



BRAZILIAN COMPANIES GO INTERNATIONAL

▄▄ **MAKING BUBBLES**

The quality of the sparkling wines from Serra Gaúcha wins the certification of international awards

▄▄ **AMERICAN NEIGHBOR**

Brazilian companies are the largest direct investors in the United States among the Brics

▄▄ **LOCAL KNOW-HOW**

With an eye on the global market, GE and Boeing have set up centers in Brazil to carry out technological research

HUNGRY FOR MARKETS



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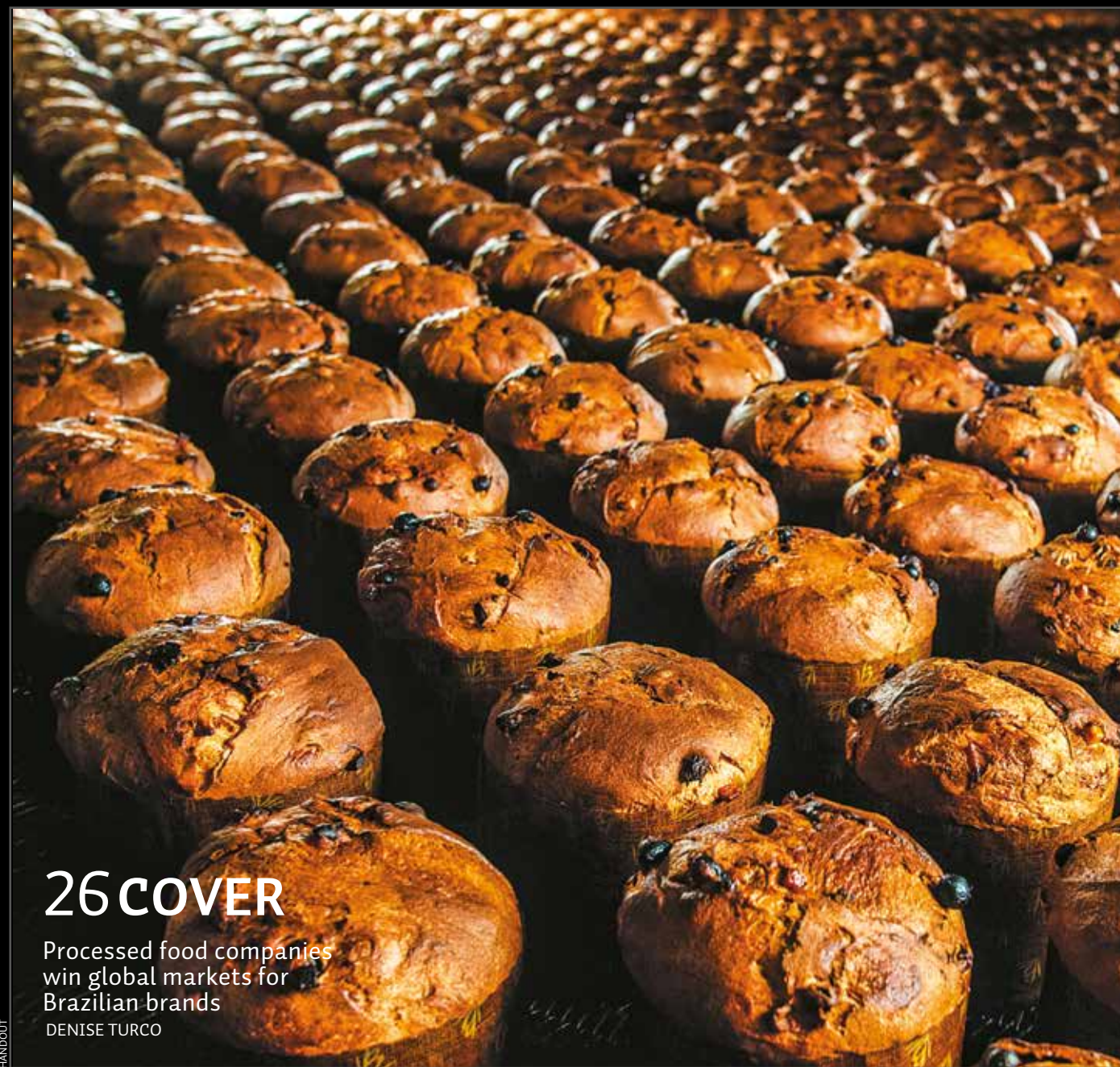
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DARIO PALHARES

Time for Brazil’s own brands

Hidden among American government statistics is a number that draws attention: Brazilian companies have the highest stock of foreign direct investment in the United States of all the BRIC nations, well ahead of Russia, India, China and South Africa. The presence of these companies and the efforts by the White House and the American state governments to attract more Brazilian investments is the subject of the article by Dario Palhares on page 18 of this issue of PIB magazine. It is also a reminder at this time, when the government of president Dilma Rousseff is renewing its mandate, of how Brazilian multinationals are gaining markets around the world, despite the difficulties, and how much still needs to be done in Brazil to strengthen their global competitiveness.

Foreign competition is also the theme of our cover story. Denise Turco shows how a group of food producers are working to raise Brazil from its plight of being an exporter of coffee beans, soybeans and fresh meat, i.e. food commodities. These are companies that are pursuing the demanding foreign consumer by taking the most difficult route: with processed products and own brands. They are still very few compared with the avalanche of fresh food that Brazil sends to the global market but they are opening the way for cookies, sweets, processed meats, energy drinks based on acai and guaraná and the cheese bread from Minas Gerais state to become known and consumed abroad. (Another article in this issue echoes the cover story and shows the advances made by sparkling Brazilian wines on the international market.)

The small but outstanding company in this edition is Extech-Link from Ourinhos in São Paulo state that produces capital goods for the vegetable oil industry and has gained the Proex Excellency Prize as the outstanding exporter by Banco do Brasil. Finally, the leisure option for a business trip introduces us to the charms of Santiago, the Cordilleras of the Andes and Chile’s wines. Cheers!

Nely Caixeta



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Antenna

Dario Palhares

Odebrecht moves ahead in Cuba

For Odebrecht, the Brazilian engineering and infrastructure multinational the recent announcement of the restoration of diplomatic relations between the United States and Cuba by presidents Barack Obama and Raúl Castro is virtually a recognition of its business strategy in Cuba. Odebrecht upgraded the port of Mariel, around 40 km from Havana, in an operation that was supported by the Brazilian government and financed by Brazil's National Development Bank (BNDES). The project was criticized by the strong anti-Castro Cuban lobby in the United States and also by the opposition in Brazil during the electoral campaign which claimed it was an example of the misuse of BNDES resources. Faced with the Obama's administration turnaround in relation to doing business with Cuba, Odebrecht may have won a big advantage over future competitors from the United States and other parties interested in trying to win contracts in Cuba. "The trailblazing presence in any market brings business and strategic advantages. Moreover, we are used to working in countries with strong competition," Odebrecht said in a note for PIB magazine. The Brazilian constructor

said that it went to Cuba with a long-term view and not just to carry out a single job. "Whenever we arrive in a new country, we try to establish a permanent presence and want to be recognized as a local company," the note added. Odebrecht defends the loans the BNDES granted to the Cuban government for the port renovation project which was finished a year ago. They amount to around US\$ 680 million and, according to the note, the interest rate was not subsidized and the deal created foreign exchange for Brazil. Odebrecht also estimates that US\$ 802 million invested in the work was spent on buying goods and services in Brazil, creating 156,000 direct and indirect jobs in the country. "This policy is the right one because it meets Brazil's interests," said Odebrecht, adding that 400 domestic companies, many of them small and medium-size, arrived in Cuba with their products and services to modernize the port. Odebrecht has two new projects in Cuba: the expansion of the José Martí airport, in Havana, and a sugar-alcohol project budgeted at US\$ 327 million.

1 Port of Mariel: beating the competition

2 Connected population: northern Europeans have an advantage

Brazil: 5.5 grade in connectivity

Brazil has risen by two grades in the ranking of the most connected countries, reaching 65th position. This puts it ahead of Turkey (68th), Colombia (77th) and China (86th), and behind Uruguay (48th), Costa Rica (55th) and Argentina (59th). The survey carried out by the International Telecommunication Union (ITU), a United Nations agency specializing in Information Technology and communications, is based on the ICT Development Index (IDI), which takes into account 11 indicators, including the availability of fixed and mobile telephones and computers, as well as the obvious level of access to the Internet. Denmark is top of the table and assumed first position, with an IDI of 8.86, only 0.01 point higher than South Korea and well ahead of Brazil by 3.36 points. The six top players include Sweden, Iceland, the UK and Norway, whose capital, Oslo, has free wifi in public buildings, squares and on public transport. The least connected countries are all in Africa and include Mozambique

NORDIC COUNTRIES AHEAD global connectivity Ranking

	2012	IDI	2013	IDI
1	South Korea	8.81	1 Denmark	8.86
2	Denmark	8.78	2 South Korea	8.85
3	Sweden	8.68	3 Sweden	8.67
4	Iceland	8.58	4 Iceland	8.64
5	Holland	8.36	5 UK	8.50
6	Norway	8.35	6 Norway	8.39
10	Japan	8.15	11 Japan	8.22
14	US	7.90	14 US	8.02
18	Germany	7.72	17 Germany	7.90
67	Brazil	5.16	65 Brazil	5.50

Source: International Telecommunication Union (ITU)

(1.52), Ethiopia (1.31), Chad (1.11), Niger (1.03) and the Central African Republic, which comes last among the 166 countries surveyed with an IDI of 0.96. The ITU says the world will have 3 billion web surfers by the end of 2014, an increase of 6.6% over 2013. This means that 43.6% of the global population will



be connected in 2015. Brazil should overtake Japan in terms of surfers this year to reach fourth place, with 107.7 million compared with 99.2 million last year, according to estimates by the American consultancy eMarketer. China

should easily maintain its lead position as the country with the highest number of people connected to the Internet, with 643.6 million by the end of this year, followed by the US (252.9 millions) and India (215 million).

PICTURES: HANDOUT

Back to the beginning

Ferrante, a São Paulo company that makes chairs and equipment for barbershops and beauty salons, was founded in 1928 and has been exporting in a small way to some markets in Latin America and Africa. Now it is about to cross the ocean to Europe, the birthplace of the parents of its founder, Gennaro Ferrante, with a revised version of his first creation, the A-Type chair. "A partner decided to present it at the Italian trade fair Cosmoprof last year," said Renato Ferrante, the grandson of the founder. "This was quickly followed by interest from three buyers from the UK, France and Italy itself. Negotiations are at an advanced stage." The chair was launched at the end of 2012, to celebrate 85 years of the company's founding in Cambuci and the new version of the A-Type is luxurious indeed. It is finished in polished wood, the side parts are in polished aluminum, the base has chromed stamped steel and can be coated with leather. The model shows the signs of a master designer, Dutchman Jacob Breur, who has provided services for Ferrante for 15 years.



Miami, number 1

PICTURES: HANDOUT

There is no doubt that Miami is the darling of the Brazilians and not only for shopping. A survey by the Spanish site Agarre.com, which specializes in travel, shows that Miami is the most sought after spot abroad by its Brazilians clients for the year-end celebrations. Since October, when bookings began for the period, 23% of air tickets issued by the portal have been for Miami, followed by New York (17%), Madrid (13%), Los Angeles (10%), Orlando (9%), Buenos Aires (8%), Santiago (6%) and Lisbon (5%). The fans of Ocean Drive, Lincoln Road and Little Havana are mainly women (60%) and young – 45% are aged between 26 and 35, according to Agarre.com. These travelers spent around US\$ 1.68 billion in 2013, according to a survey carried out by the Greater Miami Convention & Visitors Bureau (GMCVB), the city's tourism body. Purchases in outlets and shopping malls led the way, with US\$ 498 million. A breakdown of the figures shows that eating out (US\$ 473 million), accommodation (US\$ 331 million), leisure (US\$ 229 million) and transport (US\$ 151 million) were the main items. In 2010, Brazilian tourists were the first foreigners to reach the US\$ 1 billion mark in spending in Miami in a single season. A new record is expected in 2018, when the Brazilians should spend US\$ 2 billion.

1 Type
A chair:
design in
hairdressers

2. Art Deco
district
in Miami:
magnet for
Brazilians

3 Cruz from
Lecom: prize-
winning
software

Coffee with software

An unlikely duo ensured that Brazil won the trophy in the 20th WfMC Global competition of the Workflow Management Coalition that presents awards for cases of the use of software in business management and work flow processes. The program in question is the Atos BPM, created by Lecom from São Paulo, that gave a new boost to the internal management of the coffee and filters producer Melitta. The jury granted 17 awards in total, of which 15 were for partnerships on the American market. Besides Lecom, only Integradoc from Uruguay managed to break the American dominance. "Being able to show the potential of our technology positions Lecom as a player on the international market," said João Cruz, CEO. He is pinning his hopes on the fifth version of the AtosBPM program to expand the company's presence abroad.



3

MANDO E-MAIL OU
FALO POR TELEFONE?
PRODUZO AQUI OU NA FILIAL?
RENOVO O CONTRATO
OU TROCO O FORNECEDOR?
LANÇO O PRODUTO AGORA OU
ESPERO UM POUCO?

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Brazilian design in demand

Brazilian design is going very well, thank you very much. After reaching the unprecedented level of 25 trophies at the latest edition of the iF event, regarded as the Oscar of industrial design, Brazilian design also did well in another important global competition, Red Dot. In total, it won two prizes for the manufacture, two for projects and seven in communication. Besides that, Brazilian designer Gustavo Greco, director of Greco Design, from Belo Horizonte was on the jury in this last category. “Brazil has maintained its performance in this segment, winning six prizes in 2013 and seven this year. The difference is that we won the Grand Prix at the Red Dot last season in contrast to this time round,” he said. This feat by the studio from Minas Gerais state occurred through the creation of the visual identity of the 4th Brazilian Design Biennial, held in 2012. This work was one of the 10 considered for the GP from a total of 6,823 applicants. It also received a golden medal at the beginning of 2014, from the iF Award judging panel. “Brazil is one of the 10 most awarded countries in industrial design competitions,” said Greco. “We don’t win more prizes because we are reluctant to apply. We should follow the examples of China, Taiwan and South Korea that bet on hundreds of projects.” Greco is a domestic benchmark in Brazil. It was founded in 2005 and has accumulated prizes in a number of international competitions as well as the iF and the Red Dot. These include Design Lions from the Cannes Festival, D&AD, El Ojo de Iberoamerica, London International Awards, Bienal Iberoamericana de Diseño, How International Design Award and Print Magazine. As well as adding more prizes to his trophy room in 2015, Greco will have the special mission of being a member of the juries of the iF in Germany in January, and the D&AD, in England in April. “The great competitions raise people’s awareness of the importance of design. In our particular case, it also helps put Minas Gerais state and Brazil on the world map,” said Greco.



1



2



PICTURES: HANDOUT

Foreign reputation

Brazil has maintained 21th position on the international ranking for reputation created by Reputation Institute, a consultancy that advises organizations in developing strategies and practices for the management of their reputation and is present in more than 30 countries. This year’s survey, held between January and March, involved 27,000 people from the G8 nations (Canada, France, Germany, Italy, Japan, Russia, UK and US) and 30,000 from the emerging countries, such as China, India and Brazil. The views of those interviewed were assessed on 55 countries in 17 aspects, such as natural attractions, entertainment options, economic potential and investment opportunities, quality of products and services, and transparency and corruption indices. The survey, which is in its fourth version, shows that Brazil is ahead of its neighbors in Latin America – Argentina, Peru and Chile occupy respectively, 26th, 27th and 30th positions – and even outstrips the United States, which appears in the 22th position. The two countries, by the way, have remained practically tied in the table from the very beginning of the survey. Brazil’s registered 57.5 points and stood out for its beauty and sympathetic people this year. It was in 20th position in the 2012

IN THE WORLD’S EYES International Ranking of Reputation

	Countries	Points
1	Switzerland	76
2	Canada	75.6
3	Sweden	75.1
4	Finland	74.6
10	Germany	69.9
14	Japan	68.4
15	UK	66.7
21	Brazil	57,5
22	US	56.4
30	Chile	52.3

Source: Reputation Institute

survey. The US (56.4 points) has the best figures for own brands, technology and job market. Switzerland overtook Canada and Sweden at the top of the table to assume first position. The biggest jump in terms of last year’s survey, among the top 10 was Finland that rose from 10th to fourth position, overtaking Australia, Norway, Denmark and New Zealand.

