especially European nations and Korea.

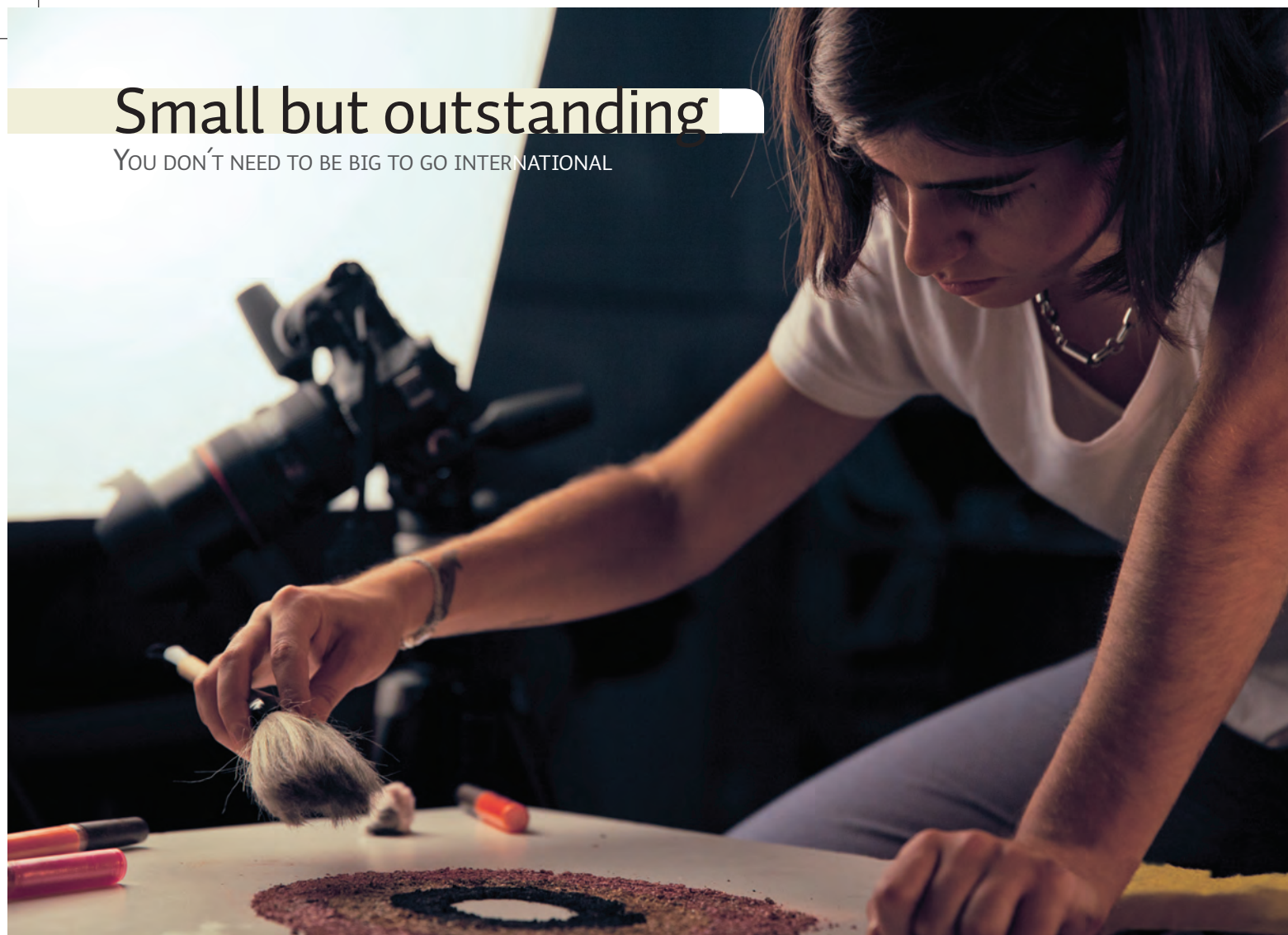
**Has China landed yet?**

Not yet. But I don't expect them to take too long.



## Small but outstanding

YOU DON'T NEED TO BE BIG TO GO INTERNATIONAL



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1 The Making of: preparing an advert for Natura's Ekos line

2 Marcus and Alexandre: the brothers are preparing for Chile following the setting up of operations in Argentina

# Surfing a new wave

*Arizona has grown from a small printing business operating locally and is now providing digital marketing services in Brazil and abroad*

ANTONIO CARLOS SANTOMAURO

**T**he rise of modern digital technologies from the 1990s had a tsunami-like effect on a number of segments related to artistic and cultural production and communication content. The recording industry, for example, is still trying to find a business model that will allow it to restore its pre-

vious level of revenue generation while some icons from the photographic equipment and input market, such as Kodak and Polaroid, simply went under. The printing sector also found itself adrift. Turnover on the domestic market fell by 5.4% between July and September over the previous quarter and by 9.3% in comparison with the same

period of 2012.

New prospects only appeared for those firms that gave themselves over entirely to innovation. Among these was the São Paulo company Arizona which not only expanded its portfolio of options but successfully increased its activities abroad. The company was founded in 1998 when brothers Marcus and Alex-

PICTURES: HANDOUT

andre Abdo Hadade set up a small printing company initially directed at producing printed material for Cinal, an electronics company that belonged to their family. The enterprise started receiving orders from other businesses in the blink of an eye, particularly small print runs with a high level of finishing.

The two brothers had already gained experience with other business areas –durable consumer goods and then the financial market – but also quickly realized that their prospects in the medium to long term were not very promising. In 2003, they decided to make a radical reformulation that resulted in an operation that is now positioned as a “provider of cross media services”. In general terms, this means the Hadades produce, adapt, manage and

transact content for any communication channels: television, Internet, print media and point of sale monitors.

The remodeling soon awakened the interest of large corporations, starting with Natura, at the beginning of this century. Other big

## Arizona Latin in Buenos Aires already serves clients from other countries

names joined the portfolio between 2007 and 2008, such as Banco Real, Kia, Carrefour and Natura América Latina. The accelerated growth and first contacts with clients abroad

encouraged the brothers to take the next step which was to cross borders.

The international process gained form three years ago with the inauguration of Arizona Latin in Buenos Aires. This initial aim of this advance post was to expand the company's capacity to provide services in Argentina to clients served from Brazil, such as Natura and McDonald's. However, the Buenos Aires operation took off and now has 40 employees who also serve Argentinean, Chilean and Colombian companies.

