When Brazil is in the news, the world looks on with interest. Spanning roughly half of South America, Brazil’s climb from an underdeveloped country to the vast powerhouse it is today is testament to the work of proactive governments and steady investment. Last year, the country of almost 200 million people overtook the United Kingdom as the world’s sixth-largest economy in terms of GDP and was one of the first emerging markets to begin to recover from the global recession. In 2010, growth reached 7.5%, the highest rate for 25 years. Having enjoyed an economic boom and a substantial rise in the standard of living under the widely revered “man of the people” President Lula da Silva, Brazil is now led by his former chief of staff Dilma Rousseff. Continuing the country’s transformation, Rousseff unveiled a new industrial policy—the “Bigger Brazil” plan—to support domestic producers, encourage investment and fuel innovation.

As the two largest economies in the Western Hemisphere, the U.S. and Brazil have made huge efforts in recent years to reinforce business links. During an official visit to Brazil in 2011, U.S. President Barack Obama declared it “one of the most democratic countries in the world.”

The Economic Partnership signed that year has gone a long way to enhance cooperation. Trade and investment between the two countries reached a record high of $74 billion and the U.S. accounted for 10% of all Brazil’s exports and 15% of its imports. President Obama identified Brazil as a priority market under both the National Export Initiative and the 2012 federal budget, with SelectUSA, the U.S. government’s investment agency, promoting exports and two-way investments. The two countries now have an open skies agreement, and there has been a noticeable hike in the number of tourism arrivals both ways.

The strengthening of these bilateral relations covers many spheres, including trade and investment, economic opportunity, science, tech-
ology and innovation, social inclusion, environmental sustainability, and preparation for the 2014 FIFA World Cup, the 2016 Olympic and Paralympic Games, and other mega events.

On the Road to Success
All over Brazil, companies have been demonstrating a commitment to innovation and enterprise for decades.

Celebrating 60 years of success, and with suppliers now ranging from Colgate, Procter & Gamble, Unilever, Nestlé, and Kraft Foods, to Samsung, LG, Sony and Panasonic, Grupo Martins (Martins) is a story of growth and entrepreneurship resembling the American Dream. As a boy of 17, the company’s president and founder Alair Martins do Nascimento lived in rural Minas Gerais, but set his sights on living in the city of Uberlândia when he visited his uncle’s grocery store there.

“I was delighted to see the services he provided to customers, so I started to convince my father to let me move to the city to study and work in commerce,” Martins says. “When my uncle fell ill, I had to assume the role of manager for 30 days. It was then that everyone realized I fit the job.”

Martins opened his own store two years later in December 1953. He worked 16-hour days and went without a holiday for 10 years, his enthusiasm for what he did giving him the energizing force he needed to overcome all obstacles. And it paid off.

“During the first five years, we grew by 70% per year. We then started buying in larger quantities and working with a mix of wholesale and retail,” he says. “In 1964, when the country became more stable politically, we began to have vendors outside Uberlândia.”

By 1975, the entrepreneur had become a pioneer in information technologies in the retail sector in Brazil. His son studied to become a systems analyst, and in the 1980s Martins was bringing first-world technology to Brazil.

Walter Faria, executive president for Martins, takes up the story: “In 1980, Martins was the first to deploy the IBM mainframe and the sales team later implemented IBM notebooks. It was a revolution in the market. Now, of course, we are implementing tablets and are the largest distributor of Samsung. We also launched the Martins University app. Technology, processes, people and management are the basis for our development.

“We serve 200,000 retailers in Brazil and it is our mission to help them survive.” Walter Faria, Exec President., Grupo Martins

“We are the only national multichannel distributor, since we operate in all types of stores and in all states of Brazil. Innovation is one of the values of the company and Alair has always striven for it. No company in the world has the level of sophistication our distribution channel has. We serve 200,000 retailers here in Brazil and it is our mission to help them survive.”