1 Greco: jury member around the world

2 Examples of Brazilian design: prizes galore

3 Port of Teluk Rubiah: from Malaysia to China

Vale moves closer to China

Vale’s new distribution center is already in operation in Malaysia. The Teluk Rubiah maritime terminal in the Malacca Strait was constructed at an investment of US\$ 1.37 billion. It has a deep water port, allowing access to large ships from Brazil and five storage yards where different kinds of iron ore can be mixed and customized according to the steelmakers’ needs. It has the capacity to receive and export 30 million tons of the product a year and the new logistics center will play a strategic role in reducing costs and, above all, serve China, the largest consumer of iron ore in the world.

It’s always worth making an effort

To inspire potential entrepreneurs. This is the aim of the book “Vai que dá” (“Go for It!”) coordinated by the journalist Joaquim Castanheira, with presentations by the billionaire duo, Jorge Paulo Lemann and Beto Sicupira, partners in 3G Capital. The book tells the story of 10 of the 55 Brazilian companies which have been supported by Endeavor, an international organization that aims to encourage entrepreneurship in emerging economies. Lemann and Sicupira were responsible for the arrival in Brazil in 2000 of Endeavor which publishes the book jointly with Portfolio-Penguin. The book presents the stories of the founders of Arizona, Acesso Digital, Sirtec, Prática, Tectis, Uatt?, Casa do Construtor, To Life, Grupo Prepara and Clearsale. Clearsale has only been on the road for three years and is planning to go to the United States after taking over the domestic market in risk management systems for fraud in e-commerce. Grupo Prepara, owner of the largest network of professional courses in Brazil, is also expanding internationally opening units in Angola and Japan.



3 questions for Evy Cynthia Marques

The accusation made by American investors — that Petrobras falsified important information by presenting figures to the market that included fraud and overpricing — could expose the Brazilian company to unprecedented penalties in the United States. With an eye on the investigation by Brazil's Federal Police into the corruption and money laundering scheme that involves Petrobras and large constructors, the New York District Court is already getting together lawsuits by local investors against the Brazilian state-owned company, while the American Justice Department is starting to pay close attention to the scandal. This is the opinion of lawyer Evy Cynthia Marques, professor of Postgraduate Corporate Law at the Law School of the Fundação Getúlio Vargas business school, GVLaw, and partner in the firm Felsberg Advogados. "The new feature of the Petrobras case is that the American authorities do not usually focus their attention on the company that receives supposed bribes but on the companies that paid the bribes. Therefore, should Petrobras be punished, this could be regarded a symbolic case for the American authorities," said Marques who spoke to PIB magazine (see the following Q&A).

What legal risks does Petrobras run in the United States?

There is the risk of civil, criminal and administrative responsibility by violating the American capital markets laws as well as the Foreign Corrupt Practices Act, FCPA, the

American anti-corruption Law, which also has specific rules for accounting provisions. The civil responsibility will be examined in "class actions" filed by certain investors in the New York District Court. Nine "class actions" have been filed against Petrobras to date. "Class action" is a kind of lawsuit that allows one or more investors to file an action in its own name and the name of a group. Other actions can be filed by other American investors. These will probably all be put together and the judge will deliver one judgment for all, after an extensive period of probative instruction, known as discovery.

What are the demands of the lawsuits filed in the New York District Court?

Investors are demanding payment for the damages caused from the breaking of rule 10B5 of the American capital markets law in relation to Petrobras ADRs sold on the New York Stock exchange between 2010 and 2014. The rule states that any material fact that can influence the investor in taking a decision on buying or selling a security should be announced to the market. Investors claim that Petrobras made a number of false declarations because there were overpriced amounts in many published contracts, which, therefore, also distorts the numbers published in the financial statements and the value of the ADRs.

What are the toughest and most exemplary sanctions imposed by the American authorities in corporate corruption scandals?

A symbolic case is that of Enron where the damages granted by the American Court came to around US\$ 7.2 billion. In terms of the FCPA, which has been applied a number of times by the US authorities, the biggest fine to date was around US\$ 800 million, in the case of Siemens, last decade. The German company admitted that paid bribes systematically to foreign government employees to get deals and made an agreement.



HANDOUT



Aline Arantes
EX-PARTICIPANTE DO
COLETIVO COCA-COLA

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Fashion Passport

The much vaunted success of Brazilian fashion abroad until now has really only been an unfulfilled promise. To give a new boost to the sector, the Brazilian Association of Stylists (Abest) and the Brazilian Trade and Investment Promotion Agency (Apex-Brasil) launched the Fashion Label seal in November. The initiative aims to raise the value of Brazilian fashion design and, in turn, encourage exports. "The Fashion Label Brazil initiative is very important to unify our message and our identity on the international market," said Roberto Davidowicz, president of Abest. "The launch of the seal, as a strategy to reposition the brand for exports in the sector,

is essential to highlight the committed attitude, consistency and liveliness of Brazilian fashion," said Mauricio Borges, president of Apex-Brasil. The "passport" will be available for the 108 brands that are associated to ABEST. The intention of ABEST and Apex-Brasil is that this seal will be used in trade fairs, fashion shows and showrooms in strategic markets, particularly in the US, Europe and Asia. In the medium term the two partners will also be betting that the initiative will result in a reduction of the sector's trade balance which came to US\$ 5.5 billion in 2013.

1

Bus driven by all kinds of fuel

Oil and sugar cane are about to face new unusual competitors in the shape of biomethane fuel produced from agricultural waste products. These include burnt cane, organic and even animal waste. This is the case with a bus driven by gas extracted from chicken droppings that drove between the Itaipu Hydroelectric Plant to Foz de Iguaçu in Parana state from October 31 to November 26. The demonstration was put on by Sweden's Scania, which made the vehicle's motor and chassis, Itaipu Binacional, the International Center for Renewable Energies (CIBiogás-ER), the Itaipu Technological Park Foundation (FPTI) and Granja Haacke from Santa Helena (PR) which provided the gas. The bus, the motor of which can also burn natural gas, was set to drive in the Triunfo Petrochemical Hub in Rio Grande do Sul state in December. It will then head off to São Paulo and Rio de Janeiro to demonstrate the use of the technology in public city and intercity transport, said Scania director Silvio Munhoz. Some



2

Brazilian cities have already swapped ideas on the biogas with Scania. One example is Jundiaí in upstate São Paulo. The versatility of the Scania machines produced has caught the eye of transport system operators in Colombia, Mexico and Peru where natural gas is gaining room. Scania's Brazilian operation, which supplies the region, is considering producing the new generation of drivers of the brand which are currently only made in Sweden at its plant in São Bernardo do Campo, in the ABC region of São Paulo.

A negative surplus

Brazil's trade balance should change course in 2015 and move from the red into the black. This is the view of the Brazilian Foreign Trade Association (AEB) which is projecting a surplus of around US\$ 8.140 billion compared with an estimated deficit of US\$ 4.582 billion this year. However, this does not point to any move toward a recovery by exports. Foreign sales should actually decline by 4.3% to US\$ 215.360 billion but their decrease will be offset by the foreseen 9.8% drop in imports which should come to US\$ 207.220 billion. It will be a 'negative surplus'" said José Augusto de Castro, the AEB president, with a touch of irony. Industry, which is losing out in exports should receive some relief from the exchange rate. The Association believes that the dollar will trade at between R\$ 2.60 and R\$ 2.90. Nevertheless, commodities will continue to account for most sales, with a share of over 60% of exports.

South or North?

President Dilma Rousseff's lack of appetite for dealing with international affairs is well known and contrasts with the approach taken by former president Luiz Inácio Lula da Silva. Lula was constantly travelling around the four corners of the world selling Brazil like a travelling salesman, helping to open the road for Brazilian companies to do deals. As the new government is being putting into place, speculation has arisen that Rousseff intends taking Lula's advice and replacing the current foreign minister, Luiz Figueiredo, by someone who is more in tune with foreign trade and helping Brazilian companies go international. Marco Stefanini, CEO da Stefanini IT Solutions, which is present in over 30 countries, recognizes the different styles of the two presidents but says that, regardless of this, the country faces a task at this moment. "We need to decide where we want Brazil to go in the coming five or 10 years. In which areas do we want to be competitive and work? Will we take part in the global value chain or not? If we are going to participate, we need to open the economy more. This will lead to some sectors falling and others to do well," he said. Stefanini also said Brazil had to make other strategic choices. "With whom are we going to maintain preferential trade relations? Brazil made a strategic bet on the Mercosul free trade area which did not bring good results. He also called for a greater opening to trade through more bilateral agreements. "Are we going to continue to look at the South or have a stronger relationship with rich countries and neighbors in South America like Colombia, Peru and Chile?"

3



HANDOUT

1 Colcci in New York: native fashion

1 Bus driven by biomethane: waste as a fuel

2 Stefanini: Brazil wants to be competitive in what?

America, here we come

Brazilian investment in the US has doubled in five years and interest remains high

DARIO PALHARES

There was a time when Brazil was always on the receiving end of investments. However, it has started to “export” large amounts of capital and shown a strong, unequivocal preference for the United States. The process got underway at the end of the last decade when Brazilian groups set off in pursuit of American companies that had been weakened by the international financial crisis. After this, Brazilian companies acquired a taste for investing in the US. The investments gained a boost more recently with the simultaneous heating of the American economy and cooling of business on the domestic front. The result is that the stock of Brazilian foreign direct investment In the world’s biggest consumer center jumped from US\$ 7.270 billion to US\$ 14.852 billion between 2009 and 2013, the ninth-highest growth in the period (see table on opposite page). This amount easily outmatched the positions of the other BRIC members in 2013: Russia US\$ (10.6 billion in 2012), India (US \$11.040 billion), China (US\$ 8.023 billion) and South Africa (US\$ 3.647 billion).

“Many Brazilian companies are rethinking their strategies and

speeding up their processes of going international. The choice of the United States is the safest option but also represents great challenges as it is a very competitive market with lower margins,” said Fábio Yukio Yamada, head of Tradebrz, the trade representative in Brazil of the state governments of Pennsylvania, Florida, Missouri, Maryland and Delaware.

Interest is growing, as the American Chamber of Commerce, Amcham, knows well. Its trade

Brazil is the leading investor in the United States among the BRICS

missions to the US used to be irregular but have gained scale over the last five years. Today there are an average of five such missions a year and waiting lists to join, which was not the case in the past. One of the latest, that took place in November, focused on entrepreneurship and innovation, with stopovers in New York, Boston and Miami. “We have taken more than 240 local executives to the United States since

2009,” said Michelle Shayo Tchernobilsky, director of institutional relations at the Chamber.

All the signs are that Amcham will have to beef up its programming in 2015. Its site registered an increase of 317% in downloads of manuals aimed at those wanting to do business or invest in the US: from 838 in 2013 to 3,500 between January and August. Another measure of the interest was the heated demand for the launch of the SelectUSA program to attract investments (see box on page 50), held at the Chamber’s head office in São Paulo

on August 27. “The event attracted more than 300 business people and executives. Another 100 who were on the waiting list could not get in,” Tchernobilsky said.

Along with the business people and authorities – such as Liliana Ayalde, US ambassador to Brazil, and Kenneth Hyatt, undersecretary of state in the Department of Commerce – the Select USA presentation was attended by the trade rep-

resentatives in Brazil of the American state governments, including Yamada and José Madeira, who looks after Georgia. Yamada, who represents five states, highlighted the work carried out for Pennsylvania which has 24 offices with jurisdiction over 72 countries. “When I took over the position in 2001, there were two Brazilian companies there at most. Demand has taken off over the five years.”

Two large Brazilian groups were the pioneers in the period and made deals that had a great impact on Pennsylvania. Braskem arrived in Philadelphia in 2010 and bought Sunoco’s propylene division for US\$ 350 million. Three years later, 3G Capital, belonging to Jorge Paulo Lemann, Carlos Alberto Sicupira and Marcel Hermann Telles, expanded its collection of American icons – which included the brewer Anheuser-Busch, producer of Budweiser, and the Burger King fast-food chain – with the purchase of control of the Heinz condiments company based in Pittsburgh. The deal, made in partnership with the American investor Warren Buf-fett,

amounted to US\$ 28 billion. “The most recent bet came from Fibria, the largest Brazilian eucalyptus

BRAZILIAN APPETITE

HIGHEST RATES of growth in foreign direct investment (FDI) in the US between 2009 and 2013

		AVERAGE ANNUAL GROWTH (EM %)	STOCK (US\$ BILLION)
1	China	41.54	8.023
2	Hungary	36.61	0.202
3	Luxembourg	34.56	23.823
4	India	29.34	11.040
5	Norway	29.11	40.986
6	Malaysia	24.11	1.540
7	South Korea	21.72	31.520
8	Switzerland	20.83	140.142
9	Brazil	19.55	14.852
12	United Arab Emirates	15.25	21.204
13	Sweden	14.64	48.852
15	South Africa	14.31	3.647

Source: U.S. Bureau of Economic Analysis

1 Philadelphia: one of the new Meccas for Brazilian multinationals

2 Michelle: more downloads and waiting lists



Maryland, another state represented by Tradebrz, has also attracted Brazilian capital over the decade. In 2012, the São Paulo laboratory DK-Diagnostics set up an advance post in Frederick. The following year, it was the turn of EMS to arrive in Montgomery and announce an investment of US\$ 200 million in research and a laboratory through its subsidiary, Brace Pharmaceuticals. “The decision by Brace Pharmaceuticals to establish its United States headquarters in the Maryland reaffirms the state’s position as one of the most important in the world for life sciences and innovation,” said Democratic politician Martin O’Malley, head of the state government at the time.

The southern state of Georgia has been consolidating itself as one of the preferred bases for Brazilian companies on American soil. Fifteen Brazilian companies are present there, including Coteminas, Embraço, Votorantim and WEG. One of the trailblazers was Gerdau which bought a steel mill in the small town of Cartersville in 2001. The transaction with the biggest impact occurred in September 2009 when the JBS group spent US\$ 800 million to



GOVERNO DO ESTADO DA GEÓRGIA

acquire control of Pilgrim’s Pride, a chicken processor with 26 production plants in the state. “There are a

15 Brazilian companies employ 6,000 workers in Georgia

total of 47 Brazilian operations that employ around 6,000 workers,” said José Madeira who has been repre-

sending the state for five years.

Like any good salesman, he outlines the benefits provided by his client. The package includes, amongst other items, free training for the workforce, exemption from local taxes on sales to other states, tax credits for moving cargos in the ports of Savannah and Brunswick, and tax breaks of up to US\$ 4,000 per job created. “Georgia is often indicated as one of the best business



HANDOUT

1 Gerdau in Cartersville: group arrived in Georgia in 2001

2 Prospecting: Puerto Rico meets the Fiesp trade organization

from biopharmaceutical exports,” said Antonio Medina Comas, director of the Puerto Rico Industrial Development Company.

Comas led a delegation on an official visit to Brazil between August and September. The agenda included not only the launch of the SelectUSA program but also meetings with the São Paulo State Federation of Industry (Fiesp), bodies from the pharmaceutical sector and some companies. The Puerto Ricans put their trump cards on the table at all the meetings, highlighting federal tax exemption on sales to the US, average local tax rates of 4%, and tax credits corresponding to up to 50% of the size of the investments in research and development clinics. It now remains to be seen which Brazilian company will establish a presence there. “Puerto Rico is the best entry point to the US for Brazilian companies. We have a common Latin culture and, in our case, lower taxes,” Medina added.

options in the United States. The specialist magazine Area Development recently put it first in the national ranking,” Madeira said.