The head office follows the same script. It regularly develops projects for Peru, Bolivia, Mexico



## Small but outstanding

YOU DON'T NEED TO BE BIG TO GO INTERNATIONAL



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and France, amongst other places, and takes occasional orders from over 20 countries, including China and South Korea. "We also work in France for Natura, for example," said Marcus who is institutional relations director as well as a partner and chairman.

The international expansion was formally recognized three years ago, thanks to the American magazine CNBC Business, which belongs to NBC Universal, and featured Arizona in a list of the 20 most innovative companies in Latin America. It appeared alongside eight other Brazilian companies with a much higher public profile, such as the ABC communication group of publicist Nizan Guanaes, Banco BTG Pactual and Odontoprev. Marcus has no idea who mentioned Arizona to CNBC Business as it had had no contact with the magazine to then. "The fact is that this recognition greatly increased our visibility abroad," he stressed.

The foreign market still has a low share of the brand's total revenues and accounts for around 4% of sales. This should come to the R\$ 75

million mark this year, 23% higher than in 2013. However, the target for the end of the decade is much more ambitious. "Within five years, we aim to have 50% of our revenues coming from abroad," he added.

This daring forecast is based on some recent bets. A commercial di-

### Aim is to boost share of international sales from 4% to 50%

rector was hired at the beginning of the year to deal exclusively with the international business. Furthermore, the Hadade brothers are preparing to set up their second operation abroad in Chile and have it up and running by December. "A base is not just a sales team. Some of our clients want us to provide support, maintaining trained staff within their structure to help them optimize processes," Marcus explained. "We are not selling consultancy services as such but, in reality, we are actually

also providing consultancy services."

Arizona reached its greatest technological maturity in 2004 when it set up a structure to create software for the multimedia segment. An essential step in this enterprise was the development of the Visto platform which can manage the entire work flow between the companies, their advertising agencies and means of communication. This is a versatile tool that allows the remote approval of communication items, their standardization and diversification, along with sending material to the vehicles through which they will be communicated.

It is an ideal solution for companies with domestic and regional communication strategies, such as automakers and supermarkets. Thanks to Visto, this group can now make the process of creating ads and other kinds of specific advertising items for the different markets in which they are present more flexible "The platform also stores communication files, allowing his-

PICTURES: HANDOUT



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**1 e 2** Binational operations: São Paulo and Buenos Aires

**3** High tech craftwork: production of an advertising piece at head office

**4** Profusion of colors: Natura announcement publicized in Colombia

torical analysis of the material and its reuse," said Marcus. "It makes management information available both for the production of items as well as the results of the action simultaneously."

Besides the formats, Arizona is also involved with content on three fronts: print, digital and videos for TV and the Internet. The menu in the printing area, where the business originated, includes capturing and handling images, developing 3D items, layout, revising and finalizing files for the production of catalogues, retail material and announcements. The digital services portfolio includes, amongst other things, the creation of hot sites, banners, and interactive ads for smartphones and tablets.

Video production is a separate chapter. The company's technicians take care of it right from the development of the scripts to directing scenes and taking photographs, passing through the scenography and wardrobe areas. "These productions do not include more "artistic" adverts which are generally made by specialist producers. Our specialty

is regionalized films, many of them for retail chains which can be carried out in different locations, with alterations in the offers being made or even in the voice over," Marcus said.

Thanks to this varied range, Arizona has won a respected clientele.

### CNBC Business rated Arizona among Latin America's 20 most inventive firms

This includes, Oi, Coca-Cola, Mitsubishi, Pernambucanas, Citroën, Santander, Adidas, Peugeot and TAM, amongst others, as well as large advertising agencies like Lew' Lara TBWA, NBS, JWT, Talent and Publicis. Arizona's head office is in São Paulo and it has offices in Rio de Janeiro and Buenos Aires. It has a headcount of 300 and operates 24 hours a day, seven days a week in Brazil. The company is also getting ready to work round the clock in Argentina where it provides its

services non-stop in the periods of highest demand.

Its growth strategy is based on two pillars. The first is to add higher value through an in-depth approach to the process of creating technologies to optimize marketing services. "We have our own 'plant' but we look for solutions in a number of countries, including India, China and Russia, whenever necessary."

A more challenging area is the other expansion front which foresees providing services on a global scale. Marcus believes this can be done without having to make a big expansion of the network of offices abroad. It will only need to go to the digital networks through which the services provided by Arizona currently pass. "We intend operating in any markets where there is demand." He says and has already outlined the first steps of this virtual invasion. "The goal is to provide services worldwide to those clients we attend in a number of countries."



# Small but outstanding

YOU DON'T NEED TO BE BIG TO GO INTERNATIONAL

## Small but globalized

It is unusual for a small Brazilian company to have much higher international than domestic demand. One of the rare exceptions is Netmake, a software developer from Pernambuco state. No less than two-thirds of its 12,000 clients are located in countries such as the United States, Germany, France, Spain, Argentina and Colombia, amongst others. Its best-selling product is the Scriptcase program that can reduce the time programming tools like spreadsheet, registration forms and systems by between 60% and 80%. The product was launched in 2002 and is now in its eighth version. "Thanks to it, our revenues, which amounted to R\$ 4 million in 2013, have risen by an average of 40% a year," said partner and director Ricardo Alcoforado.

Scriptcase was conceived with a global view and is now available in over 40 languages. To expand the presence of its blockbuster product even further, Alcoforado is planning to set up Netmake's first international office in Asia. "We already have Asian clients but could even sell even more in that region if we get to know them better," he added.



**1** AmericanTrio: Coelho (right) and his partners

**2** Punk flavor: Brazilian seasoning with the backing of Marky Ramone

## The game of going international

SplitPlay, the virtual market for domestic games sales that was launched in Brazil in May, is beginning to win over the world. The portal starts up its operation in Chile at the beginning of the second half of this year, with resources from the Start-Up Chile government program to support newly-created companies. The operation is also set to be extended to Argentina, Mexico and Peru by the year-end, according to CEO Rodrigo Coelho. He said the average daily number of new users of SplitPlay had already exceeded the 250 level. "Around 10% of our accesses come from countries like the United States, Chile, Portugal, India, Canada, the UK, Argentina and Germany," he added.