Óticas do Povo is another story of a young boy making good. Established 35 years ago, the optical retailer now boasts close to 100 stores—40 of them in landmark malls—and is aiming to reach 200 by 2018. “I am the son of a farmer and came to the big city when I was 18 to study the optical industry,” says founder Manoel Pessanha. “Today, we have 1,300 employees and a very strong brand.”
A communications strategy based on service, quality and a fair price has been the key ingredient to the company’s success. “Today, we serve all social spheres and are recognized for our credibility,” Pessanha says. “Brazil is experiencing a magical moment. Access to education and information has grown, as has the life span of the average Brazilian, due to an extensive range of government actions. There are around 120 million eyeglass wearers in Brazil but only 50 million have access to our stores, so this is a market that still has to grow. Óticas do Povo is focused on the Brazilian market but, considering I am an entrepreneur by nature, I can never say no to the growth and development of our brand internationally if the opportunity arises.”

Established 37 years ago, Multiplan is now one of the larger shopping center companies in Brazil. With a portfolio of 14 units in operation in the southeast, south and midwest, and with four more slated for the end of the year, the chain boasts 4,300 stores, more than 8 million square feet of leasable land and an annual influx of 160 million consumers.

Multiplan’s CEO and founder, José Isaac Peres started his first company, in real estate, at the age of 22 while he was studying economics. He notes, with some relief, how much more stable the Brazilian business climate is today.

“I have lived through decisive moments of a revolution, hyperinflation and a military regime, but today Brazil is a stable democracy that overcomes obstacles to improve,” he says. “The newest challenge we face is related to the labor market, because until recently, the educational system has not been able to provide specialist workers, particularly in technical professions.”

Despite the challenges, however, Peres foresees strong growth within his industry: “Malls offer consumers the most modern and efficient structures to replace traditional trades. The market for commercial space does not stop growing and there is still significant demand in larger cities waiting to be met. Multiplan has a well-defined focus: Our integrated projects combine shopping centers as anchors for commercial and residential services. We work with the heart—our malls are designed to give pleasure to people, providing entertainment and social experiences. When we launched our IPO in 2007, we decided to seize the challenge of doubling the size of our company within five years. In fact we surpassed that goal. If we continue at this rate, we will soon be among the world’s 20 largest mall companies.

“We lead on profitability. Around the malls, we build offices, homes, hotels, medical centers and a whole integrated platform. We are very satisfied with this strategy and will continue on that path. Brazil has 5,200 municipalities and only 200 of them have shopping malls, so the potential for growth is absolutely huge. I believe Multiplan is a gateway to some of the most promising markets in the Brazilian economy. We are a dynamic company with a professional and young, but mature team. In terms of a return on investment, our numbers say it all. Standard & Poor’s gave us an investment grade on a global scale, the only one to be awarded in our industry.
“Multiplan is one of the least indebted companies in its sector of activity because we know that debts have to be paid. We went from zero to a company that is valued in the stock market for around 11 billion reals ($5 billion) with assets of $700 million. We achieved this because we place great importance on our partners’ success. Some of them have been with us for more than 20 years. Buying Multiplan shares is a good deal, and we are open to new partnerships.”

A Champion for Industry

The Federation of Industries of the State of São Paulo (FIESP) is the largest professional association in Brazil’s industrial sector. Representing around 130,000 industries across many areas, FIESP has a mission to advocate for private enterprises and to respond to national issues that impact on industrial activity and development.

As home to half of the manufacturing industries in the country, São Paulo provides more than a third of Brazil’s gross domestic product and is therefore the perfect base for companies wishing to grow. With excellent infrastructure, creative people and a potential consumer market of more than 42 million, the state is gaining credibility around the world as a production hot spot.

Paulo Skaf has presided over FIESP for the last eight years. As he explains, this highly effective organization fights to reduce interest rates, energy bills and taxes on production, making it a reliable partner for international companies looking to base themselves in the country.

“We fight to make our industries, and Brazil, more competitive.”

Paulo Skaf, President, FIESP

“FIESP was created before 1930 and is intertwined with Brazil’s history,” Skaf says. “It has an agenda that jumps across the boundaries of industry. We fight to make our industries, and Brazil, more competitive and have had much success. Since 2010, for example, we have fought to reduce the price of electricity. Brazil produces its energy very cheaply compared to most other countries, as 80% of it comes from hydropower stations, yet we have some of the most expensive electricity in the world.

“During our campaign, not only did we succeed in obtaining a tariff reduction for industry, but we also managed to have it reduced for all Brazilians, for homes, hospitals, bars, restaurants and so on. We also reversed the government’s decision to recreate the tax payment check, which would mean paying a tax on every transaction. Now, we are working to bring down interest rates and the exchange rate.” FIESP also advocates for infrastructure investments and better academic and technical education so that Brazil can continue to grow.