The former Spanish colony of Puerto Rico, which has been under US control since 1898, has entered the battle to attract Brazilian investments by offering similar benefits. It is planning to become the 51st star on the American flag. It is keeping its eye on companies in the life sciences areas, such as pharmaceutical laboratories, biotechnology and producers of medical appliances. This

choice has led the small Caribbean territory of 9,104 square kilometers to host around 80 production lines

Puerto Rico offers tax breaks for pharmaceutical laboratories

and research centers in the three segments. “We obtain annual average revenues of US\$ 40 billion just

OBAMA OVERCOMES THE CRISIS

JUNE 2011. The American economy was already showing signs of recovery from the fall it experienced at the end of the previous decade, as a result of the grave economic international crisis created in the American Market itself due to the hike of high risk mortgage loans. GDP grew by 2.5% in 2010, recovering from two consecutive years in which it shrank. The unemployment rate was 9%, one

percentage lower than the latest peak, registered in October 2009, almost twice the average registered in 2006 and 2007. President Barack Obama Nada is not prepared to provide the Republican Party with any ammunition, with which he could measure forces in the coming year, in the race for the White House, the 15th of that month he signed the Executive Order 13.577. It created the

SelectUSA program, with the aim of attracting direct investments and creating jobs in the richest country in the world.

The government initiative had a modest budget by American standards (US\$ 13 million in the first year), and did not present anything really new. None of the supplementary measures to encourage foreign investors, only a proposal to present the

incentives and good infrastructure conditions already offered by state and municipal governments. “One of the main influential agents of the SelectUSA is the Commercial service Trade Department,” area SAID Michelle Shayo Tchernobilsky, Amcham’s Institutional International relations Director. “The body had previously acted as a facilitator for business and was trying to establish relationships with compa-

nies. Now, it is also responsible for attracting foreign investors, and has to present results.”

The program had a decisive weight in the recovery of economic activity. According to a report produced in May over the last two years it has attracted US\$ 18 billion, raising the stock of foreign investment in the US to US\$ 4.6 trillion. It is not by coincidence that the local government revised the

annualized GDP growth from 4% to 4.2%, in August and also celebrated the creation of 1.8 million jobs in the private sector since mid-2013, which reduced the unemployment to 6.1%. As a result, it is difficult to understand how the Republican Party managed to win a majority in the Senate in the elections held in November. The conclusion is that Obama needs to do a better job of selling his wares.

The Cost of Isolation

Highly-dense local productive chains which are disconnected from the world economy impose costs on Brazil's productivity and competitiveness

OTAVIANO CANUTO*

International production and foreign trade have undergone a radical transformation in recent decades as production processes have fragmented along cross-border value chains. Take the example of the iPhone, Apple's sales blockbuster, which was created in California and is desired by consumers all over the world. Over 90% of its hundreds of components are produced outside the United States, in countries such as Germany, Singapore, South Korea, Hong Kong and China. The production and assembly processes are also widely spread at a time when the traditional foreign trade statistics no longer adequately reflect the trade relationship of cer-

tain countries with the rest of the world. Brazil has remained relatively marginalized in this fragmented productivity process, as seen in the preservation of local productive chains with a higher density than might be imagined for an economy of its kind. While it is commonly believed that this is a sign of resistance, it is worth pointing out that this density brings costs in terms of productivity, competitiveness and growth that are no longer enjoyed. To provide a better analysis of this question, I have split the argument into three points, as follows.

1. TECTONIC PLATES UNDER THE GLOBAL ECONOMIC GEOGRAPHY HAVE BEEN MOVING

International trade has undergone a veritable revolution in recent decades. Among the driving forces behind this change we could mention are the reduction of tariff and non-tariff barriers, the incorporation of large numbers of workers from Asia and Central Europe into the global market economy and a formidable arsenal of technological innovations. All this combined has allowed the production stages to be modularized and distributed geographically. International trade has grown faster than world GDP and, within the former, the sales of intermediate products have risen



WIMEDIA/ROBERT SCOBLE

faster than the sale of final goods.

The geography of industrial production has changed dramatically, with unskilled labor-intensive sectors moving out of advanced economies rapidly. Although the "hollowing out" of such jobs in advanced economies may have been, to a greater or lesser extent, determined by biases in trends of technological progress, the transfer of unskilled labor-intensive segments of supply chains has been part of the explanation. On the other side of such

transfers, low-income countries have experienced rapid economic growth processes stemming from the structural transformation that has resulted from the large-scale migration of workers from subsistence to modern tradable activities.

Sharp changes in relative prices in the global economy have accompanied this process. While labor prices fell – as well as prices of manufactured products, according to their labor intensiveness – prices rose for natural resource-intensive

goods, following an increase in demand coming from economically-growing low-income areas.

The logic of value chains was also extended to other sectors beyond manufacturing. Producers are opting for less self-sufficient, in-house capacities, choosing to sub-contract activities that are not essential to their business. This is also one reason for the expansion of services in GDP accounting in recent decades.

Commodity chains have increasingly relied on sophisticated services as input in upstream and downstream stages. For example, agriculture is now using increasingly more

expressed in the growth of international trade in services.

The opportunities and challenges of the international industrial division of labor are reconfigured in this new world of cross-border value chains. For low-income economies, one can say that it has become relatively easier – especially for small countries – to increase their local industrial production, since joining the market through labor-intensive segments of existing chains allows them to circumvent the limits of (a lack of) scale and sophistication in local markets. Nevertheless, such entry is volatile and can easily be

undone and relocated soon after any adverse signal comes out. This process of entry – with easy exit – corresponds to a window of opportunity for local accumulation of skills and a leap forward.

For high- and middle-income economies, in turn, it has become increasingly difficult to maintain competitiveness in those segments. It should also be noted though that some technological trajectories currently in early stage – such as 3D printing – may require the substitution of qualified for unqualified labor in a wide range of segments of existing chains, partly reversing the spatial dynamics described above.

Middle-income economies are also facing a new landscape in other aspects. On the one hand, technological spillovers – i.e. what has been learned from the contact and use of

Competition has become tougher for middle and high-income economies

services in the production stage – such as studies to match seeds to soil, weather forecasts, calculations to optimize crops and harvesting etc. – as well as the post-production stage – satisfactory transport, distribution network and branding. In the case of minerals, metals and fossil fuels, the scientific and outsourced services content incorporated from the prospecting stage to the final destination have been expanding.

The content of services embedded in industrial products has also increased. Additionally, technological innovations have increased the marketability of various services, as

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the technologies that have been created by the developed economies - productivity increases, and wider market access are now facilitated via entry at points that require intermediate sophistication levels within existing value chains. On the other, the consolidation of existing value chains raises the stakes in terms of the competition for core positions. For consolidated and mature branches, creating new chains and challenging established ones is the only alternative for low-income economies.

2. WHAT YOU SEE IN FOREIGN TRADE STATISTICS IS NO LONGER WHAT YOU GET

The statistics of exports and imports no longer serve as a gauge of how countries' foreign trade affects their allocation of factors of production. With the fragmentation of production systems and the back-and-forth cross-border movement of products at intermediate stages, one cannot ignore multiple accounting, either within a sector or in other branch in which they serve as inputs.

Only recently have data on sector-specific added-value country exports started to become available, thanks to a joint OECD-WTO initiative, where one can find information on sector-specific gross exports minus imports in the same industry and from other lines of the input-output matrix of a country. Results are often very different from those visualized with statistics of gross exports and imports.

For example, the database of trade in added value of OECD/WTO reveals that once the content of services embedded in other branches is taken into account, international trade volumes are much larger than the 25% suggested by gross trade figures. They account for over fifty

percent of total exports in countries like the US, UK, France, Germany and Italy and, perhaps surprisingly, almost a third in China. In fact, domestic and imported services appear embedded in the various branches of manufacturing, mining and agricultural sectors. It follows that the quality of services available to a country's industrial sector, whether domestic or imported, greatly affects the country's competitiveness. We believe this is an aspect of the productive development policy that is rarely considered in Brazil.

Value-added trade statistics also give a view of how Brazil maintains a level of density in its chains of domestic industrial production above what one would expect in the case of a middle-income country. Brazil shows ratios of value added relative to gross exports higher than in most

The coming and going of intermediary products distorts the statistics

comparable countries. While the weight of commodities partly explains why the ratio is so high in the case of the total export bill, the fact is that that index is also very high in most manufacturing branches, as shown in a recent research done by the World Bank.

Brazil has remained outside the process of cross-border production fragmentation. There are few exceptions, like Embraer, which operates in the center of its own global value chain. The automotive Mercosur regional network also seems to escape the rule, but it is in fact the extension of a chain with a low degree of integration with the rest of the

world. The high coefficients of value added to Brazil's industrial exports demonstrate local levels of production far above what one would expect if the economy was open, in our view. In other words, given the average per capita income and Brazil's technological sophistication, we could expect a greater use of better and more sophisticated imported input and equipment for local production than is the case.

3. HIGHLY DENSE BRAZILIAN PRODUCTION CHAINS IMPLY OPPORTUNITY COSTS

Geographic distances from advanced economies - reduced but not completely annulled by revolutions in transport and communications - partially explain why Brazil's production-chain density remains well above what one would expect from its characteristics of size, per capita income and level of development. After all, in many branches, cross-border production chains are

regional and focus on dynamic markets of high-income countries (Asia, Europe and North America).

However, the Brazilian super-density of production chains also reflects trade and local-content policies, which have remained more prevalent than in most of Brazil's peer countries - including China. Likewise, Brazil's precarious logistics and high transaction costs in trading across borders are incompatible with the logic of cross-border value chains.

Eliminating these factors would reduce the deviation between actual and expected densities, leading to a corresponding closure of less competitive production chain segments and their substitution with imports. On the other hand, the businesses left standing would be more competitive and final products would have lower production costs and/or higher quality. We are dealing here with the statistical gains foreseen in the traditional theory of trade. In the longer term, we could see the dynamic implications of the adjustment in the density of the chains,

with gains in terms of technological knowledge, greater productivity and competitiveness. Therefore,

The density of the production chains should not be an end in itself

these gains would be as great as the increase in the technological spillovers and extension of the markets that are being blocked due to the lack of integration to the productive chains as opposed to maintaining the status quo.

A combination of factors leads us to this conclusion. The technological dynamics and cost reductions in the global economy due to the increase in value-chain fragmentation have been significant, increasing the opportunity cost of the ongoing deviation between actual production densities and those that would prevail against a backdrop of a more open economy. Not by chance, despite

rising trade barriers, Mercosur's coefficient of imports from China keeps moving up. Private investors, in turn, tend to shun commitment to production lines that they see as survivors only in conditions of permanent protection.

In an economy with labor shortages - and with the disappearance of the factors that encourage excessively dense domestic production chains - aspirations of rising worker purchasing power, productive activities would be strengthened by the availability of cheaper local consumer goods and equipment, as wage and investment costs would be lower. This benefit would also apply to activities linked to Brazil's natural assets - agribusiness, the sustainable exploitation of forest resources, minerals - which form the best chances for the creation of added value global chains with a core in the country. Finally, as we have already said, these sectors currently have great opportunities to

develop other activities which are intensive in science, technology and skilled labor.

Of course, public policy support remains essential. However, this support should be more horizontal in nature rather than further encouraging the ongoing high density of production chains and companies to their benefit. These policies would no longer be directed at upholding the density of the production chains as an end in itself; on the contrary, the main aim would be to promote and sustain the competitiveness of the economy, taking its condition to insert itself into the global scenario into account.



HANDOUT/ EMBRAER

Embraer:
a rare
Brazilian
global chain

Hungry for markets

Brazilian companies are challenging the belief that the country only exports commodities and are winning markets for their processed food brands

DENISE TURCO

Brasilbev from Porto Alegre is such a new and small company that it could be called a startup. It was founded in 2009 and by 2012 already had an original product in its hands: an organic energy drink with a base of mate herb (known locally as erva-mate), açaí and guaraná, which it had created and was ready to be launched on the disputed functional beverages market. The drink is called Organique and the challenge was to make this cocktail of Brazilian biodiversity known to consumers, retailers and distri-

butors. João Paulo Sattamini, who created the drink and is Brasilbev's sales director, went on the offensive and pursued the international market right from the beginning. He foresaw sales in countries where consumption of energy drinks is a routine habit — not just as a drink served in nightclubs to give young people energy to dance all night, as is the case in Brazil — and where organic products are already part of daily consumption. "There is a lot of talk about organic products outside Brazil. That's why we obtained the specific certifications for Europe, Canada, Japan and the United Sta-

tes," he said.

Almost three years after its launch, 80% of Organique's production is exported to five countries — the United States, China, Canada, the UK and, from this year, Japan. (The company does not disclose figures for volume and revenues.) Sattamini signed a contract with a big Japanese importer at the beginning of 2014 at the Foodex trade fair in Tokyo, one of the largest events of its kind in the food sector in the world. Brasilbev dispatched 600,000 cans to the other side of the world in the first six months of the year. Organique is now on sale in 6,000

convenience stores of the Lawson Group in Japan and also appears in supermarkets, bars and metro vending machines. The company's international portfolio continues to expand and Brasilbev has a target of 10 countries by June 2015, including Chile and Belgium.

These are surprising targets for a product that arose from an academic work. The original idea of an organic drink with Brazilian ingredients arose in a project at the conclusion of an MBA course Sattamini made eight years ago in Barcelona, Spain. When he returned to Brazil, he dedicated his time to developing the idea which resulted in a product that was finally launched at the end of 2012. However, Brasilbev's origin from an academic thesis is not the only thing that

distinguishes it from Brazilian food exporters. There are two unusual new elements in the company's expansion: it developed an innovative product and created its own brand to compete on the international ma-

Brazil has always exported raw materials rather than own brands

ket. By doing so, it broke a kind of rule as Brazil has always been better known as a country that exports food commodities, such as coffee, cocoa, sugar, concentrated orange juice and soybeans. This means raw material without the added value

that transforms them into a more refined product, resulting from industrial processing and identified as a valuable brand. In other words, Brazil has always limited itself to exporting its abundant, top quality raw materials provided by a fertile soil in which almost anything grows — coffee and cocoa beans are examples. The companies from the developed countries that owned technology, distribution channels, global marketing and prestige brands reaped the job (and profits) from transforming the beans into refined coffees and chocolates served in cafés around the world.

"We are also held back because we do not have much experience



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of operating in markets directed at the end consumer,” said Decio Zylbersztajn, professor at the Economics, Administration and Accounting faculty of São Paulo University (FEA-USP), and coordinator of the school’s Agroindustrial Products Program (PENSA). “Our worst example is coffee. This is related to the European protectionism through the staggered tariff system Europe uses to protect its processing industry,” he said. Something similar occurs with tropical fruits imported through the Dutch port of Rotterdam to be processed in Europe and consumed around the world in the form of juices, sweets and canned goods. Companies like Brasilbev and a couple of others went in the opposite direction and decided to go international

in the most difficult but rewarding way: to create finished industrial products from the same raw materials and fight to win over the taste buds of the global consumer with their own brands. This is what happened with the following companies: Bauducco, a longstanding manufacturer of cookies, cakes and panettones (an Italian sweet bread containing fruits which is

AT THE WORLD TABLE

EXPORTS BY the Brazilian food and drinks industry

Year	Amount (US\$ billion)	Share (%)*
2005	20.1	17.0
2006	22.7	16.5
2007	26.6	16.6
2008	33.3	16.8
2009	30.9	20.2
2010	37.9	18.8
2011	44.8	17.5
2012	43.3	17.9
2013	42.7	17.6

*Of total Brazilian exports.
Source: MDIC/Production: Fiesp.

traditionally consumed at Christmas), from São Paulo state; Forno de Minas from Belo Horizonte, the capital of Minas Gerais state, which committed itself to exporting the traditional cheese bread, known as pão de queijo, in ready-to-bake form throughout the world; and Sadia, the BRF conglomerate’s global brand of meats and processed food products, which has become synonymous with chicken cuts. In the Middle East. These examples still reflect a minority share of all Brazilian food exports, due to the sheer weight of grains and fresh meat sales, but they point the way to reversing the historic plight of Brazil as a country that that only exports raw materials. The value of processed food and drinks exports has been increasing by around 10% annually since 2005. After reaching its peak of US\$ 44.8 billion in 2011, the industry has slipped

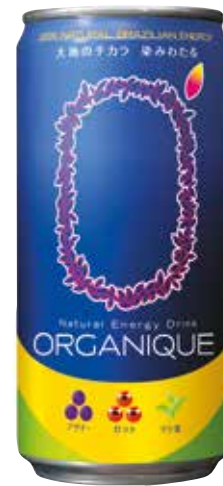
PICTURES: HANDOUT



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back to around US\$ 43 billion over the last two years, according to the São Paulo State Federation of Industries (FIESP) based on federal government statistics (see table on page 28). However, even these official figures need to be looked at carefully. Denis Ribeiro, director of economics from the Brazilian Food Industry Association (Abia), said that they brought together in food products the same group that had only a basic finishing (such as crushed fruits, for example) as well as final products that went through industrial processing.