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## Pepper heads for American supermarket shelves

American rock icon Marc Bell, better known as Marky Ramone, will give a boost to the debut of the São Paulo condiments and sauce producer De Cabrón on the international market. Both have joined up to create a pepper that is sold under the rocker's brand. It will start being sold this month in Brazil and reach the supermarket shelves in the US and will also likely appear in some European countries. "Marky Ramone has put his entire communication team at our disposal to help promote the product on the American market," said Léo Spigariol, De Cabrón's marketing director. De Cabrón is based in Santa Cruz do Rio Pardo, 315 kilometers northeast of São Paulo city, and is a family-owned concern that sells around 20,000 flasks of products, such as chipotle pepper sauce made with passion fruit or guava, every month. Marky Ramone, former drummer with the punk band The Ramones, is also now known for his interest in gastronomy and has already given his name to a tomato sauce sold in the US.

Spigariol sees a good potential for generating business abroad not only for the Marky Ramone pepper but other products like spicy sauces made with Brazilian fruits such as guava and passion fruit. However, everything will be carried out gradually until it reaches the right point. "We want to grow organically as we produce all the raw materials ourselves," he added.

PICTURES: HANDOUT

## Brazilian crafts in Silicon Valley

Solidarium, an on-line company that links Brazilian craftspeople to local and global markets, is in a festive mood. It has good reason to celebrate since, at the beginning of May, it became the first Brazilian concern to ensure its presence at the new round of investment and actions to qualify for the American 500 Startups accelerator in Silicon Valley. This highly contested dispute involved 1,400 companies from all over the world. The company was founded seven years ago and offers products from 5,000 craftspeople from throughout Brazil. Around 10% of its sales go abroad and are made to corporations and institutions like the French supermarket chain Le Bon Marché, the Museum der Kulturen in Switzerland and the Smithsonian Museums in the United States. Solidarium has operated purely via e-commerce since 2012. "Since then, we have grown by an average of 30% a year," said CEO Tiago Dalvi. Along with a new partner, the leaders win an extended stay in California. Dalvi and his partners, Jonatas Azzolini and André Kiffer, will spend four months in Silicon Valley where they will take part in courses and mentoring sessions.

## Publishing entrepreneurship on the rise

The UK is paying tribute to Brazil. Ricardo Almeida, the cofounder and president of the Club of Authors, was elected Entrepreneur of the Year in the World in the Digital Publications category of the Young Creative Entrepreneur 2014 award. The prize was created by the British Council – a UK government organization aimed at cultural and educational interchange – and is reserved for leaders of the creative economy who test new entrepreneurial models and ideas that can create positive impacts on the economy, culture and society. The company's digital platform Clube de Autores ([www.clubedeautores.com.br](http://www.clubedeautores.com.br)) meets all these requirements. It was created four years ago and allows writers to publish books under their own name free of charge and sell them through the Internet. The user sets the price of the work and the portal gains only a percentage of sales. The initiative has achieved impressive figures and has a collection of 30,000 titles and 28,000 authors and 350,000 copies have been sold.



# On the global oil trail

While Petrobras is selling off foreign assets, Brazilian companies within the oil and gas supply chain are continuing to go international

LUCIANO FELTRIN

**P**etrobras' ambitious plan to divest itself of some assets abroad in order to raise around US\$ 10 billion by 2017 to concentrate its efforts on the exploration of the pre-salt layer has not been enough to put a brake on a recent but increasingly stronger trend – Brazilian companies that supply services and equipment to the oil and gas industry expanding internationally. Large, medium and even small companies are powering ahead along the global oil trail. This is good timing as state-owned Petrobras has fallen behind in its timetable to develop the oil fields to be explored. "The industry is dynamic and has already incorporated the problems and is moving on to pursue new business opportunities," said Daniel Romeiro, senior manager of the Center for Excel-

lence in Oil and Gas of the Deloitte consultancy.

The newest "partner" in the club is the HCI Group, a producer of flanges and connections with a client portfolio that includes shipbuilders and producers of the equipment for building offshore

## The HCI Group began its operations in Madeira in April

platforms that Petrobras will use in its pre-salt operations. The company, which is based in Guarulhos, in Greater São Paulo, opened its first plant abroad in the Portuguese island of Madeira at the beginning of April. The project required an

investment of R\$ 3 million and will be a support base for operations in Europe.

"We are in a process of continuous strengthening. This investment will allow us to make logistic and operational gains in supply as well as bring new possibilities for future business prospects," said superintendent Marcos Alves. "HCI aims to expand and become an alternative supplier of products and services for specialist engineering companies in designing and building platforms and refining units operating in Brazil or abroad."

The advance post in the middle of the Atlantic will ensure, amongst other advantages, better conditions for managing costs and the provision of technical, commercial and

logistical support, thereby helping to meet deadlines. The target for the Portuguese operation is to add 20% to the company's revenues, that amounted to R\$ 100 million in 2013, in the coming years. "We have also plans to operate more visibly in other countries in Latin America besides the Brazilian market which is our main focus," said Alves.

The São Paulo company Oxiten, controlled by the Ultra Group, has been around for a longer time and is already reaping the benefits of having six plants spread throughout the Americas – only one less than its industrial complex in Brazil. Its structure is also backed up by the strength of sales offices in eight countries, including the European Union (Belgium) and China. "Going international allows the company to have access to the best processes and technologies and, by doing so,

allows it to position itself as a provider of chemical products for the final users, such as services providers which drill wells for the big operators," said business manager Alexandre Mesquita.

The project began in 2003, when the chemical group assumed con-

## Oxiten is No. 1 on the Mexican specialty chemicals market

trol of the Mexican company Canamex. Two other acquisitions in the following four years ensured its leadership in the Mexican specialty chemicals market. Another important step was taken in 2007 when it bought Arch Química Andina

of Venezuela, the only production center of ethylene oxide in Latin America where Oxiten did not have operations. The group's foreign portfolio has gained two heavy-weight reinforcements this decade: American Chemical, in Montevideo, Uruguay, and Pasadena Property, in Pasadena, the United States, where the Brazilian company has had a sales presence since 2007.