“Our strategy is to showcase Brazil,” Skaf says. “It covers much of the South American territory with 8,000 kilometers of coastline, a tropical climate, competitive businesses, talented people and natural wealth. Nobody who knows Brazil dislikes it; there are only those who don’t know it yet. We have superb opportunities to thrive in the coming years, with the soccer World Cup in 2014 and the Olympics in 2016. FIESP participated in the Rio+20 Earth Summit this year with a project called Humanity, and we received 250,000 visitors.

“It is rare to have 15 days when FIESP does not receive a world authority,” the dynamic president continues. “This year, we have already met David Cameron, prime minister of the U.K., and the new president of Mexico, Enrique Peña Nieto, and this makes our work rewarding. Our focus is on giving people opportunities, and we strive to seek the technology and innovation that will differentiate Brazil from the rest.”

Brazil has received investments from the U.S. for more than 100 years, Skaf notes, describing the U.S.-Brazil connection as “a relationship of affection.” Despite the already large flow of trade between the two countries, there is still enormous potential for growth. “For Brazil, the U.S. is a leading economy comprising 20% of the world’s GDP,” he says. “For the U.S., Brazil is an important partner and the largest Latin American representative.

“FIESP has received dozens of missions to and from the U.S.,

Invest in Brazil.
FIESP supports your company.
The Federation of Industries of São Paulo – FIESP—supports and invests in Brazil’s development.

www.fiesp.com.br
Building a Country

During the 2011 U.S.-Brazil meetings, President Rousseff underscored the importance of mobilizing investment in infrastructure, not just for the upcoming global sporting events, but also in urban sustainability. Many companies are rising to the construction challenges brought about by an ever-expanding middle class.

Now boasting international clients that include Coca-Cola and Continental, Hahne, a construction company, started in 1942 in Brazil with the aim of turning people’s dream projects into reality. Dedicated to the customer, responsive to market trends and committed to the quality of its buildings, the company has built a transparent, strong and solid history along with its great works and is widely recognized as a center of excellence in construction.

For company president Rui Hahne, the lack of investment in infrastructure has an impact on less-affluent consumers and also on exports and imports. He does, however, see a very positive future ahead.

“Hahne was founded by my father and his partner in 1942. The ultimate goal was always to do engineering,” Hahne says. “We didn’t want to just do any kind of construction, but wanted to find the best solution to any problem, creating value and helping the customer as best we could. Today, we seek the best engineering solutions internationally and develop innovative methods for coatings and structures, and this is one reason for the longevity of our company.”

The big challenge, he says, is to convey to the market the relationship between cost and benefit: “We realized that in all sectors, the trend is to follow the lowest price and not think about the economic and environmental consequences. For me, a construction firm should also add the cost of environmental impact into the equation.”

Until a few years ago, Hahne worked primarily with industrial, residential and tourism buildings, but it is now diversifying into the energy market, particularly wind, solar and hydroelectricity, as well as highways and airports. Corporate social responsibility is a large factor.

As Hahne explains: “Businesses are made by people, and in Brazil there is a particular paternity culture where the company takes care of the employee like a son. That is something that is unlikely to change. We want to be known as a leading company in the field of technology and recognized as a relevant company in Brazil and in the world.

Investors can expect our best efforts at all times. We will use the experience we have gained in the last 70 years to find solutions. We have worked for multinational companies since we started and are in the right position to cover the demands of the international market.”

Meanwhile, with 7,600 employees, Malwee Malhas Ltda. has also grown from relatively humble beginnings to become one of the leading garment companies within Brazil. The firm took off in 1968 when it had only four employees. Since then, it has won numerous awards relating to best practice and social responsibility.

Managing director and CEO Guilherme Weege explains how the growth in Brazil’s middle class has affected his business. “Today, anyone can own a home and we see this with our employees,” he says. “We need to build car parks at our places of work now, whereas before, people came by bus or bike. Brazil has had decades of high growth and plenty of challenges, particularly in infrastructure, education and red tape, but we are heading in the right direction.”