He gives examples of the export figures from the first three quarters of 2014. The official statistics showed US\$ 30.4 billion in processed food products sold abroad between January and September this year (excluding fresh products). However, a more detailed analysis of these numbers shows that US\$ 20.6 billion of sales — around 2/3rds



of the total were still regarded as commodities or products with low added value, according to Ribeiro. (These include sugars, fats and animal and vegetable oils, for example.) This resulted in genuinely processed exports coming to just under US\$ 10 billion in the three quarters.

A new processed food plant was opened in the industrial zone of Abu Dhabi, capital of the United Arab Emirates in the Persian Gulf, at the end of November. The plant will make hamburgers, pizzas and breaded products under the Sadia brand and is BRF’s first processed food unit in the region. Its opening confirms the correctness of the group’s bet on the Middle East market, one of the most receptive for products made in Brazil and now made in the region by Brazilian companies. The plant started with 350 employees but BRF expects this to expand to 1,400 by 2017 when it aims to achieve the

1 Cheese bread from Forno de Minas: before...
2 ...and after being baked: the US is the target
3 Organique at a trade fair in China: focus on exporting



maximum production capacity of 70,000 tons/year of processed food. It follows the halal production methods as required in Muslim countries in line with the religious and hygienic requirements of Islam.

The Arab countries in the Gulf and Mediterranean have been testing grounds recently for new products that Brazil is beginning to export, said Michel Alaby, the general director of the Brazil-Arab Chamber of Commerce (CCAB) which represents the commercial interests in Brazil of 22 countries where Arabic is the official language. “The traditional items, such as soybeans, corn, sugar, coffee, beef and chicken, are already consolidated in these markets,” said Alaby who pointed out that Brazil has been exporting chicken and beef to the region for more than 30 years. What is surprising more recently is the growth in the volume of processed foods, such as chicken, chocolates, candies, peanut and Brazil nut products, organic grape juice, açai juice and guaraná. “These products are being tested in Arab countries,” said Alaby who indicated some of the new trends that

have arisen. “There is now a demand for organic products, tropical fruits and their by-products such as jams, canned goods, sweets and juices”. Brazil sold a total of US\$ 14 billion to Arab countries in 2013, mainly food (73% or US\$ 10 billion). The Gulf region (Saudi Arabia, Kuwait, Bahrain, Qatar and Oman) accounted for US\$ 5.2 billion in food or 37.4% of the total exports of last year.

To sustain this interchange, the CCAB supports the participation of Brazilian companies in the Gulfood Trade Fair. This is the most impor-



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tant event of its kind in the region and is held every year in Dubai, in the Emirates. According to Apex-Brasil (the Brazilian Trade and Investment Promotion Agency) that promotes Brazilian products and services abroad, there has been a big increase in the Brazilian share at the Gulfood event. For example, 75 companies were present this year, 50% higher than the 50 companies that went to Dubai In 2013. The Chamber of Commerce, in cooperation with ApexBrasil, took advantage of Brazil’s high international profile in

the World Cup in June to promote a festival with 150 Brazilian products in the biggest supermarket chain in Kuwait, the Sultan Center. “They sold a lot of guaraná and açaí juice,” said Alaby. The Chamber intends holding more initiatives of this kind in other Arab countries in 2015.

Guaraná and açaí can be seen as two genuinely finished Brazilian products on offer, to everyone’s delight and wellbeing. Another product - cheese bread — yet another

tasty invention that bowls over every foreign visitor to Brazil is now available abroad. Forno de Minas, from Belo Horizonte, aims to export 1,000 tons of the products this year. Cheese bread is regarded as the perfect accompaniment to a cup of Brazilian coffee. To persuade the world to take the bait, Forno de Minas is using a marketing angle that is often closely linked with Brazil’s products, i.e. it is a healthy food which, in this case, is free of preservatives and does not

- 1 Brazilian party in Kuwait: riding the World Cup wave
- 2 Meats at international fair: to 130 countries
- 3 Murchie and Sampaio: opportunities vs. Brazil cost
- 4 Marfrig; Brazilian product with global brand

DUAL PERSONALITY

PRODUCING ANIMAL protein is a Brazilian specialty. The country enjoys favorable conditions — climate, water resources, pastures and grains to feed the animals and modern industrial plants. Brazil’s impressive growth since the beginning of the 21st century has made it the world’s biggest producer and exporter of meat. More than 130 countries buy Brazilian cuts of beef and chicken, led by Russia, Hong Kong, the Middle East and North Africa. The Brazilian Association of Meat Exporting Companies (Abiec) says external sales came to US\$ 6 billion and 1.3 million tons from January to October 2014, an increase of 9.56% in value and 5.13% in volume over the same period of last year.

The big domestic meat producers and exporters have adopted a dual strategy in their international expansion. In some cases they work to consolidate their own traditional brands created in Brazil, such as Sadia that is part of

the BRF conglomerate. The company is practically synonymous with chicken in the Middle East markets, a region in which it has just opened a processed food plant in Abu Dhabi, in the United Arab Emirates. In another approach, they add names to their portfolio that have been created and established in their countries of origin. This was the strategy followed by JBS Foods when it acquired the American companies Swift and Pilgrim’s Pride (renamed Pilgrim’s), amongst other brands. This division reflects the same double-edged approach that is seen in other export markets for Brazilian foods. In the meat sector, Brazil still sells a small volume of processed products — such as corned beef and cooked

ground beef — compared with fresh products. This year’s figures illustrate the difference. Abiec says the sector had revenues of US\$ 4.87 billion from exports of fresh meat between January and October 2014 whereas sales of processed meat came to US\$ 528 million, a difference of almost 10 times in comparison with fresh food. The example of Marfrig — another big player in the sector —



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countries”. As a result, instead of exporting prime and brand cuts and sophisticated processed meats, Brazilian producers continue to send large deboned frozen or refrigerated parts to their foreign clients. Fernando Sampaio, executive director of Abiec, said there was room for Brazilian companies to grow in the global market through processed products, such as hamburgers and meatballs. However, Marfig’s Murchie says that even in the fresh meat area, once again there is a lack of competitive conditions that only action by the Brazilian government can ensure. Brazil exports to 50% of the world’s meat buyers, he said, but exporters cannot do business with the other half because there is no sanitary agreement in existence. “With our high level of plant and operations in the meat area, it is a sin that we are limited to 50% [of the potential]. However, changing this depends on bilateral agreements,” Murchie lamented.

highlights the difference. Fresh meat represents 50% of the company’s external sales whereas processed products amounts to only 8%. (Other products, such as hides, complete the picture.) Processed meats are sent to the United States, the Middle East and Africa but sales are not growing. The reason is well known, i.e. the



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“Brazil cost” as it affects agribusiness. “The cost of production and raw material in Brazil is very high,” said Marfrig Beef Brasil’s CEO, Andrew Murchie. “Buyers prefer to import and process the meat in their own

PICTURES: HANDOUT

LEARNING TO EXPORT

A BRAZILIAN trade mission went to Peru and Colombia in the first half of this year. Its members got to know how the food trade operates in the two countries, visited potential clients and had face-to-face meetings with retailers from Lima and Bogotá. All this activity occurred within the *Happy Goods* program run by ApexBrasil in conjunction with the National Cookie Industry Association (Anib). The program prepares companies in the bakery sector — cookies, pastas, cereal-based products and panettones — to take on the international market. (Brazil is the second-largest global producer of cookies and second only to the United States, according to Anib.)

One of the companies that participated in the mission to Peru and Colombia was Feinkost, a small concern from São Paulo that makes mixed cereal muesli-type products under the Cróqui brand. It had already unsuccessfully tried to win markets abroad. (It produces 130 tons of cereal-based items a month and has revenues of R\$ 15 million a year.) The Happy Goods mission allowed it to get a better idea of its target public and led the partner and owner, Gilberto Kon, to create a strategy to stand out from the competition. His idea was to offer neighboring clients tropical flavors, such as banana and coconut, as well as traditional chocolate. “These kinds of Brazilian ingredients have a charm the foreigners like.

Cereal exists everywhere in the world. We try to show that we have a competitive price, certification and packaging in three languages,” he said.

Besides the prospective missions, the program offers a kind of consultancy service on foreign trade to companies in the sector which are interested in exporting. It is called the Export Industrial Extension Project (PEIEX) and provides a technician from ApexBrasil — usually a food engineer — who accompanies the company during a period of two to four months. He makes a general evaluation of the conditions of the company and recommends what should be done so it can operate abroad. The companies that take part in the program usually obtain gains of scale in terms of production, said Anib’s international project manager, Rodrigo Iglesias. Its operations become more adjusted which leads to a better performance on the domestic market as well.

This support structure improves the international competitiveness conditions of the producers, such as Marilan, from Marília in São Paulo state. It was founded in 1957, and has been exporting since 1999 to around 65 countries. The export sales manager, César Reis, says the most important markets are Africa, South America, North America and the Middle East, respectively. Marilan does not publish detailed figures of its production nor its financial results but said it produces 300

tons/day and has 2,300 employees. It has a line of 60 products, including wafers and filled items — the driving force of Brazilian cookie exports — and exclusive items, such as a sweet snack and a product made without fat called Magic Toast.

Brazilian exports of bakery products came to US\$ 111 million from January to October 2014, an incre-

ase of 9% over the same period of 2013. Angola, the Mercosul, Chile, Colombia and Venezuela are the main export markets. The *Happy Goods* program intends starting an innovative initiative in the food packaging area at the beginning of 2015. The initiative is called Packaging Innovation and aims to help the company resolve technical problems and identify what is

the best packaging for its export products. Besides these training programs, the members of the *Happy Goods* program also have access to information collected by ApexBrasil and advice on rules, sanitary standards and safety regulations of every country — points which are essential in a sector like the food business that is sensitive in relation to consumer rights.

1 Cróqui:
Cereal with
tropical
flavors

2 Happy
Goods stand;
baked
in Brazil



contain gluten. The company has an unusual history. It was founded in Minas Gerais in 1990, sold to the American multinational General Mills in 1999 and bought back again 10 years later by the original founders, the Mendonça family. Forno de Minas has been exporting since the beginning and now has its eyes on the United States. “We have the opportunity to grow there because there are a lot of Brazilian and Hispanics in the country. However, we also want to sell to the Americans,” said the export manager, Gabriela Cioba. “We have a professional in the US checking out the possibilities of expansion and helping to develop the market.” (The company does not reveal any more details on its American strategy.)

Exports of packaged ready-to-bake cheese bread increased by 47% from 2012 to 2013. The company expanded its sales to the American market alone by 37% in this period. This expansion is expected to amount to 35% in 2014 over the previous year, with 1,000 tons of the product sold abroad. Exports represent 8% of the company’s revenues and the aim is to reach 20% in the coming years. (Forno de Minas does not provide financial information about its business.) Besides its efforts to export to the American market, the company has already made sales in Portugal, Canada, Uruguay, Chile and the UK, and is looking for partners in Colombia and China. It is also looking at possibilities in the United Arab Emirates, Peru and Ecuador.

One essential question when it comes to going abroad is where the company should concentrate its efforts. For Bauducco, one of the main Brazilian producers of cookies, the answer is close to home. The São Paulo-based company was one



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of the pioneers in the global market for Brazilian foods. It began exporting more than 30 years ago and now sells in 50 countries. However, the main focus of its efforts is South and North America, regions that are more open than other attractive markets, such as the European Union that is highly protectionist as far as this sector is concerned. "On

one hand, this preference is due to the greater ease in doing business in this region but, on the other, to the difficulty of exporting to other continents due to trade barriers," said Edgar Matos.

Bauducco has affiliates in the US and Argentina, with a physical structure and its own staff. At the beginning of its international ex-

pansion, it sold the same products abroad that were available on the Brazilian market. However, it started an international expansion strategy six years ago that involved the creation of specific products for countries and regions. To do so, it set out to gain a better knowledge of potential consumers in each market and discovered that it needed to

develop flavors that it did not offer in its panettones, crackers and wafer biscuits sold in Brazil. For neighboring countries in Latin America, for example, it sold the panettones with the essential flavor of dulce de leche. In Africa, it offers wafers with a lemon filling that satisfies the local taste for lighter and citric flavors. Similarly, chocolate fillings for Europe have to be cut back in terms of sugar as the European consumer does not have the Brazilian's sweet tooth.

To inform consumers in 50 countries, the Bauducco packaging appears in Portuguese, Spanish or English. It adds French, Japanese and Arabic in material for trade fairs and sales points. The sales abroad represent 5% of total production. Bauducco produces 65 million panettones a year, capitalizing on the strong presence of a large population of

Italian origin, not only in its base in Brazil and São Paulo but also in some of the neighboring countries. "Places with Italian and European immigrants have this custom," said Matos. "Peru, for example, has the second largest per capita consump-

Bauducco wants to grow in neighboring countries like Peru, Chile and Colombia

tion of panettones in the world and loses out only to Italy." The company is working to encourage the habit in Chile and Colombia where the seasonal tradition of panettone is not as strong. Countries that are experiencing good economic moments,

such as the three South American nations (and also Paraguay), are key parts of Bauducco's growth plans. It estimates that the international business will expand by 10% in 2014, and by 15%, in 2015.

What could frustrate these plans?

Besides the protectionist markets abroad, there is a lack of public policies in Brazil that help companies in their efforts to win new markets. The lack of free trade agreements with importing countries is one example. "Brazil is part of only one economic group, the Mercosul, which does not bring good results. It would need to make agreements with other countries or economic blocs as we are far behind in this area," said Matos, Bauducco's export

SMALL GLOBETROTTERS

YOU DO not need to be large to become an exporter. Since 2006, Brazilian companies that want to take the plunge and go abroad but do not have the structure and technical and financial conditions to do so on their own have been able to get support from a project aimed at small and medium-sized enterprises in the sector. The *Brazilian Flavors* program is a partnership between the Brazilian Trade and Investment Promotion Agency (ApexBrasil) and the Brazilian Association of Food and Drink Exporters and Importers (ABBA).

The program organizes business rounds and trade missions in which international buyers take part, promotes samplings

of Brazilian products in retail chains in other countries and helps small and medium-sized producers take part in fairs and events abroad — an essential showcase for companies that want to be seen on the global market. Companies of this size usually specialize in niche products and business usually involves low volumes and modest amounts. Nevertheless, the results are encouraging. The 38 companies that took part in the initiatives promoted by *Brazilian Flavors* exported US\$ 52 million between January and September of this year, a big rise compared with the amount of US\$ 33 million registered for the whole of 2013.

The program entered a new

stage in September when the export promotion initiatives began being set according to the specific needs of each company profile: non-exporter, beginner, intermediate and advanced. Raquel de Almeida Salgado, general manager of *Brazilian Flavors*, said the United States was currently the most important market for the companies operating under the ABBA umbrella. The program highlights some products that are offered to the enormous American market: coconut water, cheese bread, cachaça spirit, açai juice and non-alcoholic cider. It aims to launch the *Brazilian Flavors Week* in 2015 when foreign buyers will be invited to come to Brazil and get to know the flavors on site.

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PICTURES: HANDO UT



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director. Chile, Colombia and Peru — examples of markets of interest to Bauducco — have already established free trade agreements with Europe, China and the US. This reduces the costs and makes the lives of the companies in these countries easier when it comes to competing with the Brazilian producer for neighboring consumers. “Brazil has not had a group of measures that help leverage exports for 30 years,” said Fiesp’s export director, Thomaz Zanotto. “We had this in the past and all we have today are band aids.”