The company's strategic planning is ambitious. A target has been set to double the amount of oil and gas in total revenues, that came to R\$ 2.4 billion in 2012, within a period of five to eight years. "Our main opportunities for growth lie in the exploration of the mature wells, in the Brazilian pre-salt layer and the Gulf of Mexico, and in shale gas in the US," Mesquita added.

Radix is still in its "infancy", with only four years of activity, but decided to cross borders to reduce its dependence on the domestic market and, above all, on Petrobras which is its main client. The Rio-based company has annual revenues of R\$ 60 million, around 400 employees and

specializes in the development of software and providing engineering services. It decided to set up a representative office in Houston, Texas, the birthplace of the American oil industry.

"As the American economy is recovering, we saw it was time to take the plan forward. We looked for opportunities in the country over a two-month period and opened our office in October of last year," said the CEO and founding partner Luiz Eduardo Rubião.



Oxiten plant in Guadalajara: leadership on the Mexican market





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This small beachhead operation consists of a single American employee, Kyle Frogge. However, one of the partners visits every month and its targets have already been outlined. The aim is to have revenues of US\$ 1 million within the first 12 months and expand this figure fivefold by 2017. The first step in meeting the goals was taken recently with the signing of a pre-contract to provide services to the oil giant ExxonMobil, which will require Radix to hire a team of engineers. Besides this, the company is looking

at other business segments such as the entertainment industry.

“One of our main clients outside

### Radix wants sales of US\$ 5 million from its US office by 2017

the industrial area in the Brazilian market is the Globo Network for which we develop tailor-made

software. We are planning to get close to Disney in the US and have already joined a local chamber of commerce with this in mind,” said Rubião.

Besides diversifying revenues and clientele, the foreign expansion of the oil and gas supply chain also helps add know-how to domestic operations.

As Brazilian law establishes a minimum percentage of local content, many smaller suppliers are looking

PICTURES: HANDOUT



**1** Rubião: Radix is beginning its international expansion in the United States

**2** Mesquita: an eye on Mexican oil and American shale gas

to comply with the rules that apply locally.”

Metalúrgica Maemfe is an example. It is located in Vigário Geral, in the northern area of Rio de Janeiro, and produces items for boilers, supported by the training programs of Sebrae-RJ. It recently made a deal with the Norwegian company Rapp Bomek to produce fire doors that will be used exclu-

### Maemfe became a partner of Norway's Rapp Bomek with help from Sebrae

fairs, held in countries like the United States and Norway. Sebrae-RJ selects groups of around 20 Brazilian companies and puts them in contact with foreign companies in business rounds.

Similar work is also being carried out by the National Oil Organization Industry (ONIP). The difference in this case is that the focus is on companies that are already well structured in the local market and

for international partners to enter the sector.

“We do not believe that going international for a small company is necessarily synonymous with exporting products and services,” said Antonio Batista Ribeiro Neto, oil and gas coordinator of the Rio section of the Micro and Small Business Support Services (Sebrae-RJ). “The aim is that it should be ready to take advantage of the opportunities on the local market. The companies we help go abroad to find partners and absorb the technology needed

sively on exploration platforms in Brazil's offshore waters.

“The aim of the deal for us is to train the company to be able to produce its equipment and comply with the Brazilian rules on local content,” said Jorge Dobao, Maemfe director. “Our contract even foresees the possibility of exporting but the current Brazilian tax structure would not make our product very competitive on the external market.”

One of the ways to find an ideal foreign partnership is to take part in specialist and traditional trade

have the ambition to become part of the global oil and gas suppliers' chain. “The idea of the partnerships we are encouraging is a win-win situation, with the Brazilian company being able to offer something differentiated in its operating area and the foreign company gaining space in the Brazilian market in a simpler way,” said ONIP superintendent Bruno Musso. The body operates in conjunction with the Brazilian Trade Investment Promotion Agency (Apex) in encouraging joint-ventures.

## OPPORTUNITIES IN SIGHT

**CONSULTANTS REGARD** Latin America and Africa as the markets that deserve most attention by Brazilian companies operating in the oil and gas supply chain that are interested in crossing borders. In Latin America, Mexico appears ahead of Colombia and the Caribbean nations in terms of

prospects although their doors are not entirely open. “The Mexican Congress approved the “Energy Reform” in December that opens room for partnerships between foreigners and the local state-owned oil company, Pemex,” said Eduardo Sampaio, CEO of FTI Consulting in Brazil. “It now only

needs Pemex to decide which oil fields it intends keeping in its portfolio.”

Local companies are well aware of Oxiteno's interest in Africa. In June of last year, for example, Banco BTG Pactual invested US\$ 1.5 billion to become a partner in Petrobras's African

operation that reinforced its cash to take on the challenge of exploring the Brazilian pre-salt layer. Each partner ended up with 50% of a joint venture created at the time to produce and explore oil and gas in the region.

One of the most promising African markets is Angola, the third-

largest economy in sub-Saharan Africa, behind only South Africa and Nigeria. The country expects to find large volumes of reserves in its pre-salt layer and granted licenses to big foreign companies in 2011. Besides Petrobras, BP, Total, Statoil and ConocoPhillips are already in the Kwanza Basin

in the initial stage of exploration. “The tendency is that, as Brazilian companies in the supply chain are obtaining technical know-how, they are becoming interested in Africa and Mexico,” said Pedro Dittrich, the partner in charge of the Oil and Gas area of Tozzini-Freire Advogados law firm.



European standard: substation in Évora, heart of the InovCity project

# Blackout-proof

*A global reference in energy grid monitoring, São Paulo's Treotech plans to derive 85% of its revenues from abroad by the end of the decade*

DARIO PALHARES



The Southern coast of California is one of the most illuminated regions of the planet. According to astronauts, its nighttime glow is only matched by the northeast coast of the US, Western Europe and Japan. Almost 10 years ago, when the lights went out on 2004, Californians were very nearly plunged into a darkness that North Koreans, most Africans and those living in Northeastern China are used to. The imminent risk of a blackout – due to the premature deterioration of the component of a transmission line energy transformer of San Diego Gas & Electric Company (SDG&E) – was only detected in time thanks to the remote energy grid monitoring technology of Brazil's Treotech. "The episode made us very well known and respected in the US", recalls Treotech executive Gilberto Amorim Moura.