The first seeds of the Malwee empire were sown in 1906 when Weege’s grandfather set up the company, one of many businesses within the family’s portfolio. “My father later observed several branches of business and fell in love with the textile industry,” the Harvard-educated business leader says. “When he returned to Santa Catarina in 1968, he reorganized Malwee. It has been a continuous growth path—we are one of the oldest companies in the state and also the largest. Among our many achievements is a commitment toward sustainable production, which in the current market is seen as innovative but has been incorporated into our DNA since the company’s foundation.”

Malwee is gearing up for an increasingly dynamic and internationalized market. “The presence of more international brands in saturated markets will create competition,” says Weege, “but we will continue to differentiate ourselves with innovation.”

BMC Máquinas, which started in 2007, supplies machines to construction companies, such as Hyundai Heavy Industries, Zoomlion, CIFA USA, Link-Belt, the Merlo Group, Daemo, Shantui and XCMG. Growing at a rate of 25% per year, BMC is aiming to become the largest supplier within its field in Brazil, according to company president Felipe Cavalieri: “The construction/infrastructure industry

including state governors, secretaries of state, senators, congressmen and businessmen. FIESP takes care of all companies installed in Brazil, because they contribute to the economy, providing taxes and creating jobs. They deserve our respect and affection.”
is the industry of the next two decades in Brazil,” he says. “We now have around 40 million consumers who need access to water, food, transport, airports and housing so we need to provide infrastructure for these people.

“We are in the right industry and have the right partners. Revenues are close to $1 billion and we are growing at a rapid pace. BMC has emerged to create a different way of doing business in this industry. We started representing Hyundai Heavy Industries in 2007. They are based more than 10,000 miles away and we had to have the equipment ordered and available for sale within 120 days. The challenge was huge, but we became the first name in the excavation sector and created a very strong bond. Hyundai invited us to partner with them for their Brazil factory, which shows the degree of confidence they have in us to add value to their operation.

“We strive to bring the best machinery to each sector. We needed a premium crane to sell in Brazil because we know that world-class work done by Petrobras, for example, needs the best equipment. We therefore sought the best in the industry, which was the case for Link-Belt. It is the same with Merlo. This country needs reliable equipment at a fair price.”

Cavalieri and his partner Christiano Kunzler, both 34, have grown an agile company with strong credibility in the domestic market. They guarantee their services to clients by avoiding low-quality partners and are now seeking investors that have the appetite to grow and develop in the infrastructural sphere.

Agnelo Queiroz, governor of the Federal District of Brasília, describes how vision and long-term growth plans are helping boost the quality of life across Brazil: “In Brasília, a young city that has grown rapidly, the urban mobility plan is boosting our infrastructural networks with a multimodal transport system for 2014. Brasilia is not just the administrative capital but a large consumer center. We are a dynamic region with great, untapped opportunities so we are really focusing on science and technology and intelligence.”

Antonio Rocha da Silva, president of the Federation of Industries of the Federal District (Sistema FIBRA), also believes Brazil is a country of opportunity. FIBRA was established 37 years ago to undertake the Industrial Development Program for Brazil, aggregating the most important productive sectors of Brasilia. Today, FIBRA is a strong driver of economic and social development in the capital.

“FIBRA’s big challenge is to increase the participation of the industry in the federal district’s GDP, which is the largest per capita in the country,” says da Silva. “In 2004, we contributed 7.2%, and in 2011, we contributed 10.2%. Any city has to investing in industries to have economic growth, and our goal is to arrive at 2014 with a 14% share.”

FIBRA is one of the main advocates of the federal districts’s flagship Digital Capital Technology Park currently under development. The hub boasts technological features capable of attracting competitive brands from around the country and of international standards. Around...
1,200 companies will be installed, generating almost 25,000 jobs. “This project will make a huge impact on the district’s industry, developing it and making it more efficient,” da Silva says. “The park has already attracted a number of high-profile customers, including the Bank of Brazil and Caixa Econômica. Investors should be aware that the best per capita income comes from the center of Brazil because it offers proper logistics and easy distribution.

“In recent years, there has been an improvement in exports with the implementation of a new factory from Sadia in Brasilia, which represents over 60% of exports in the district. In 2004, Brasilia exported a total of $10 million; by 2011, that had reached nearly $180 million. We are working in line with the government to change Brasilia’s profile and highlight its entrepreneurial and industrial might.”