Brazil does better when it comes to supporting its food exporters with information and training. The bakery sector, that includes companies that produce cookies, pastas, products based on cereals and panettones, benefits, for example, through a project financed by the National Cookie Industry Association (Anib) and ApexBrasil to improve the competitive conditions abroad. Thirty companies with different levels of international maturity (including Bauducco) are taking part in a project called Happy Goods. Its main tool is the Export Industrial Extension Project (PEIEX) provided by ApexBrasil to companies that are starting to export. The program identifies bottlenecks and basic difficulties that damage the companies’ exporting ability — whether in industrial production, as such, or in the marketing or finance areas — and the critical points that need to be adjusted to attend the international market. (See more on *Happy Goods* on page 32).

ApexBrasil also supports small exporters in taking part in trade fairs, which is one of the most efficient ways of selling their products in the global market. Brasilbev, producer of the Organique drink, believes trade fairs are an impor-



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tant chapter in its history of going international. In an effort to sell its tropical energy drink abroad, the southern Brazilian company made a great breakthrough by winning a prize at the 2012 edition of the SIAL Brasil event. This is the Brazilian version of the International Food Salon (known as SIAL), one of the big global trade fairs for the food sector. The SIAL is held in Paris every two

Trade fairs are an important showcase for small food exporters

years, and presents itself as “the greatest observatory of food innovation in the world”. (The Brazilian version is held in São Paulo annually.) Like the famous Parisian fashion salon, the fair is a showcase for the launch of trends and products in the global market. (The French Salon, at which Brasilbev had already presented Organique, attracts more than 150,000 visitors.)

The drink was one of those chosen in 2012 for the SIAL Innovation Brasil prize in the Brazilian salon. The award goes to innovative food products — a recognition that becomes an invaluable credential at the time of presenting a product to potential importers. “It was great to win the prize, as it gave visibility to our brand,” said the creator. This case highlights the importance of international trade fairs as an instrument to help Brazilian food brands become better known in the world. Brasilbev, for example, takes part in around five events of this kind every year. The company has also

learned another lesson in its search for international markets, i.e. that views vary between different cultures and the Brazil brand can be a valuable asset. When Brasilbev arrived in Japan at the beginning of the year it received an unexpected request from a local importer to change the design of the packaging. The Japanese wanted the 269 ml can, that was originally black, to bear the



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colors of the Brazilian flag. The reason? Brazilian products command a premium in the region. “We had not stressed the Brazilian colors, a point that was important in that market,” said Sattamini. “We learned that we needed to be open to change”.

If you want an idea of the potential of Brazilian products on the most demanding markets — and the importance of institutional support for producers interested in the global market — have a look at Rua de Sèvres, 38, in Paris, on the left bank of the Seine. This is the address of a highly-regarded shop window for gastronomic products, La Grand Épicerie de Paris. This good food emporium attracts chefs, foodies, opinion formers and curious shoppers who check out selected products from around the world. The Brazilian colors have been present there since August. A shelf given over to Brazilian flavors offers heart of palm, coconut water, guava sweet, chocolates, guaraná syrup, desalinated sea water, paçoca peanut sweet, cachaça spirit, black beans and mandioquinha, amongst other products.

“We did something we thought

1 Cioba of Forno de Minas: American strategy

2 Zanotto of Fiesp: band aids instead of measures

3 Products from Brazil at the Epicerie: showcase in Paris



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was impossible,” said Raquel de Almeida Salgado, general manager of the Brazilian Flavors project, who negotiated the Brazilian incursion to Paris. The project is another initiative that aims to support exporters of processed food and drinks. It is run jointly by ApexBrasil and ABBA, the Brazilian Association of Food and Drink Exporters and Importers, that represents small and

The Japanese wanted Organique cans to bear the colors of Brazil

medium-sized producers from the sector. (Read more on *Brazilian Flavors* on page 34.) During a visit to the Grande Épicerie two years ago, Salgado saw that the store had products from a number of areas in the world. Why not offer Brazilian food products? The Brazilian Flavors team got to work to achieve this aim. With the help of the Bon Marché chain, which owns the emporium, and

ApexBrasil contacts in the fashion area, they presented a selection of products for the La Grande Épicerie specialists, who chose the items to be sold on the shelf given over to Brazil.

The negotiations took two years and the result represents an important conquest, considering the prestige and visibility of the Parisian store on the quality food market. The

Brazilian selection is now part of the permanent offer of products on sale. The emporium also presents a shelf on its Internet site, an Epicerie Brésilienne (www.lagrandeepicerie.com/catalogue/epicerie-du-monde/l-epicerie-bresilienne.html), along with niches dedicated to other countries and regions, including India, Italy, Asia and the Middle East. “This was the first step,” said Raquel. The aim now is to increase a variety of products on offer and promote a tasting of foods in the store from 2015. The roads are open for Brazilian flavors to take over the world.

On the routes to innovation

The giant industrial companies GE and Boeing are setting up research centers in Brazil to attend clients and create local technology

ARMANDO MENDES

When two of the largest technology companies in the world set up research centers in a country within a few months of each other, the move certainly draw attention. This is what happened this year in Brazil. GE, the engineering giant whose history is closely involved with the growth of the industry throughout the world, opened its first Global Re-

São José dos Campos Technological Park in upstate São Paulo. This is the aerospace capital of Brazil and the headquarters of Embraer and a complex of companies, schools and institutions from the sector.

Why have these centers come to Brazil? Kenneth Herd, leader of GE's Brazil research center, said the company had noticed some years ago that a strong client base was beginning to grow for its products and services in Brazil and South

America. This led GE to invest in an organization that would look for solutions to meet these clients' needs. Around half of these requirements related to the oil and gas area which helps explain

GE wants to innovate locally and export the innovations to the world

search Center in South America in November in a large glass building built on the island of Bom Jesus, in Guanabara Bay, Rio de Janeiro. Five months earlier, in June, it was the turn of Boeing, one of the world's leaders in the aerospace industry, to set up its own research center (also the first in South America) in the

why the company chose Rio as the location of the center. Rio is also the city where Petrobras and the companies that work in the pre-salt layer exploration of the Campos and Santos basins are based. It also helps to explain why the center was located on an island in Guanabara Bay. This location means GE

is a neighbor of Cenpes, Petrobras' research center, and other domestic and multinational companies active in the oil and gas chain. It also shares the location with the campuses of the Rio de Janeiro Federal University and COPPE-UFRJ, the university research institute and postgraduate center, which has become a regular partner in GE research projects. The other half of the needs the center will attend are in the energy, aviation, transport and health care areas.

Besides the potential market, GE considered other criteria when

deciding in which country and region to set up its technology center. One of these was the presence of strong political and scientific institutions that would allow it to form partnerships with governments and universities. "We are looking for an academic base with the technical skills that we need. Based on these evaluation criteria, we took the decision in 2010 to bring our research center to Brazil. Once we decided on Rio de Janeiro, we began to recruit technical people," Herd said.

The Center team has expanded to 160 people since then, 130 of

whom are in scientific and research positions. They worked in temporary installations in the UFRJ Technological Park until their own building was opened in November. Of the technical people, 95% are Brazilians and 29% women, said Herd. Around 15% are returning Brazilians expatriates. "They are researchers and PhDs who worked in research in laboratories and universities outside Brazil. We recruited them to come back to the country. The combination is very good".

The knowledge they produce locally can be replicated and used

outside Brazil, reinforcing the international nature of the local research and technology. This development was foreseen in November by GE's president and global CEO, Jeffrey Immelt. "The opening of a new Research Center in Brazil allows GE to innovate locally for clients in Latin America and export these innovations to the whole world," he said on inaugurating the center in Rio. Herd explained that the model under which GE Research Centers operate around the world facilitates and encourages the transfer of technologies between regions. The company has four centers in the United States and one in Germany, Israel, China and India. The Rio center is the fifth outside the US.

To a certain extent this also looks like happening with one of the ongoing aviation projects in the Brazilian center called Green Skies. The GE researchers are developing a technological platform based on software that allows air traffic to be handled in a more efficient and economical way. Two domestic airlines — Gol and Azul — are taking part in the project, as is the Air Space Control Department (DECEA) of the Defense Ministry, the government body that looks after air traffic in Brazil. GE says the first tests of the platform showed gains in fuel savings, lower carbon dioxide gas emissions and a reduction in the flight time. These results have awakened the interest of the FAA (Federal Aviation Administration), the regulatory body that oversees civil aviation in the United States, which approached the DECEA to find out how the program worked. "The FAA would like to know how it can use a similar approach to future regulatory developments in the United



Herd: center will have 400 researchers in 2020

GE Center:
neighbor of
Petrobras and
COPPE-UFRJ

States,” said Herd.

Boeing is the largest aerospace company in the world and aeronautic technology is certainly the main concern of its Technology Research Center in São José dos Campos. The Center’s current programs since its inauguration in June include, amongst others, research into sustainable biofuels for aviation, remote sensing and precision agriculture, and research on advanced metals and sustainable materials of

vide most of the researchers. Puppini-Macedo estimates that for each research coordinator in the center, Boeing’s partners have from 10 to 25 researchers involved in the ongoing project.

The companies and universities already attracted by Boeing in Brazil include Embraer, for research on sustainable fuel, Minas Gerais Federal University, for the program on sustainable materials of biologic origin, and São Paulo University

GE, the amount of investment announced for the Brazilian center is US\$ 500 million by 2020. However, this amount has actually doubled from its initial estimate of US\$ 250 million when the decision to set up the center in Brazil was taken four years ago. What led to this decision? Herd explained that the GE management had decided over the last three years that the work opportunities



HUMBERTO TESI

biological origin for aviation. Boeing forms local partnerships to run the programs. “Boeing’s operating model is mainly collaborative,” said Antonini Puppini-Macedo, director of operations at the Brazilian Center.

Boeing’s scientists and engineers in Brazil — who number four at the moment and are expected to increase to 15 by the end of 2015 — have the mission of coordinating and integrating the research developed with partner bodies that pro-

(USP) and Campinas University (Unicamp) to create a partner network of research in advanced metal alloys. The Boeing Center in Brazil is the sixth the company has set up outside the US. The others are in Europe, Australia, India, China and Russia. It has four others in the US.

How much are these technological giants investing in their Brazilian operations? Boeing does not reveal how much it invests in each of its technology centers. In the case of

for researchers in Brazil were much greater than had been originally foreseen. To take advantage of them, GE decided to double the number of engineers and scientists to be hired. The target went from 200 to 400 researchers who will work in the center by 2020. “Our investment in the installations are in line with the original estimate but we saw that we could do more and that is why we are investing in a larger team,” he added.



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Sparkling and bubbly

A series of prizes at international competitions confirms the Serra Gaúcha region's vocation for producing quality sparkling wines

DARIO PALHARES

Brazil's cachaça is undoubtedly the country's most original contribution to the global drinks cabinet. Cachaça is distilled from sugar and has the same relationship to Brazil as wine does to France. It is difficult to imagine France producing a cachaça or a caipirinha but the opposite is not the case. Brazilians – particularly the gauchos, as people from the south are known – have been winning valuable points in the sparkling wine area, i.e. in the generic versions, if we can call them that, of France's finest wine, champagne. "The Serra Gaúcha region has favorable conditions for planting Chardonnay and Pinot Noir grapes for the production of sparkling wines. We are ahead of other re-

gions in the world in terms of the terroir, i.e. the soil and climate," said Luciano Vian, president of the Brazilian Enology Association (local acronym ABE). The main differential, according to specialists, is the local humidity which reduces the sugar levels and accentuates the acidity of the grapes. "Brazilian sparkling wine is fresh, fine and elegant. It is the best in the new world," Vian added. The results obtained by Brazil-

26 Brazilian winemakers have won medals at Effervescents since 2004

ian wine producers in international competitions have supported this view for some time. Brazil has won 18 gold and 60 silver medals at the Effervescents du Monde event, a kind of world championship of sparkling wines since 2004. (See table alongside.) Brazil is well behind the French who invented this kind of drink. (See box on page 53.) As for the rest, Brazil is fairly near the Spanish producers in the fight for a place on the podium of the competition and has many advantages over some giants in the sector, the so-called still wines, i.e. conventional reds, whites and rosés. This is the case with Argentina (four gold and 10 silver medals in

Cave Geisse: setting the trend in Pinto Bandeira



BRAZIL IN THE BATTLE FOR THE WINNING PODIUM

RANKING OF the Effervescents du Monde competition – gold/silver medals

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	TOTAL
1 France	15/43	18/46	15/57	21/55	24/50	20/79	24/77	27/80	30/106	30/185	224/778
2 Italy	2/7	4/9	2/10	4/15	4/10	6/16	4/11	4/14	7/13	3/14	40/119
3 Spain	1/7	1/9	1/7	2/4	4/4	3/10	2/11	4/13	3/8	4/10	25/83
4 Brazil	1/5	5/3	1/6	1/7	1/4	3/6	1/5	0/6	3/10	2/8	18/60
5 Switzerland	0/2	1/1	1/2	0/4	2/3	0/5	4/3	0/7	3/5	0/3	11/35
6 Australia	0/3	0/1	2/0	2/2	4/4	2/4	1/3	0/5	0/2	0/2	11/26
7 Chile	1/2	2/0	---	0/1	0/3	0/1	0/4	1/3	3/3	0/3	7/20
8 South Africa	0/1	1/0	---	0/1	0/1	0/2	1/2	0/2	3/3	2/4	7/16
9 Hungary	1/2	0/1	---	1/2	0/4	0/3	1/3	1/2	0/3	1/4	5/24
10 Portugal	0/1	1/1	0/1	0/1	0/1	0/1	1/5	---	1/2	2/1	5/14

Source: Effervescents du Monde

the same period), Germany (four and nine) and the United States (one and one). No less than 26 Brazilian producers, all from the south, have won medals in the French competition since 2004. The biggest achievement last season was by Vinícola Campestre from Campestre da Serra. Its Brut Zanotto Chardonnay produced by the charmat method, with fermentation in stainless steel drums, was regarded as one of the 10 best sparkling wines in the world, an unmatched victory for Brazil. “The wine has a strong straw golden color, fine bubbles and a citric aroma. It has a striking flavor that re-



1 GILMAR GOMES

mains in the mouth,” said André Donatti who has been the company’s enologist for seven years. Until the beginning of last decade, Campestre was producing nothing but grape juice and fermented grape drinks with popular appeal, i.e. table wines. At the turn of the century, the owners began making plans to make the line more sophisticated. Production of fine wines got underway in 2003 and sparkling wines two years later. The reds and whites began gaining international prizes at competitions in France, Italy, Argentina and the United

States, amongst other countries, in 2005. The sparkling wines have been performing well since 2009 when the Zanotto Moscatel Muscatel won a silver medal in Vinandino, in Argentina, a feat that was repeated by the Brut at the Effervescents du Monde event. The two wines continued to be successful. At the beginning of August, they won two gold medals at the 11th Vinus competition in Mendoza, the Argentinean and world champion when it comes to Malbec. Campestre was elated



2 HANDOUT

with the good results and is already thinking of stepping up the supply of Chardonnay and Muscatel grapes to expand production of its sparkling wines which currently amount to around 50,000 liters a year. All this is being done to meet the thirst of local consumers. “Taking part in competitions abroad is a way of adding value to our products on the domestic market where demand is enormous. Exports are not one of our priorities,” Donatti said.