The main recognition came from the US Department of Energy. 6 years ago, a DoE division evaluated the prevention techniques available in the global market and rated Treotech's systems the most efficient and advanced, granting it *single source* status. "This means we have a bidding waiver for providing

## Treotech technology avoided a blackout in California 10 years ago

services to federal energy companies, i.e. without the red tape of public tenders", signals the executive. Treotech's technology is recent. The concept of smart grids arose around 15 years ago and came to the fore after the 2007 international financial crisis. Since then, energy

utilities worldwide have embraced the idea with the aim of extending the useful life of their equipment and making their operations more reliable. This option has received the backing of the International Council on Large Electric Systems (Cigré), a non-profit technical organization featuring 2,500 specialists from all over the world. "A Cigré study revealed that remote monitoring reduces the risks of equipment defects by over 50%, especially in transformers", notes Moura.

Installed in over 40 countries, Treotech's digital devices and systems enable real-time monitoring of energy generation, transmission and distribution. The menu includes smart electronic sensors, diagnostic high-voltage electrical equipment and electrical asset

management software, as well as engineering projects consultancy. These options function, in practice, as a safety mechanism against operational problems capable of causing damage to corporate finance no less, since some equipment used in the sector, such as large-scale energy transformers, are only built-to-order, take 8-12 months to deliver and cost on average between R\$1.5mn and R\$12mn.

"An energy transformer lasts up to 40 years, but several factors can shorten its useful life, such as high temperatures, shoddy maintenance and unforeseen events such as lightning", explains Moura. "And then we have project defects, equipment production errors and abrupt flaws – a problem that endangered the San Diego Gas & Electric grid. In that specific case, the problem occurred in a sleeve and could have caused the explosion of the transformer."

Treotech has representatives in 12 countries on 4 continents, including remote parts of the globe such as Australia and Malaysia. Its exports include regular shipments to 15 nations. One of the main importers is South Korea, which serves as an indirect gateway to the US. "Around 90% of the systems we export to

## Company has a bidding waiver to supply the US government

South Korea go to the US market, where they are incorporated into large transformers", signals Moura. Domestic orders still account for the bulk of revenues, which have been growing 20-30% in the last 5 years. Only 15% of sales are in foreign currency. But by the end

of the decade, the aim, in the most conservative of hypotheses, is to invert this percentage (i.e. multiply the share of exports by 5-6x). This projection is based on the desire of large energy generation and consumer centers (US, EU and Australia) to implement smart energy grids. "The world plans to invest

billions of dollars in smart grids", highlights Moura. "In particular, it is a bet by the White House to heat up the US economy, since the package planned by the US government encompasses new energy sources – such as wind farms, solar energy and tidal energy – and also involves electronics and IT and communication technologies."

Portugal also has a leading position in this energy renewal movement, as Treotech is well aware.





1 2

3

**1** Prevention: Treotech system in transformer of SDG&E, in the US

**2** Moura in Portugal: Treotech partnership with EDP

**3** Real-time: Treotech monitoring room and online management

In Évora, in the region of Alentejo, Treotech is now a leading player in implementing InovCity, a cutting-edge project that served as an evaluation parameter for the European Energy Commission. The initiative included installing 30,000 state-of-the-art energy meters, 20 points for powering up electrical vehicles, consumer information systems for users and public illumination controls in real time. “This model enables much more efficient and sustainable energy management, including for energy consumers”, says Moura, who highlights the Portuguese government’s commitment in the segment. “There are economic benefits for energy companies that extend the useful life of their equipment.”

Financed by EDP, an energy utility operating on the Iberian Peninsula, in the US and Brazil, InovCity has conquered a new front in Aparecida (São Paulo), in Vale do Paraíba. The first stage of the project, concluded in October, involved swapping out the municipality’s 13,850 energy consumption meters, which are now 100% “smart”, partially modernizing public illumination systems and

implementing recharging points for electrical scooters. On both sides of the Atlantic, the technology for monitoring energy substations is 100% Brazilian.

The illuminated path of the business is confused with that of its creator, the Rio de Janeiro engineer Eduardo Pedrosa. In the 1980s, he moved from Rio de Janeiro, where he headed up the maintenance work

## Treotech’s systems are present in over 40 countries

of Light’s substations, to São Paulo to work for the Swedish energy company ASEA, which in 1988 merged with the Swiss player Brown Boveri to create the giant ABB. As area manager, he developed customized projects for the Itaipu hydroelectric plant and was invited, in 1992, to create his own project, to provide services to the multinational. This gave rise to Treotech, which grew, appeared and, a few years later, left

the multinational to set up shop at its own HQ. “We changed our address and business niche – from electrical projects and panels to energy grid monitoring”, said Moura. “We develop cutting-edge technologies, but we are also dedicated to controlling and overseeing traditional energy grids and their substations, which still account for much of our revenue.”

Premature, the company’s internationalization began indirectly. Starting in 1998, the systems created by Pedrosa’s team began to surf the wave of large energy transformers exported by local industries to Latin America, the Caribbean and Africa. Smart grids, at that time, were the latest thing in the market and it wasn’t long before Treotech started receiving direct external orders from contacts forged at the keenly disputed technical encounters organized by state-run Furnas, a subsidiary of Eletrobras.

“In 2001, the main theme was the diagnostic of energy grids and the event was attended by heavyweight

multinationals such as Siemens, Alstom and ABB itself”, recalls Moura. “Shortly after, we were invited to hold a series of presentations at their parent companies and at the head offices of other groups in Europe. A revolution in the technical specifications of electrical equipment was underway.”

The doors of the world’s largest energy market, the US, opened up to Treotech in the following year. A team from San Diego Gas & Electric visited Brazil to inspect the production of equipment ordered for the local operation of Siemens. In their trips around Brazil, the US company discovered machines of Eletrobras, which incorporated Treotech systems. The visitors liked what they saw and heard and decided to contact the company. They didn’t regret the decision, as we saw above. “They were so impressed that an executive pulled out his credit card to buy there and then. Since we didn’t have credit card machines, the sale had to be made the regular way”, says Moura.

Domestically, the signs are also encouraging. In the last 3 years, the Brazilian government has per-

formed several studies into smart grids and established a timetable for implementing the technology, but there are still pending regulatory issues. In terms of concrete achievements, Treotech has been selected by the Brazilian Innovation Agency (Finep) for its *Inova Energia* program, which plans to inject R\$3.6bn into the energy sector, including smart grids. “We partnered

## Internationalization began 16 years ago, with indirect exports

up with CEEE, the state-owned Rio Grande do Sul energy company, for an unprecedented pilot program that will initially service some of the main energy stations in Porto Alegre. The project should be concluded in 2-3 years and will serve as a benchmark for other utilities”, informs the executive.