Minister of planning, budget and management Miriam Belchior explains the impact of the social and urban works that were implemented during the Lula administration and are continuing under Rousseff. “We targeted infrastructure works that would reduce bottlenecks to development, we focused more on regional development, and we introduced housing construction projects like “My House, My Life” which worked on sanitation, upgrading slums, drainage plans and so on. We performed 94% of the total projected.”

““Our market share has grown more than 40% per year since 2007.””

Jorge Fontes Hereda, President, Caixa Econômica Federal

Caixa Econômica Federal (Caixa) has been crucial to this development. A strategic partner to the government’s social and infrastructural development programs, Caixa is the country’s fourth-largest bank by assets and the third by loan portfolio, which has grown at a rate of 40% in recent months. With 89,000 employees and more than 60,000 service outlets, Caixa manages more than 70% of Brazil’s real estate credit and 36% of the country’s savings.

Jorge Fontes Hereda, president, explains the bank’s meteoric rise: “The big challenge for Brazil was to overcome the inertia, the macroeconomic balance and the belief that the country couldn’t change. This has been achieved through the Growth Acceleration Program (PAC). Today, every sector in the country, public or private, knows the amount of investment the country can make, for what purpose and how it can prepare itself for the coming years.

“Caixa has participated strongly in this. Brazilian municipalities already know that today they will be able to access resources for sanitation, infrastructure and housing, and this ability to plan has been a victory for the PAC. Caixa’s role in this is to analyze the projects from local governments and ensure their implementation and funding. Our strategic plan predicts that we will be among the three largest Brazilian banks by 2020. Caixa is regulated like any other bank in Brazil and has specific goals. “We do not involve ourselves in anything that is not based on a high-quality analysis,” Hereda says. “In late 2007, Caixa had 6% of the total credit in the country and now it has 12.3%. Our market share has grown more than 40% per year over the same period. At a time when most banks were retreating, Caixa increased lending and made profits, and it maintains an important role to Brazil.”

“In 2011, it continued to provide credit and carry out its role with stable indicators. Caixa approves more than 4,000 contracts per day, which equates to approximately 360 million reals per day of mortgage loans.

“Caixa has a loan portfolio of more than 270 billion reals and some of the lowest interest rates in the Brazilian financial market. We want to set an example for the country and show that it is possible to reduce spreads that are too high and be a bank that is simultaneously efficient and profitable.”

Securing the Future

Education is another important government priority, and it covers the spectrum of the U.S.-Brazil partnerships. Brazil is committed to filling its skills gap with more engineers, scientists and teachers, and undertaking more exchanges with the U.S.

At home, good progress has been made with educational initiatives. In just 14 years, the Instituto de Educação Superior de Brasília (IESB) has become recognized as a center of excellence. It offers 43 undergraduate programs, 25 post-graduate courses and some of the best laboratories in the country, as well as modern facilities and excellent use of technologies. The university places a strong emphasis on outreach work and encourages social inclusion within Brazil through student financing schemes.

“Education must be seen as an instrument of economic growth,” says IESB president Eda C. B. Machado de Souza. “Our most important pedagogical assumption is that our students’ learning is facilitated if the theory and educational practice run together.

“We have invested heavily in the selection of teachers whose academic profile is linked to the labor market, as well as engineering and technological courses, without forgetting the principles and values that guide us. President Rousseff’s decision to invest in certain scholarships means investing in young people who will change the future of this country.”

São Paulo security company Embrase has built a strong business based on asset protection and the general safety of its 750-plus customers. Offering exceptional customer service and a trusted brand, now 25 years old, the company was the first in the country to offer professionally trained security staff to businesses and individuals. It currently has 160,000 employees working across Brazil. “Embrase has invested in technology, safety and qualified employees to ensure the highest levels of security,” says Wagner Martins, the firm’s president.
GET TO KNOW CAIXA.
A BANK WITH THE GREATNESS OF BRAZIL.

CAIXA was created 151 years ago with the commitment to improve people’s lives. Today, it is the main agent of the Federal Government’s public policies and the largest public banking institution in Latin America. Brazilians think about CAIXA when it is time to finance their homes, save and get loans. Millions of workers also earn their benefits through CAIXA. Besides, CAIXA sponsors sports, finances development construction in the country and actively participates in cultural, social and environmental projects. A banking institution with 62 million clients, 89,000 employees and more than 60,000 service locations.

CAIXA. A BANK WITH THE SIZE AND STRENGTH OF BRAZIL.