1 Vian: “Brazilian sparkling wine is the best in the new world”	2 Brut Zanotto: top 10 in Effervescents event in 2013	3 Label leaves no doubt: France is here
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The rule applies to the whole segment. This is understandable as sales of locally-produced sparkling wines in Brazil grew by 41.8% between 2009 and last year, jumping from 11.197 million to 15.879 million liters, according to the Brazilian Wine Institute (Ibravin). This result easily overtook by 30 points the performance of fine native wines that rose from 18.018 million to 20.074 million liters in the same period. Another point worth noting is that the sparkling wines dominate their market, with a share of almost 80%, while 77% of reds, whites and rosés are imports. “Brazilians know that the national sparkling wine is good

CHAMPAGNE GAÚCHO

BELIEVE IT or not but Garibaldi in Rio Grande do Sul state, regarded as the champion of Brazilian champagne, is the only producer of the drink outside France. This privilege belongs to the century-old Vinícola Armando Peterlongo company which has been leading the way in the secrets of the sparkling wines since 1913. The motto in Portuguese translated as “The Number One champagne in Brazil” appears on the company’s site, catalogues and neck of the bottle. “The name marks the presence on the labels of our top lines, Presence and Elegance,” said the PR and events manager João Ferreira. The French even tried to prevent Serra Gaúcha using its denomination of origin (DO) status but lost the arm wrestling match. In May 1972, the Federal Appeals Court, which no longer exists, overruled complaints from a group of French winemak-

ers against four Brazilian brands, Georges Aubert, Dreher and Mosele, as well as a Peterlongo, which had using the term for decades. Judge João Baptista Cordeiro Guerra, who drew up extraordinary ruling (number 78.835), said the domestic use of the term champagne – along with its Portuguese versions champanha and champanhe – “do not mean any false indication of origin but are a simple qualification of sparkling wine”. He also stated that the labels mentioned the national origin of the product, thereby distinguishing it from the French versions. However, this legal victory did not bring any great benefits to the four producers. Dreher was acquired in 1973 by the multinational Heublein and gave up sparkling wines to concentrate its effort on its well-known brandy made with ginger spirit. Peterlongo is the only one of

the remaining three companies that is still operating. It was founded by Italian Manuel Peterlongo, the “father” of Brazilian champagne, but experienced a crisis after the death of his heir Armando in 1966. The first sign of decline then appeared with the interruption of supplies to Macy’s department stores in the United States. The company started pinning its hope on producing drinks with low added value at the beginning of the 1970s, such as the Espuma de Prata filtered line. The mix of table wines, grape must and sugar ended up accounting for over 90% of revenues by the turn of the century. “A number of winemakers that were developing sparkling products gave up, including us. We started making products that were very popular,” Ferreira said. The low margins of the filtered products, combined with manage-

ment problems, almost led to the end of Peterlongo. Bankruptcy was only averted with the transfer of control to investors Luiz Carlos Sella and Adilson Luiz Bohatzuk in 2002. Sella took charge and the business returned to fine drinks. Not only did this strategy reinforce the company’s cash position but led to it winning international prizes for the brand from 2004. The absolute champion is the Elegance Champenoise Brut (Chardonnay and Pinot Noir) which has won over 15 awards abroad. However, the Presence line, with four versions, also has a respectable track record and won two silver medals at the Effervescents du Monde competition in 2012 and last year. It also won another two at the Vinalies Internationales

event held in Paris nine months ago. “This wine is worth tasting. It has a balanced acidity in the taste and the fruit flavor enchants the palate,” according to the Vinalies experts in their evaluation of Presence Brut Blanc.



3 ADRIANA TEIXEIRA

The company is still highly dependent on filtered products but these have been falling rapidly. The popular line’s contribution to revenues has fallen from 87% in 2007 to its current level of 51%. The aim is for this trend to continue and for sparkling wines and champagne to have an 80% share of sales by the end of the decade. “The domestic market still has a lot of potential to be exploited and is our priority. However, we are exporting to a number of countries in Latin America and intend resuming sales to the United States after almost 50 years,” Ferreira added.

and drink it. The numbers confirm this,” said Roberta Pedreira, project manager of Wines of Brazil, a joint initiative of Ibravi and the Brazilian Trade and Investment Promotion Agency (Apex-Brasil).

As its name and the participation of Apex suggest, the program aims to publicize Brazilian wines abroad. The idea arose 12 years ago after Brazil joined the Organization Internationale de la Vigne et du Vin, the United Nations of wine, which opened the international market to Brazilian producers. In 2004, Wines of Brazil set itself up on the market place with six producers. There are now 32, of which 25 are in Rio Grande do Sul, five in Santa Catarina in the south, one in Bahia and another in Pernambuco, the last two in the Northeast. “The US, Germany, UK, Holland and China are the priority targets for our initiatives. The sparkling wines are like business cards in all of them,” said Pedreira.

Although volumes and figures are still modest, they are on a rising curve. Exports of sparkling wines jumped from 199,100 liters and US\$ 285,500 in 2004 to 353,100 liters and US\$ 1.645 million in the first half of this year. Should this trend continue, Pedreira thinks exports could amount to around US\$ 8 million within 10 years. “Foreign ports opened recently to Brazilian producers who are learning the secrets of foreign trade and also have to deal with the crisis in Europe which is a big wine consumer,” she said. “One thing is sure: we have to bet on quality items as the production capacity is reduced. We are not going to compete with wines that cost a euro.”

The exception to the rule is the Aurora Cooperative from Bento Gonçalves (Rio Grande do Sul), which is targeting new frontiers. In the first



1

half of this year, the exports of this company which is Brazil’s number one in the Effervescents du Monde ranking (four gold and 14 silver medals), came to US\$ 1.082 million. This was equivalent to around two-thirds of total revenues of the companies that are taking part in the Ibravin and Apex project. Almost half of this amount –US\$ 480,400 exactly – came from a promising and demand-

Farroupilha awaits denomination of origin status for its Muscatels

ing market, Belgium, the neighbor of France’s Champagne region. “We exported a total of 830,000 liters, 53% more than the period between January and June of last year,” said marketing manager Lourdes Conci. “The sparkling wines produced from Muscatel grapes were the main highlight and accounted for almost 92% of sales.”

The cooperative will shortly gain

scale and quality with the start-up of production of sparkling wines by the champenoise method (where the secondary fermentation process takes place inside the bottle) using Chardonnay and Pinot Noir grapes grown in Pinto Bandeira. The town, which left Bento Gonçalves in 2012 to become a municipality in its own right, made a breakthrough four years ago when it won the indication of origin status (IP) for its wines. It followed in the steps of the neighboring region of the Vale dos Vinhedos (Bento Gonçalves, Garibaldi and Monte Belo do Sul) which obtained their IP status

in 2001 and moved up to origin of denomination status (DO) in 2009. “The area has 24 hectares, of which 16 are planted. The first harvest will take place between March and April next year,” Conci said.

The quiet town of Pinto with around 3,000 inhabitants promises to challenge Garibaldi, just over 30 kilometers away, for the title of national sparkling wine capital. The

PICTURES: HANDOUT



2

1 Daniel Geisse: new boost to the champenoise method
2 Cave Amadeu: gold medal for Geisse in France

sure that the grapes are better exposed to the sun at the expense of production to the region. Thanks to this and other initiatives, he became known as the “crazy Chilean”. His alleged insanity led to him staying in Brazil and the foundation in 1979 of Geisse, the first national producer dedicated exclusively to high quality sparkling wines. “We gave a new boost to the champenoise method which was falling into disuse here. It is a process that brings better quality without large production scale,” Geisse added.

Less is more from the Geisse point of view and Mario often says his desire is to improve the quality of his small production. The producer has remained loyal to the style and received awards five times at the Effervescents du Monde competition (one gold and four silver medals) and uses only 23 hectares from a total area that is almost four times bigger for planting. The reason is because the soil in question is very porous and facilitates drainage, thereby preventing any undesirable accumulation of water. This is where the raw material for the 230,000 bottles produced every year is collected. “We can’t grow any

goal of the local producers’ association, Asprovinho, is to obtain DO status only for wines made using the champenoise method. The local soil and climate is regarded as the best in Brazil and among the best in the world for producing the drink. A Chilean enologist called Mário Geisse was behind the discovery. He arrived in Brazil in 1976 with the mission of launching Chandon’s local operation. “My father wanted to do his work and go back to Chile but he was impressed

with the potential and natural ability of the region,” said his son, Daniel Geisse, who is Brazilian. “It’s understandable, since only 5% of the world’s wine producing regions are 100% suitable for sparkling wines and Pinto Bandeira is part of this select group.”

Mário bought a plot of land in the area while working for Chandon and began experimenting with clones, pruning methods, yeasts and introduced the system of growing the vines along supports which en-

BUBBLING AHEAD INTERNATIONAL PRIZES won by Brazilian wines

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014*
Sparkling	73	59	133	80	139	60	139	111	137	102	166	115	137
Reds	75	44	118	41	100	38	90	63	63	25	63	31	75
Whites	34	34	48	19	37	8	27	26	26	16	20	18	27
Rosés	---	---	1	1	1	---	2	---	---	---	---	---	---
Liqueurs	1	1	2	---	1	---	5	1	2	3	1	---	4
Distilled	---	---	---	3	4	2	2	1	1	---	1	---	---
Mistelas**	---	---	---	---	---	1	---	---	---	---	---	---	---
Total	183	138	302	144	282	109	265	202	229	146	251	164	243

* According to August. | ** Wines prepared with grape must of unfermented grape and wines spirit. | Source: Brazilian Enology Association (ABE)



HANDOUT 1



FERNANDO ZANCHETTI 2



HANDOUT 3

- | | | |
|--|--|---|
| 1 Charmat by Aurora: won gold in Effervescents competition 2012 | 2 New front: Aurora vineyards in Pinto Bandeira | 3 Aquarela on high: silver medal at Muscats du Monde event in 2012 |
|--|--|---|

more but this restriction is part of our philosophy,” said the marketing director who is not very enthusiastic about the international market. “It’s difficult to obtain the same recognition abroad we have here where demand is three times larger than our supply capacity. I believe the most we could achieve in terms of exports in the medium term is 8,000 bottles a year for restaurants and upmarket

stores.” Good examples of wines from Pinto Bandeira and the Vale dos Vinhedos are beginning to set the trend. At the end of July, the Farroupilha Association of Wines, Sparkling Wines, Juices and By-products (Afavin), backed by the Embrapa agency for agricultural research’s Grape and Wine area, applied to the National Industrial Property

Institute (INPI) for identification of origin status specifically for wines and sparkling wines produced from the Muscatel grape. “The project got underway five years ago and is very well founded, with the area marked out, regulated and Information about the climate and soil. Another heavyweight argument is the region’s ability, as Farroupilha is the biggest grape producer in Brazil,”

said João Taffarel, an Embrapa technician. “We believe the National Industrial Property Institute will give the green light in six months.” The Farroupilha producer Perini is keeping an eye on the process and cannot wait for the time to arrive to open some bottles of sparkling wine, of course, to celebrate the identification of origin. Perini was founded in 1970 and has won medals at the Ef-

fervescents competition (one silver) and the Muscats du Monde event (a gold and silver), among other prizes. Its first sparkling wines appeared in 1998. “We launched a sparkling wine produced 100% from Muscatel straight away and innovated in the segment around 2006 with a rosé called Aquarela from the same grape,” marketing director Pablo Onzi Perini recalled.

Just over a year ago the company headed for the United States with a brand developed for the foreign palate. This is the Macaw line that has three reds (Tannat, Merlot and Cabernet Sauvignon) and three choices of Muscatel. The launch pleased the Americans so much that Perini is preparing to launch a new product that was tailor-made for that market. “It is a semi-sparkling wine. The difference is in the pressure, with two atmospheres of gas compared with six for conventional sparkling wine.” Besides winning lots of prizes, Brazilian sparkling wines have also won praise from international critics. Their comments are as valuable, if not more so, than the medals won in big competitions, as in contrast to these awards, critics’ opinions can put off global consumers’ preference for this or that wine. The editor of the American magazine Wine Enthusiast, Adam Strum, became one of the first partners of this club of opinion formers to applaud the work carried out in Rio Grande do Sul. During a visit to Brazil in 2010, he compared the visual landscape of Serra Gaúcha to Tuscany in Italy and, more importantly, he assessed the local wines, particularly the sparkling varieties. “Brazil may be the next emerging South American country to make an impact on the U. S. and global markets, following in the footsteps of its more established neighbors, Argentina and Chile. The winemakers here are producing some excellent Merlot, Cabernet Franc and exceptional sparkling wine,” he wrote in an article entitled “Chile, Argentina and now Brazil” which led the southern Brazilian wine producers to raise their glasses in a toast of gratitude to him.

AN AGITATED WINE

BELIEVE IT or not but champagne, the most highly regarded sparkling wine, was originally a drink that did not work out. That was, at least, the assessment of the winemakers in the Champagne region in the Northeast of France who faced difficulties in producing traditional versions of the drink several centuries ago. The main complaint was that a second fermentation process began shortly after the wine was bottled which often led to bottles exploding. A Benedictine monk called Pierre

Pérignon (1639-1715) found the solution. He was in charge of the cellar and the products sold by the Saint-Pierre de Hautvillers Abbey and noticed that the only “problem” about the local wine was its absolute originality. Its unique freshness and flavor, brought about by the carbon dioxide gas released inside the bottle, was responsible for the unmistakable bubbles and pearls, known as the “perlage”. Dom Pérignon came up with stronger bottles and corks that could

resist the pressure in the bottles. Once this question was resolved, he improved the method of fermentation in the bottles, called champagne, and started to research and select varieties of grapes for the production of the sparkling wine. As a result, he became a pioneer in the “assemblage” technique of mixing different grapes, which would also be adopted over time with the so-called still wines, i.e. conventional white and red. For this reason, the monk is deservedly known as the

“father” of champagne. However, the drink itself only took on its present aspect thanks to the talent of Barbe-Nicole Ponsardin (1777-1866) who was also French. Shortly after losing her husband, the banker François Louis Cliquot (1774-1805), she decided to dedicate her life exclusively to running the Cliquot vineyard, a secondary business she had inherited. Her greatest contribution was in 1816 with the development of the “re-

muage” method in partnership with the cellar master, Antoine de Müller, which led the end of sediments in the champagne. They created supports with holes where the bottles were placed upside down, leading the by-product of the champagne to be deposited in the bottlenecks, facilitating its removal. This good, cheap and efficient idea of the widow Cliquot and her employee became a global benchmark in the sparkling wines industry.

The strength of merlot

The grape is well suited to Serra Gaúcha and is gaining room in the production of reds and bringing prestige to the winemakers

Everything favors the Serra Gaúcha region's sparkling wines, starting with the humidity of the air and the rainfall, factors which, on the other hand, make it difficult to produce quality still wines. However, the Merlot grape, which is not accustomed to a dry climate, has been producing excellent reds and international prizes for the local winemakers. In 2010, for example, Brazil won eight of the 10 first positions in a competition exclusively for drinks from varieties from this grape carried out by the Institute of Masters of Wine (IMW), in London, involving 11 countries. "When it is produced in favorable conditions, Merlot gives exceptional wines. It is now the main grape present in Brazilian exports of red wines," said Luciano Vian, president of the Brazilian Enology Association (local acronym ABE).

The Salton producer, from Bento Gonçalves (Rio Grande do Sul), made another notable achievement in the sector. In 2009, its Desejo Merlot 2005 harvest was regarded the eighth best wine in the world by the World Association, Wines & Spirits, Writers and Journalists (WAWWJ), the best

position Brazil has ever held in the competition. This sparkling wine with smooth tannins and intense aromas has won another 11 victories in leading competitions abroad. "The main importers of Desejo 2005, our champion in terms of awards, are the United States, UK, Czech Republic and Australia. However, the volumes are not high, as it is almost a homemade wine," said Daniel Salton, the company president.

The overseas recognition has benefited the grape in Brazil. The company's sales in this category jumped from 175,000 to 615,000 bottles between 2006 and last year, an expansion of 251.4%. The Desejo line of wines registered even greater growth and expanded from 2,300 to 23,500 bottles in the same period, an increase of 921.7%. These indicators explain

why priority is being given to the external market and Salton has paid attention to opening new doors abroad. This is the case with a partnership signed last year with Marks & Spencer, the largest retail chain in the UK. "The focus of our export area is to work on the image, as Brazilian wine is gradually becoming known abroad," said Daniel Salton. "The main channels are restaurants, wine bars, delicatessens and,

occasionally, some retail chains."