In fact, the federal agency has been opening up new business prospects for Eduardo Pedrosa’s team. In

2010, Treotech – the number one enemy of blackouts – became the first energy sector company to win the Finep Innovation Prize, giving it access to R\$2mn – via a counterpart in the same amount by Treotech to develop projects. In addition to resources, Finep provided Treotech with contacts with energy utilities and electro-intensive manufacturing companies. After being introduced to smart grid technology for substations, Ampla (supplier of energy to Niterói and another 65 cities in Rio de Janeiro) signed a deal with Treotech for a smart grid program in Búzios. In an advanced

stage of implementation, the *Cidade Inteligente Búzios* project was considered by the KPMG consultancy firm as one of the most globally innovative in the area. “Treotech became an international innovation case. It is very rare for a mid-sized business to compete abroad with giants such as ABB, General Electric and Siemens”, analyzes Paulo José Pereira de Resende, head of development and new businesses at Finep.



# Globe-Trotter

## EXECUTIVE TRAVEL

Marco  
Rezende

### HOTEL I

## Milestone in Macau

IF YOU are interested in fireworks, artificial flowers, toys and electronic products then your business in China can be carried out in Macao, the peninsula that ceased being the last European colony in Asia in 1999 when Portugal handed it back to China. Macao is also famous for its high standard of living. Per capita income comes to US\$ 37,000 and its strong currency, the pataca, is tied to the Hong Kong dollar. Livelier still is its gaming industry and casinos that have a higher gross turnover than Las Vegas. Macao will boast another attraction within three years. One of the city's largest business groups is building the new spectacular City of Dreams Hotel which will have 780 apartments on 40 floors and was designed by the well-known architect Zaha Hadid. Like her other projects, it has a rather striking exterior but is welcoming and practical inside. [http://94.185.143.134/index.php?dir=ZHAPress%2FZHA\\_City\\_of\\_Dreams\\_Hotel%2F](http://94.185.143.134/index.php?dir=ZHAPress%2FZHA_City_of_Dreams_Hotel%2F)

1 Macao: stylish hotel uses its architecture for marketing

2 How to bring your mobile and wallet together in one item

3 Sustainable, healthy: a hotel for the new age

### HOTEL II

## Sign of the times

**SLOW FOOD**, goji berry, km zero, organic food, sustainability. If these terms are familiar to you and you regard traditional gastronomes as ferocious gluttons, you have finally gained a tailor-made hotel. The InterContinental group is inaugurating two units of its new Even brand in the United States which is directed entirely towards promoting wellbeing and healthy food for the growing number of travelers who are more demanding in terms of healthy eating, food restrictions and other New Age manias. The décor ditches extravagance in favor of the luxury of simplicity and natural materials. However, it is the food that makes the big difference. The Even teams are trained to know and offer dishes and ingredients that may be for special diets, calming or stimulating, all of which is produced naturally near the hotel (to cut down on carbon emissions transporting it). The New Age spirit is even present in the bar which offers organic cocktails and natural drinks. If you have any problems, don't complain to the manager, call the nutritionist. <http://www.ihg.com/evenhotels/hotels/us/en/reservation>

### FLYING

## You are the greatest danger

**THE CHANCE** nowadays of someone being involved in a fatal air accident is infinitely lower than winning the grand lottery. The greatest threats when flying are not mechanical problems or terrorist attacks. The problem comes from the passengers themselves who are behaving in an increasingly disorderly way in the asphyxiated space on board. The International Air Transport Association (IATA) says there were 28,000 incidents caused by passengers on board planes between 2007 and 2013. In Brazil, there was the case of a soap opera actor who drank too much and forced the pilot to divert the flight from Rio de Janeiro to the US to Belém and remove him by force. More recent examples were the incidents in the air by Justin Bieber and a nephew of Ralph Lauren. These are only some

examples. In 2013 alone, 8,217 rows and fights were registered although most incidents are not reported by the airlines which want to protect their image. Some solutions were proposed at an international congress on the problem held in London in mid-June. These included detecting people who have misbehaved at the airport using the same means of identifying terrorists, banning the opening on board of drinks bought at the duty free store and reducing stress in airport as much as possible and even improving the signs. Frequent flyers take an average of 21 minutes to check in at the departure area while passengers who are not as informed take twice as long. Until the situation improves, the best advice is to try and relax and enjoy things. <http://www.dispaxworld2014.com>

PICTURES: HANDOUT

### TECHNOLOGY

## Two in one

**TWO ITEMS** which people always have to recharge – their wallet and the mobile phone – have been put together in a nice piece of engineering by the American company Cm4. The product, called the Slite Card Case, is basically a protective cap for the iPhone 5 but with a compartment to hold three credit cards and some bank notes. Positive point: it reduces the stuff in your wallet or bag. Negative point: if the phone is stolen or mislaid, the wallet goes too. Cost: US\$ 29.99. [www.cm4.com/slite](http://www.cm4.com/slite)





## GLOBE-TROTTER :: EXECUTIVE TRAVEL

### DESTINATION

#### Kiwi arrival

NEW ZEALAND'S closest neighbor, Australia, is almost 3,000 miles away. Located in the outermost part of the South Pacific, the two islands that form this small country (slightly larger than Brazil's Piauí state) received a number of visitors last year. This figure was equivalent to half its population of 4.5 million. (Imagine Brazil with 100 million tourists a year...). This example overturns the idea that Brazil receives few visitors because it is so far from the main markets, as New Zealand is also 10 or 12 hours flying time from China, Europe and the United

States. The fact is that, like Brazil, the land of the kiwi (the national symbol which has given its name to the people) has a number of attractions, including exuberant nature, beaches, a tradition of radical sports and even ski resorts. However, it offers a fabulous infrastructure to welcome tourists and efficient marketing. Tourism New Zealand (TNZ) set up its first office in Latin America in São Paulo to attract more Brazilians, including business travelers (who have to fly from Santiago in Chile for the moment).