The Merlots are also on the agenda of the Vinícola Aurora producer, from the same area as Salton. The Aurora Reserva 2011 came 65th in the WAWWJ ranking of the 100 best wines in the world in July. This award should give the grape an even bigger boost. "The Merlots are now responsible for 25% of our total sales and 26% of exports," said the import export manager Rosana Pasini.

Sweden, the land of aquavit, has become one of the main foreign destinations for Aurora's main product. The state-owned company that controls sales of drinks with an alcohol content of more than 3.5%,

Systembolaget, held a blind tasting event five years ago with more than 60 candidates to buy a lot of Merlot. The Swedes chose the wine from southern Brazil and ordered 10,080 bottles for their stores. "They also liked our Cabernet Sauvignons," Pasini said.

Germany and the UK dispute the European preference for the Merlots from southern Brazil. The British bought the best in the first half of the year, with 86,650 bottles sold to the Waitrose chain which has 275 outlets. The Germans came second but remained top in terms of accumulated volume, with 123,078 bottles. The latest exports have received a boost from the Brazil-

ian Soul line that was launched in 2013 and includes whites, reds and sparkling wines. "These are

Desejo Merlot 2005 came 8th in the list of the 100 best in the world

wines that have the 'face of Brazil' in foreigner's eyes and palate: light, fruity and with a moderate alcoholic level," Pasini said.

Aurora accounted for around one third of Brazilian wine exports in the first half of the year

that came to US\$ 7.3 million. It is now putting its bet on the Brazilian Soul collection that is already marking its presence in Taiwan, Hong Kong, Holland, Belgium, the US and even in France. The goal in the coming months is to enter Canada and expand its presence in Asia. The highly regarded

national sparkling wines will be harnessed to this expansion strategy. "Still wine consumption in Brazil and the world is much greater. We can't survive only on sparkling wine," was how Rosana Pasini summed the situation up.

1 Brazilian Soul: tailor made for foreigners

2 Salton: "Work needs to be done on the image of Brazilian wine"



Small but outstanding

YOU DON'T NEED TO BE BIG TO GO INTERNATIONAL



1 Heavy load: desolventizer toaster machinery weighing 70 tons on the way to the buyer

2 Gala night: director Fernando Camargo (right) receives the Proex Prize in Porto Alegre

The newcomer gets off to a good start

Capital goods producer Extech-Link from São Paulo state began exporting in 2013 and won the Proex Excellence Prize this year in the Outstanding Export category

Common sense tells us that international competition is an exclusive area for large corporations. The rule is applied even more strictly in the capital goods sector where other factors come into play after the final decision has been made, such as granting credit to the buyers. Therefore, it is not a coincidence that Extech-Link, a small company from Ourinhos in São Paulo state, was regarded as a rank outsider by the other participants in the tender carried out in the second half of last year by a large private group located in Santa Cruz de la Sierra in Bolivia. Even more

Company beat two global giants from the sector in the tender in Bolivia

so, as the group of candidates to provide the machinery and equipment for the production of soy oil included among other heavyweight names, Desmet Balestra of Belgium, present in 15 countries and the hundred-year-old American company Crown Iron that operates directly in 10 markets around the world.

In fact, it was the rank outsider

which won in Bolivia. The Brazilian company beat off the favorites in the dispute and ensured an order worth US\$ 2 million – equivalent to around 40% of its revenues at the time of R\$ 12 million a year. This feat obviously led to a well-deserved celebration at the company's headquarters in the west of São Paulo state as well as in Brasília, particularly at the head office of Banco do Brasil (BB) that sealed the transaction. Its support was translated into the release of resources through the Proex credit line that guarantees working

capital for exporters, on one side, and financing for importers on the other side. "It was our first experience with the Proex which played a decisive role in reaching the deal," said the company's exporter manager Silvio Pedrotti.

Banco do Brasil was so impressed by the resourcefulness of its new, small partner that it awarded the company the Proex Excellence Prize in the Outstanding Export category this month for its highly successful project in Bolivia. (See the article on page 54 on the other company that won an award, WTA Worldwide Traders.) Extech-Link has only been in existence for 12 years and has, therefore, become one of the youngest winners of the trophy. What is even more surprising is that it has only made two incursions abroad. "Our international debut occurred a few months before the competitive tender in Santa Cruz de la Sierra when we sold some equipment in cash to another Bolivian client," Pedrotti said.

Obviously the newcomer is dreaming of expanding its presence on the international market but in a calm and organized way, in

line with its style. The company was founded by mechanical engineer Marcos de Carvalho Camargo and was initially directed at the production of spare parts and providing maintenance services for vegetable oil plants. Shortly afterwards, Camargo sat down at his computer and concentrated on designing his machines such as cracker, laminators and expanders, used in the process for preparing oil extraction,

New industrial, plant foreseen for 2015, will meet the ISO 9000 standard

solvent recovery, condensers, robust desolventizer toasters, specifically for oil extraction and the treatment of bran, conditioners, dryers etc. It was only during this decade that the international front appeared on the company's radar, due to the retraction on the domestic market. "Of the 114 companies in the soybean segment existing in Brazil, 20% are not operating. Few of the others are pro-

ducing more than 1,500 tons a day," said Pedrotti who has been export manager for three years.

Extech-Link's medium-term international outlook is on South America. This choice was not only due to logistical issues but also to the region's fire power as Argentina, Bolivia, Paraguay and Uruguay are responsible, along with Brazil, for around two-thirds of global exports of what is known as the soybean complex which includes not only grains, but bran and oil. "The idea is to set up a continental network of representatives in partnership with engineering firms, as all the projects in our segment are developed in tailor-made fashion," Pedrotti said.

Although Argentina has some of the largest grains processing plants in the world, it is not among the company's priorities, at least for the time being. Until Argentina's economy gets back on track, Extech-Link's attention will be directed at the only two landlocked South American nations. "The representa-

PICTURES: HANDOUT

Small but outstanding

YOU DON'T NEED TO BE BIG TO GO INTERNATIONAL



- 1** Expander: appliance used in the process of preparing oil extraction
- 2** High tech crushing: soybean crackers weigh 6 tons on average
- 3** On the other side of the world: Baldan machinery WTA exported to Australia

tive network will have to deal with some posts in Paraguay, where soy production is spread across a number of areas. The task will be much simpler in the case of Bolivia as the crop is concentrated around Santa Cruz de la Sierra," Pedrotti added.

The aim is for exports to expand steadily and account for around 20% to 25% of revenues by the end of the decade. To meet the international demand, the company is planning to move its industrial equipment that is currently installed in

rented sheds to a plot of land measuring 50,000 square meters close to Ourinhos, where its own headquarters will be built with 6,000 square meters of built-up area. The project came onto the agenda and the first phase is foreseen to be con-

cluded by the end of 2015. "The new production line will be much more rational and will meet the requirements established by the ISO 9000 standard. Besides gaining in terms of efficiency and installed capacity, we will also be able to rely on a valu-

able shop window as clients which manufacture capital goods often like to visit their suppliers' facilities."

Markets that are further afield will only figure in the company's plans in the long term. The relationship includes the desirable United

States and European Union, as well as Central America and the north of South America, a bloc that includes Costa Rica, El Salvador and Colombia. It is a step that will have to be taken carefully, with everything calculated and planned, as it will require technological changes and adjustments, as many of these potential buyers do not use soybeans for the production of vegetable oils. For example, palm oil has a strong presence in industry in the Caribbean region while sunflower and canola dominate in Europe. "We have many contacts in the Northern Hemisphere but the challenge of crossing the Equator will necessarily require much more developed muscle," Pedrotti said.

WTA - CHAMPION FOR THE FIFTH TIME

ONE NAME has been present at every edition of the Proex Excellence Prize since the start of the decade. It is that of WTA Worldwide Traders, a company that specializes in exporting tractors and agricultural and other machinery and equipment directed at agribusiness. This trading company, based in São Caetano do Sul, São Paulo state, won the title of champion in the Commercial Performance category three times between 2011 and 2013. This was due to the number of foreign buyers who applied for the Banco do Brasil credit line. At the beginning of this month, WTA's senior management returned with another two trophies from Porto Alegre, where the latest prize-giving ceremony was held.

"We won our fourth consecutive prize in Commercial Performance and even better, won for the first time the International Competitiveness prize as a result of the total number of countries to which we export with the support of Banco do Brasil," said the founding partner, Eliane Guedes. WTA was founded in 1989 and discovered that the Proex was the tool it needed to leverage its business. The take-off occurred six years ago with the inclusion of loans from Banco do Brasil in the corporate services menu. Since then, sales have grown exponentially: from R\$ 2 million to an estimated R\$ 30 million this year. "Our clients love the Proex, which guarantees working capital for the exporters

and installment purchases for the importers. We also love it as Banco do Brasil is the only institution that releases resources for unconventional markets. One example is Sudan which is an important cotton producer," she added.

Sales have not only gained volume but become more diversified. In 2008, the trading company shipped goods to 10 countries – such as Australia, the UK, Mexico and South Africa – and nowadays exports to around 20 destinations. About a quarter of these buyers are on the other side of the Atlantic from Brazil in Africa, a market that is set to become of greater importance for WTA. This has all been due to the More International Food

Program of the Ministry of Agrarian Development (local acronym MDA) which guarantees financing to 15 countries, most of which are in Africa to buy agricultural machinery and equipment made in Brazil. "The program began in Zimbabwe, with the release of US\$ 23 million and the next will be in Mozambique. Africa will become a priority for us," Guedes predicted.

Through her own initiative, she also intends helping to expand the sector's exports through mapping and persuasion. The task is to identify manufacturers with the potential to operate on the international market, prepare them for the great leap forward and then show them the road, or even better



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the ports. One of the most fancied candidates is Fido, from Olímpia, 435 kilometers from São Paulo city.

"The company has a good and extensive line of trailers. It has great potential," she added.

PICTURES: HANDOUT

Heading for Geneva

How about carrying in your pocket or your briefcase, not only the digital files and programs you use all the time but the your computer's complete operating system and using it as you normally do in any other machine, even a Macintosh? Versatility and convenience are the great triumphs of Ploog, a high technology pen drive developed by the eponymous startup run by a group of young engineers from the Federal University of Rio de Janeiro (UFRJ). The group invented the gadget as a result of a demand from the Fundação Getúlio Vargas (FGV) business school presented in the middle of last year. "It wanted to expand access to some state of the art educational software that could only be used in its laboratories at restricted times," said the CEO, Hugo Carvalho. "With the Ploog, the FGV allowed some students to take these programs home without running any risk as the users are monitored online which

prevents, for example, copies being made."

The small appliance is in its final stage of development and is already raising the interest of other teaching institutions including some abroad. Carvalho and his colleagues are excited and are already thinking of the thousand and one uses for their device in the corporate world. However, their expectations for the coming months will be directed mainly at Geneva, Switzerland, where the SeedStars World competition will be held on February 5 and 6. The event will bring together startups from 36 emerging countries from the five continents. The winning prize will be an injection of US\$ 500,000. "The other competitors are mainly betting on automating processes. We are among the few candidates with new hardware proposals. I believe we have good chances," Carvalho added.



Innovation in school

The Insper business school's Center for Entrepreneurism and Innovation of (local acronym Cempi) in São Paulo was founded in 2007 and is planning to head higher. After gaining its own premises in the middle of the year, the Institution - that is currently responsible for internal events and curriculum courses - intends dedicating itself to a menu that is more in line with the American colleges and universities. The first item on the list is the expansion of the internship program for students during the holidays through partnerships with startups and incubators. "The second stage foresees the intermediation of startup contacts with investors. This already exists in practice but the idea is to formalize the process," said the coordinator Cynthia Serva. The medium-term plans also include the creation of its own incubator. The idea should gain force with the beginning of lessons in Computing, Mechatronic and Mechanical Engineering, in the coming year. "The new courses will be directed at the market and innovation. This is total in line with Insper which has entrepreneurship in its DNA," Serva said.



Blessed are the little ones

Smaller businesses with a technological bias have gained a strong opportunity to obtain credit lines. Brazil's National Development Bank, the BNDES, presented its program to support small and medium-sized enterprises (known as MPME Inovadora) in the middle of the year which has already approved 11 operations amounting to around R\$ 30 million. This is equivalent to 10% of the resources reserved for this line that has payback periods of up to 120 months in two kinds of payment: fixed rates (4% a year) and variable rates (0.1% a year plus the financing agent's spread and the variation in long-term interest rates, known as TJLP in Brazil. "Target publics are companies that have acquired technological services through the BNDES Card, obtained patents from the Brazil Patent Office, the INPI, in the last two years at least or are located in research centers," said Flávia Felix, the manager of the department for Financing Investment Projects in the Indirect Operations Area.



PICTURES: HANDOUT

Around the world in seven months

The São Paulo Company Tripda, which was founded only seven months ago, may well become a candidate for the Guinness Book of Records in the fastest international expansion process category. This portal directed at on-line carpooling began going international in September when it arrived in Colombia. It then extended its operations to other four Latin American markets (Argentina, Uruguay, Chile and Mexico) and shortly afterwards crossed the Pacific to Asia, raising its standard in Taiwan, Singapore and Malaysia. The great breakthrough

occurred between November and the beginning of December, with its debut in three of the six most populous nations in the world: India (1.2 billion inhabitants), United States (308 million) and Pakistan (180 million). "Our main focus is emerging markets. The US came into our activity area because it is a benchmark in collaborative approach, which is exactly what Tripda does," said its co-founder Pedro Meduna. Although he would not give details of targets, Meduna said the clearing the ground for new international markets was one of the company's

priorities for 2015. The exception is Europe where carpooling is a highly organized business. In countries like the UK and Italy, the supply of seats by drivers to people interested in splitting expenses and getting to know new people exceeds the number of seats on the respective railroad systems. "Latin America and Asia will continue to be the ongoing priorities," said Meduna, who splits most of his time between the two regions in weekly visits.



TRAINS

Bonjour, good morning!

IT SEEMS like only yesterday but it has been 20 years since a high-speed train began linking Paris and London through the Channel tunnel in just 2 hours and 15 minutes. Such a fast and comfortable trip from the center of one city to the center of the other without the hassle and time wasting of airports also seems too good to be true. However, EuroStar – as the train is officially known – will spring an even bigger surprise in 2015. Improvements in the line, the carriages and systems will reduce the travel time to 2 hours. Another 17 brand new trains, designed by the Italian company Pininfarina, will travel at up to 320 kilometers an hour. Obviously there will be wi fi in all classes and business travelers will be able to sample dishes bearing the signature of chef Raymond Blanc, whose Le Manoir aux Quat'Saisons restaurant, near Oxford, has two Michelin stars.

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- 1 Good program in 2015: Paris-London in just two hours
- 2 An elegant seafood restaurant with good prices - the Rech in Paris
- 3 No flights at the new Willy Brandt airport yet but you can take a tour...

AIRPORTS

Tourism on the runway

HAVE YOU ever asked why Berlin is the only large European capital that does not have direct connections with Brazil? One of the reasons is that Frankfurt continues to be a powerful hub not only in Germany but also in Europe (like Amsterdam, for example). However, even though Berlin wants to link up with Brazil, it does not have an airport to do so. This is despite the fact that it already has three airports and a fourth under construction. These include the venerable Tempelhof airport, a temple of good architecture (unfortunately from the Nazi period), celebrated for its role in the dramatic 1948 airlift when the Soviets tried to strangle West Berlin. It was deactivated and turned into a public park when building work began on the new Brandenburg-Willy Brandt intercontinental airport in 2006. The Willy Brandt airport was scheduled to open in 2012 but the inauguration has been delayed three times (for structural, technical and even environmental reasons) and it is still not known when this will happen even though it has already cost twice the expected budget of US\$ 3.6 billion. Tegel Airport, in the West Zone is the busiest. It was created in the 1960s with annual capacity of six million passengers although it currently handles 20 million. The remaining airport is Schönefeld, located in the East Zone. However, both places only handle flights within Europe or to the Middle East. The Germans adopted a good humored approach and decided to turn the delay to their advantage. Although the new intercontinental airport is not yet operating, at least it welcomes tourists, on an individual or group basis. You can take a complete tour of the new airport – that looks as if it is ready – and even go up into 32-meter high observation tower for 10 euros and book the visit online. However, the direct flight from São Paulo's Guarulhos airport to Berlin will still take some time. www.berlin-airport.de/en/travellers/the-excitement-of-airports/airport-tour/ber-experience/

RESTAURANT

Good choice for fish and seafood in Paris

EATING OYSTERS in autumn and winter time in the good brasseries of Paris is as traditional as a visit to the Eiffel Tower. The city's intimate link with seafood is not restricted to crustaceans from Normandy. There is a traditional fish restaurant called Rech in the 17th arrondissement, outside the main tourist circuit and business area, that is elegant but unfussy, with one Michelin star. You can get a bargain lunch there for 45 euros. As for dinner, vive la France! www.restaurant-rech.fr



TECHNOLOGY

What do you want to read?