<http://www.tourismnewzealand.com>



BLANET BAY

### TRAINS

#### What is your password?

**THE AMTRAK** Acela Express trains that run a comfortable hourly Boston-New York-Philadelphia-Washington service will be given an upgrade costing hundreds of millions of dollars to provide an efficient Internet broadband Wi-Fi service to its passengers within two years. The service already exists but the speed is slow and does not currently support downloads of videos, music and other heavy files and only allows basic surfing and e-mails. The company is responding to the growing pressure from users, mainly executives and entrepreneurs who do not want to waste time on that crucial route or with the strict security procedures at airports. Better late than never. <http://www.amtrak.com/acela-express-train>



AMTRAK

PICTURES: HANDOUT

### TRAVELING

#### Follow the leader

**THE CELEBRITY** chef, television presenter, writer and indefatigable traveler, Anthony Bourdain, has summed up his enviable experience in making international trips – he spends an average of 250 days away from home every year – in a timely article in the weekly digital issue of the American magazine Esquire. These include priceless tips, such as never eating awful airline food but to hold onto your appetite until you arrive at your destination and even try the tasty street food. Another is to dress properly for the flight, with comfort, security controls and practicality in mind. He recommends booking your luggage in the hold and taking the minimum possible on board. Why fight for room on those cramped overhead racks for hand luggage? He suggests reading a good novel set in the city you are heading for as a means of transforming your long hours on the flight into a higher experience. Do you still buy souvenirs on your trips? Bourdain gave up ages ago. He feels there is no room left for them in his apartment and he also has a hunch that they are all made in the same factory in Taiwan. Read the complete article at [http://www.esquire.com/blogs/news/anthony-bourdain-how-to-travel?click=main\\_sr](http://www.esquire.com/blogs/news/anthony-bourdain-how-to-travel?click=main_sr)



3

**1** New Zealand showing that distance is not important

**2** Boston-New York-Philadelphia train: not high speed but the Wi-Fi will be

**3** Everybody knows how to travel but Bourdain knows more



### RESTAURANT

#### We speak français

**LONDON IS** what São Paulo and other large metropolitan areas think they are – the world capital of gastronomy. Think of any kind of quality food in the world and there will be at least one excellent restaurant specializing in it in London. Some French chefs were showing Londoners how food could be made with inspiration and good ingredients decades ago. Another French chef, Eric Chavot, is now displaying another kind of Parisian-style good cooking in an elegant atmosphere and with pleasant, professional service in Mayfair. Less than six months after the Brasserie Chavot opened in Conduit Street (next to the Westbury Hotel), it received a one star rating in the Michelin Guide. The atmosphere is as delicious as the food and it is the perfect place whether for a working lunch or a dinner with a companion when the last thing in mind is work. The menu surprises with fresh fish but France is entirely represented with escargots, ceviche of scallops or oysters as a starter, duck with orange, sauerkraut complete or boiled Provençal style as the main courses. The prices are reasonable by London standards. [www.brasseriechavot.com](http://www.brasseriechavot.com)





# Globe-Trotter

## EXPRESS TOURISM

### MEDELLÍN, by Carlos Maurício Ferreira

THE SECOND largest city in Colombia is located between the mountains, at the north tip of the Andean Cordillera. The first big impact is right upon

arrival, recounts Carlos Maurício Ferreira, the executive heading up, from Medellín, the Latin American expansion of Algar Tech, the IT company of the Algar group (from Uberlândia, Minas Gerais). The city is located in a valley 1,500m above sea-level, and the airport, in a neighboring town, is at an altitude of over 2,000m.

Travelers who head down to the city feel the temperature rise from 15 to 23 degrees (average temperature of Medellín) and have a stunning view of the valley and the metropolitan region. Carlos and his family arrived in 2013 and were immediately won over by the hospitality of the *paisa* — the people from the department

(equivalent to Brazil's states) of Antioquia, where Medellín is the capital city. "I feel *amañado* with the city", he says, using a term for those who fall in love with it. "The people are very welcoming and the climate is perfect". Below we include his recommended itinerary.

**1** The city from above: between mountains

**2** Botanic Garden: lovely stroll and local food

**3** Pueblito Paisa: replica of traditional settlement

**4** Plaza Botero: breathtaking sculptures



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

A 3-4 hour stroll isn't much to unearth the best of Medellín, namely its people. But it's enough to visit a few not-to-be-missed places, starting with *Pueblito Paisa*. Located on a hill near downtown Medellín, this replica of a traditional settlement takes us back to the historical interior of Colombia, its habits, architecture and food. It's a good place to buy souvenirs and take some great photos of the city. After the *pueblito*, go straight to Plaza Botero, dedicated to the artwork of Fernando Botero, Colombia's most renowned artist. Take your time. The sculptures are breathtaking.

THE NEXT visit marks a break in time, as we leave the historical part of Medellín and head to the heart of the modern city: the Ruta N Complex, in the Medellín Innovation district. Here we find the backbone of the urban transformation

that last year earned Medellín the title of the world's most innovative city, in an award ceremony organized by Urban Land Institute, the Wall Street Journal Magazine and Citigroup. Leaving Ruta N, I suggest continuing via Avenida del Ferrocarril to catch a glimpse of the main campus of the University of Antioquia, which is more than 200 years old. This was also where another even more famous and acclaimed Colombian studied: Gabriel García Márquez, winner of the Nobel Prize in Literature and who recently passed away. After passing through the University, head to the Planetarium and Parque Explora, an interactive science museum and a really cool place full of rooms for scientific and cultural experiments, definitely one of my favorite spots in the city. If you have some more time, go for a stroll around the sumptuous Botanic Gardens, right in front of you.



## If you have a whole day...

**LET'S REPEAT** our walk at the end of the first day, at the Botanic Gardens. There you can also eat a meal with local specialties. And on the subject of food, the national food of Colombians is corn, which is present in many dishes and arepa (a type of bread that goes well with absolutely everything here). In Medellin, *bandeja paisa*, a calorie-filled mix of meat, pork rind, fried eggs, rice and beans (nothing to scare a fan of your standard cheap meals in Brazilian taverns) is very popular. More on the city's restaurants below.

**SINCE WE'RE** in the North Zone, let's climb the mountain. After strolling through the Botanic Gardens, head to the Caribe metro station, on the other side of the Medellín River, not too far away. There, you can make the connection to Metrocable, a public cable car that scales the mountainside. Like in Rio de Janeiro, this is where the poorer population build their houses (some people say that the similar system installed in the *Comunidade do Alemão* shantytown was based on Medellín).

**AT THE** end of the Metrocable line, you will find one of the most famous architectural works in the city, Parque Biblioteca España. This large building at the top of the hill is a project of the Colombian architect Giancarlo Mazzanti and became a symbol of the city's transformation (better known, up until two decades ago, for the violence of the drug cartels) and the presence of the State in the poorest communities. It's worth a visit. Back to downtown Medellin, visit Plaza Mayor, home to events and fairs, Parque de los Pies Descalzos and the Metropolitan Theater (which boasts excellent operas and city orchestras). On the other side of the river, we have Macarena, a venue for popular shows and also the stage, in the first two months of the year, of a still very popular Spanish passion around here: bull-fighting.

**AT LUNCH** or dinner time, Medellin has great restaurants. The best in terms of service, ambience and a decent menu of meats, pastas and fish, is *La Provincia*, at Calle 4 Sur, El Poblado. To discover the traditional cuisine, check out *Hato Viejo* (Las Palmas, close to Hotel Intercontinental, or in the Oviedo business center). Basílica, in Lleras, has the best fish and seafood menu, and ceviche to leave Peruvians' taste buds watering. Looking for a hamburger with the best draft beer? Go to *El Corral* in the *El Tesoro* business center, with a view of the city. And if you want to satiate your lust for the famous Minas Gerais pork rind, go to *El Trifásico de Envigado* (town in the metropolitan region). Unbeatable.



PICTURES: HANDOUT

## If you have a whole weekend...

**A WEEKEND** means a night in the city, and Medellin won't disappoint those keen to take in its bohemian attractions. You can choose between the so-called *zonas rosas*, home to bars, restaurants and nightclubs: one of them, in the district of Laureles, is the tree-lined Avenida Jardín, which links two cool plazas with places to eat and drink on both sides. Another is Parque Lleras, a well-located plaza and also surrounded by bars and restaurants. The Rio Sur building, the newest and trendiest *zona rosa*, is a mix of the business center, the best gym in the city and a heck of a lot of partying.

**WITH MORE** free time, we can leave the city center and use one of our two days to *pueblar*. This verb is used by the *paisas* to describe short trips to the towns surrounding Medellin (the *pueblos*), with their friendly locals, native food and attractions. My suggestion is to visit Guatapé and Pedra do Penhol, a local version of our Sugarloaf Mountain some 80km from the city. It is a 220-meter cliff close to the *pueblo* of Guatapé, near a damn with a broad pavement for strolls. You can also ride a boat and practice watersports.

**BACK IN** Medellin, there are another two great places to eat. The Carmen restaurant, in Provenza, is always full of trendy folk in its five ambiances (with bar and DJ). The menu is excellent, for both food and wines. Herbario (close to Lleras) and Provenza both offer modern dishes and an excellent wine menu.

**FINALLY, MEDELLÍN** is great for practicing a "sport" loved by Brazilians: shopping. There are lots of shopping malls featuring stores for all tastes. And the best part: the prices are lower than in Brazil, especially in male clothes. An imported top-quality *super 120* suit can cost up to three times less. That could be the incentive lacking to convince more Brazilians to discover this charming city.

**1** Cable car: public transport innovation

**2** Parque España: library at top of hill

**3 and 5.** Restaurants: dining room and octopus at Gulf of Herbario...

**4 e 6** ...and dining room and shrimps at La Provincia

**7** Guatapé: take in the lake and cliff in one day



## GLOBE-TROTTER In Transit

# Only in good companies

*Puket's strategy to set up 50 sales points abroad by 2017*

CLAUDIO BOBROW\*

After 26 years on the road, we at Puket decided to start our process of going international. Our brand of socks, underwear, pajamas, shoes and a series of accessories with a lighthearted touch is sold in 150 franchised stores on the domestic market. The same business model and exact same products will gain space in South Korea, Central America and the Middle East, amongst other parts of the world in the coming months.

The only difference in relation to what we have been doing in Brazil relates to the profile of the foreign franchise holders. In Brazil, we look for entrepreneurs who want to open three or four operations to which we provide assistance on various fronts – whether in relation to supply, IT, Visual Merchandising, team training, choice of location etc.

Our goal in exporting the stores is a daring one. We aim to have 50 sales points spread around the world by 2017. To achieve this, we decided to look for partners who know and dominate their markets. Our targets are experienced retail groups which already operate with a number of brands in their own chains. This means we will not need to support them in the retail operation and can

concentrate on teaching them about the particular features of the Puket brand and operation.

To take on new and distant challenges on our own it is not an easy task. It demands time, resources and talent to understand and assimilate all the variables of the market which the local operators already dominate. For this reason, we decided to explore the world together with good and strong companies. The list includes traditional retail groups and department stores which will be responsible for training the sales teams in line with our standards.

In the coming weeks, we foresee the opening of two corner stores in Guatemala and three in El Salvador, all located in points with a great flow of people. This option translates our desire not only to display our products but also to give them due value in the eyes of foreign consumers in areas with an identity that matches the brand. We are confident on the eve of our overseas baptism. Our partners highlight the originality and good humor of

the Puket lines as valuable features. They appeal to consumers as they reflect the world concept of what being Brazilian is all about, highlighted further by the World Cup taking place in Brazil. What is a success in Brazil today will likely be repeated in other countries. The whole world, for example, likes Havaianas as much as it likes the iPhone. If you have a strong, solid, creative brand that has big differentials over the competition, you will have a great chance of growing in any part of the world.

Obviously there are many challenges but they do not put us off. For example, when we were about to start our activities in 1988, we were forced to redirect our product line as we received machines to manufacture socks for adults and not children, as we had ordered. Like good Brazilians, we know that there are no such things as problems, only challenges. For this reason, we always try to surprise clients with our products that enchant them and bring color to their lives.

\*

*Claudio Bobrow is founding partner of IMB Têxtil SA - Puket*

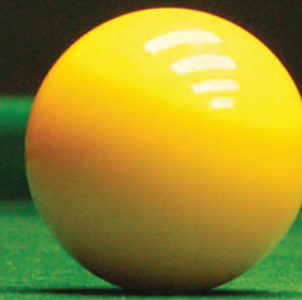
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