THE FRENCH hotel group Accor (Sofitel, Mercure, Ibis, Formule 1...) will make more than 3,000 publications from around the world available in a digital format to its clients on a daily basis throughout the world at the beginning of the New Year. These will be accessible by wi fi in each hotel and the papers and magazines can be downloaded onto iPads or smartphones using any system (iOS, Android, Blackberry, Windows). The clients can then read anything they want and at any time. No more squabbles over newspapers during breakfast. www.accor.com/fileadmin/user_upload/Contenus_Accor/Presse/Pressreleases/2014/UK/141127_accor-press_pr_en.pdf



A R T

Valuable subscription

SÃO PAULO is the business capital of Latin America and its main aeronautic, industrial and financial hub. It is also the cultural center of the hemisphere, with three symphony orchestras, one of which, Osesp, is world class. The problem in trying to watch the best concerts, operas and dance shows is that, as soon as they are announced, it is impossible to get tickets or, at least, good seats. Foreign executives and many companies that use cultural events for public relations purposes are among those who wait for the end of the year to buy subscriptions to all the following year's shows – ensuring good seats, big discounts on the package and other advantages. You can do the same. Opera: www.compreingressos.com/theatromunicipaldesaopaulo. CONCERTS: www.osesp.art.br/paginadinamica.aspx?pagina=assinaturas; CULTURA ARTÍSTICA: www.culturaartistica.com.br/assinatura; www.mozarteum.org.br. BALLET: www.teatroalfa.com.br



H O T E L S

Home sweet home in NYC

THERE IS no shortage of good long-term accommodation options in New York but the cost is usually prohibitive for those in Brazil who earn their salaries in Reais and make their payments in dollars. A flat on the east side of 57th Street, close to the East River, offers a good cost-benefit return for a minimum stay of 30 days or more. This is The Sutton Place Residences Hotel. Don't expect the luxury of the Plaza Hotel. However, a flat with one room and a living room can amount to half the cost of a small room in a 5-star hotel and still offers basic equipped kitchen facilities. **THE PRICES** vary according to the time of the year and the length of the stay. www.suttoncourt.com **417 EAST** 57th Street 417 East 57th Street 417 East 57th

F L Y I N G I I

Coach class sofa bed

AZUL IS not only innovating its fleet and routes but is also upgrading its agreeable service by launching a kind of sofa bed for families in the coach class of the seven new A-330 jets that will fly the routes to the United States. The four seats in the middle row will be very low and the arms can disappear completely, creating a bed for a couple or for children. The idea is to give the fourth seat free of charge to passengers who buy three seats. Air New Zealand, another company that often comes up with good ideas, was the trailblazer with this kind of initiative in economy class. However, as the saying goes – good ideas have no owner.



- 1** Sign up now to guarantee a seat in places like the Municipal Theater (SP)
- 2** Air France offers new Executive class with bed and French-style service
- 3** Azul provides a sofa-bed in international coach class



F L Y I N G

Business not as usual

AIR FRANCE has been slower than its peers but is finally offering a real bed that reclines to 180o in the executive class between Brazil and France. The former seats, designed in the 1990s, looked comfortable, mainly due to the surrounding space, but they did not recline completely and after a short while passengers found themselves sliding down the seat. The difference now is not only in the horizontal comfort. The new seat was conceived as a semi-circular cocoon and is actually a multi-use environment for reading, eating, relaxing and leisure or simply to stretch out and sleep in peace, with feather pillows and soft blankets. Obviously, that there are pockets for objects, plugs to charge appliances and even a small individual safe. Bon voyage! www.airfrance.com.br



SANTIAGO

WAGNER GUIDA from Rio de Janeiro headed the Asset Management operations of Banco Itaú in the Chilean capital from 2009 to 2014. He returned to Brazil and now lives in Sao Paulo but still has good reasons to maintain solid links with Chile. When he arrived in Santiago, he was single but returned with a wife, a Chilean doctor. He still has good memories from his stay in the Vitacura district and recommends the following tourist routes for us.

1 Santiago skyline: the presence of the Andes

2 La Moneda: seat of the government and museum

3 e 4 Boragó and its food: rooted in Chile

WIKIMEDIA/MINISTERIO SECRETARIA GENERAL DE GOBIERNO



1 2

If you only have a few hours...

SANTIAGO IS a captivating city that is well planned and can be proud of its beautiful parks (with excellent running tracks, as we will see). What drew my attention in the five years I lived there was the fact that the city was not as exuberant in architectural terms as capitals like Paris, London or even Buenos Aires. A native of the city – a *santiaguino* – told me why. Santiago has been hit by so many earthquakes that most of the older buildings crashed to the ground at some point in the past. That is why the nicest, most attractive buildings and spaces are usually the most modern (and safest) ones.

LET'S START our tour with an exception to this rule: the Palacio de La Moneda, the seat of the Chilean government. The building in the city center was constructed in the 18th and 19th century to be the Mint of the then Spanish colony. It resisted earthquakes and bombardments and has a small interesting museum. We can learn some of the country's history there and visit the Centro Civico where there are clothing and handicrafts stores. If your schedule

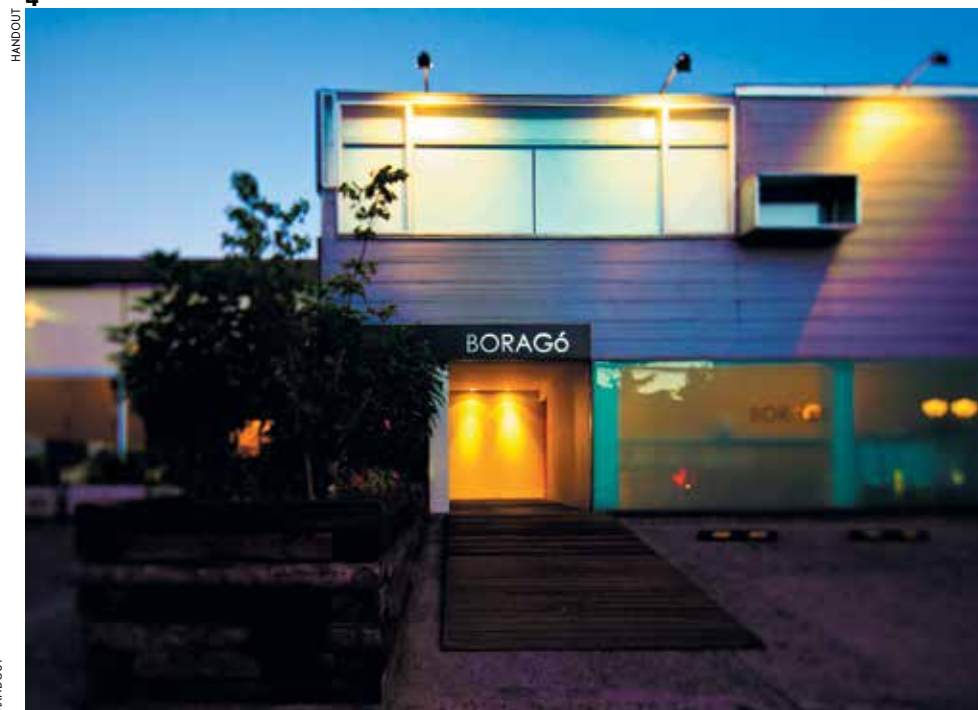
is tight, you can have a meal in the Café Cívico, a great meat restaurant.

IF YOU have a few more hours, go to the Barrio Itálica – squeezed into the Providencia district, a grouping of small streets around the corners of avenida Itálica and calle Caupolicán. If we were to make a comparison, this would be the SoHo of Santiago, with its various design and handicraft stores, art galleries, restaurants, bistros, etc. It is worth going around lunchtime to try Chilean cuisine. You can always find something interesting there to take home as a memento or to decorate your house. It is highly recommended. Note that the stores are closed on Mondays. However, if you fancy more striking gastronomy, the Boragó restaurant of chef Rodolfo Guzmán is the place to go. He makes no secret of his desire to be one of the best in the world and I believe he will succeed. The Boragó defines itself as a having its roots firmly set in Chilean food. It is a little more expensive than the average but not as much as the fortunes we pay in Rio and São Paulo.

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HANDOUT



HANDOUT

If you have a whole day...

THE ONLY (and striking) outstanding natural feature of Santiago is the presence of the enormous cordillera of the Andes that encircles the city. This unescapable proximity means that the city almost becomes part of the mountains in winter. Santiago has an intimate relationship with the snow and the ski stations at Farellones or Colorado are only an hour's drive away. If you fancy a view from the top, going up to the Cerro San Cristóbal is a good idea. This hill is in a pleasant park, frequented by a large number of cyclists and runners. Running up the hill is tough but worth the effort for the view. If you are not so athletically minded, it is worth going up by the funicular railway which leaves from the Bella Vista district at the end of the *calle* Constitución. This street has a variety of restaurants. The district is very lively at night and a great attraction for anyone who wants to get to know a Santiago nightclub. One tip is Etniko, an Asian restaurant with a great atmosphere and dancing.

IF YOU like running I am sure you will agree with me that, besides keeping you in shape during trips, running is a kind of fast tourism. We learn a lot when we are running. The best route in Santiago is through the parks on the banks of the Mapocho river that cuts through the city. However, I feel you really must run along the circuits that go through the Parque Bicentenario that begins at the Perez Zucovic roundabout in the Vitacura district. Running through the Bicentenario park and along the river is wonderful and discovering the landscapes in the district is a reason to do so. There is a special place at the end of the park called the Mestizo restaurant. It has a simple menu, good prices (especially the wines) and tasty food. I would say it is the coolest restaurant in Santiago. In summertime, arriving around 20:30 — just before sunset — sitting on the big verandah and having a drink before eating is simply sensational. The Mestizo has a unique architecture and is must place to visit. If you want to ensure a place in the verandah, make a reservation. (Incidentally, you should make reservations in all restaurants. This is something they are strict about in Chile.)

TALKING ABOUT food means talking about wine and if you want to know one of Chile's essential vineyards, I recommend the famous Concha y Toro. Even if you only have one day free you can visit it in three hours without any bother (an hour and a half to get there and back and the same time for the tour). The vineyard is located in Pirque, near Santiago, and you can get there by metro and taxi. (The site gives directions.) Concha y Toro produces very good wines at excellent prices, such as Terrunyo. If you are more ambitious (and can stretch your budget) it also makes Almaviva — in partnership with Philippe de Rothschild S.A. — and Carmin de Peumo which can be purchased during the tour.



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If you have a whole weekend...

WITH TWO days free, you have time for longer trips. The first is to Valparaíso on the Pacific coastline. I have heard many people in Brazil say they did not like Valparaíso. I think this is because they were expecting a beach and were disappointed to find it is a port. I totally disagree. *Valpo*, as it is called, is a large version of the Santa Teresa district in Rio de Janeiro, with lots of history (the Chilean Congress is there), lots of hills and old fashioned old elevators. It is an interesting port city that was the most important in Chile in the 18th century when the Panama Canal did not exist. It was the last port of call before going round the feared Cape Horn, in the southernmost point of the country and the American continent. There is a house in *Valpo* called La Sebastiana where the poet Pablo Neruda lived for some time. It is now a museum and is worth getting to know. When you leave La Sebastiana, go to the Paseo Gervasoni on the Alegre hill. Take a seat in the Café Turri, a local jewel where the food is very good and enjoy a great view of the Pacific. When you are reserving, choose a table on the second floor by the window. The view is worth 20 selfies...

ON THE way to Valparaíso, we pass the Casas del Bosque vineyard which is about an hour from Santiago. The place is pretty and isolated, a valley of vineyards that produce whites and pinots, privileged by the coastal winds from the Pacific. The silence is enough to "deafen" someone used to noisy cities. You can also enjoy a good lunch in the Tanino restaurant. As we are in Chile, we can recommend other good winemakers. Vale de Colchagua in Santa Cruz, two hours by car from Santiago, is the origin of the best *cabernets sauvignons* in the country (although not everyone agrees on that point). There you will find names like Montes, Casa Lapostolle, Clos Apalta and Neyen which are well known in Brazil. I recommend scheduling a visit and spending the day sampling the wines. For lunch, choose the Viña Viu Manent restaurant. As well as a good menu, you will have a chance to try a Chardonnay Sour, a local invention that whets any appetite. Back in Santiago in time for dinner, the Vietnam Discovery in the Bella Vista district is full of surprises — from finding Vietnamese food in Chile to the variety of dishes and flavors.

1 Ski slope: less than an hour from the city

2 e 3 Viña Concha y Toro: Pirque vineyards and Casona

4 Grapes on the vine: autumn scene

5 Neruda house and museum in Valparaíso: La Sebastiana

Three lessons for operating abroad

CÉSAR SOUZA*

Bridge to the world



PERSONAL COLLECTION

I devoted 15 years of my life to the international market. In 1982, I foresaw that the economy was becoming more globalized and decided to change my path and leave my comfort zone as Human Resources Director and vice president of Strategic Planning and make a daring break. I started dedicating my time to developing international business and traveled to various countries every month in an attempt to open markets for Odebrecht which had embarked on its dream of becoming one of the largest Brazilian multinationals.

After helping to win contracts in Argentina, Chile, Peru, Ecuador and Angola, I went to live in Portugal to set up a bridgehead in Europe and leverage partners and financing in the former Soviet Union and Japan. I then helped run the company in the United States, more precisely in Washington, where I lived for 11 years.

This article presents a summary of the three main lessons I have learned during this international activity that may serve as a support and inspiration for decisions:

:: Local partner — it is essential to have a local partner, regardless of the country. Having knowledge of the real state of business, cost structure, legislation and how a country functions on a formal and informal basis is essential in order to avoid errors, offset risks and take advantage of opportunities. When we entered the American market,

the choice of a local partner in Miami was essential in achieving our victory in the first tender offer. The partner's experience in budgeting services by suppliers was a determining factor in obtaining the lowest price for some of the items with the highest unit value.

:: Local people – Companies which go international tend to send expatriates abroad. This can be a mistake. I have learned that to identify, select and develop the greatest possible number of local people is the ideal way to increase commitment and productivity. I remember a client once visited a building site in Angola and praised us highly for the quality of the work carried out and even commended the “quality of the Brazilian workforce”. He was surprised and even disconcerted when we told him that most of the employees were actually Angolans we had trained and were not Brazilians at all.

:: Assertive cultural flexibility – This is an important step in becoming an international success. It is very important to have people who will fit in with the local culture in the countries where they will live. We Brazilians have a distinct advantage, thanks to our culture and the fact that we were not coloniz-

ers. This helps us in building sound relationships and being accepted in some countries. The American business culture and that of some Europeans is sometimes arrogant and can create unseen resentment that is reflected at the very moment of being accepted and making the adaption to an international situation that is needed.

In my experience, the greatest lesson learned is what I have seen in the preparation of Brazilian business leaders, executives and managers. In this decade and a half in which I have worked alongside leaders in four continents, I can state with conviction that most Brazilian executives have the ability to lead and work in a number of companies and countries with the same level of ability as other international executives.

I see no reasons for Brazilians to have any kind of inferiority complex. Brazilian executives display knowledge, entrepreneurial skills and attitude. All this is combined with a flexible culture that allows us to be agile, creative and ready to deal with crises and uncertainties. These are differentiating factors for the kind of management that has been developed in Brazil.

*

César Souza is president of Grupo Empreenda, a writer and public speaker.

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