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BRAZIL

Global Role of Country with Continental Proportions

As Latin America's superpower hosts Rio+20, the United Nations Conference on Sustainable Development, the world hopes plans will become actions. What can Brazil bring to the table when it comes to serious solutions? Discover more about Brazil's critical contribution to tackling the tough challenges our world faces and its business success in this digital version of the 4-page special - as published inside The Daily Telegraph's Business Section on 18 June 2012.


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Raízen speeds up along with Brazil.

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BRAZIL

Global Role of Country with Continental Proportions

Championing Sustainable Development

Global leaders gathering on 20-22 June in Brazil for Rio+20 - the United Nations Conference on Sustainable Development - will be actively addressing how to reduce poverty, advance social equity, ensure food and energy security, limit climate change and protect the environment. Twenty years on from a similarly themed summit held in Rio, many questions will be posed about how far the world has come and how much more it has to do.

BY SORCHA HELLYER & GABRIELE VILLA ➤

As vital as they are, it may be a struggle to keep such topics at the top of the agenda in the long run. Yet sustainable development on both a socioeconomic and environmental level is critical to countries all over the world. If 2011 taught us anything, it was that the underclass is tired of being overlooked. The Arab Spring may have been a long time coming and was confined to a certain geographic region, but its plight resonated with many who were not associated with it. In an era of economic uncertainty, where unemployment (in even some of the most sophisticated economies) is on the rise and austerity measures have seen deep cuts in public spending, it is hardly surprising that there has been increasing global dissatisfaction with the balance of power and real concern among the populace about the cost of living. Few governments, if any, are winning popularity contests in the present climate and one of the most acute global challenges - sustainable development - is in danger of being sidelined at the expense of keeping economies afloat. Of particular concern is food and energy security - to meet the ever-increasing demands of the world's growing population, without impacting (too) negatively on the environment.

Thankfully a greater understanding of the importance of sustainable development is contributing to a greater commitment to actual implementation, as opposed to hollow-sounding government policies that do not translate in real life. Brazil's Ambassador to the UK, Roberto Jaguaribe notes that the Rio+20 agenda has been brought much closer to the G20 agenda and that the world is changing; "Fundamentally the inevitable shift in world power - with the multiple polarisation of the global economy - means that growth and stability is going to come from emerging markets." It is therefore imperative for countries to realise that, although their progress and advancement is a positive thing, there are inherent implications associated with their increased material desires and that it is these demand drivers that make sustainable growth all the more important.

Brazil itself has come a long way in the last 10-15 years. Impressive advances in the last decade belie the fact that it has been a lengthy process. Despite remaining a country of rather stark disparities, it is a nation dedicated to living up to its positivist motto "Ordem e Progresso" – Order and Progress. Often declared the perennial country of the future, Brazil has finally become the country of the present. Yet it has its eye on what it wants to achieve and on the betterment of society. Democratic rule, a westernised outlook and a raft of fiscal policies have seen a dramatic improvement in the fundamentals of the macroeconomic situation. Having brought once rampant inflation under control and interest rates to acceptable levels (even if they remain high for an economy of its size), the government can now boast record low unemployment this year (down to 6% in April – the lowest since 2002) and record high foreign direct investment (FDI inflows last year reached $66.7bn).

Brazil has clearly demonstrated that it is perfectly feasible to combine economic growth with social inclusion and sustainability

PRINCE HARRY & EDUARDO PAES, RIO'S MAYOR

The frisson of excitement in the country is palpable in particular in the two key economic centres, Rio and Sao Paulo. The latter has always been unbeatable in terms of business in Brazil, while the former - long saddened by having lost its role as the nation's capital – is invigorated by the fact that it will be centre-stage for such international events as Rio+20 this month, the World Cup in 2014 and the Olympics in 2016. Carlos Geraldo, Regional President of Record TV (which won the exclusive rights to air the London Olympics in Brazil) expresses it well, saying, "The country's transformation these past years is tangible, there is great energy thanks to 2016. Rio's heartbeat is very strong and the Carioca (Rio natives) are proud of the fact that the Games are coming here. They are happy to see improvements being made to the city that will have a positive impact on their everyday lives."

Certainly the launch of new methods of more efficient transportation like the city's Flex Bus this month – well ahead of the Games - points to a commitment by the government to provide long-term solutions that will benefit locals and not only make for the smooth running of the Olympics. Even so the daily grind and strife of life in the "comunidades" (hillside shantytowns) contrasts uncomfortably with Brazil's status as the world's second largest helicopter market, where super rich business people and officials are whisked around by chopper so as not to battle with the traffic. The gap – however wide it seems - is closing. Incomes are rising and the burgeoning middle class (termed the C-class in Brazil) is fuelling local demand. While this is good news, the increased pressure on services and infrastructure poses problems and requires more significant investment (being funded by record high foreign reserves totalling $370bn). Brazil has clearly demonstrated that it is perfectly feasible to combine economic growth with social inclusion and sustainability. Moreover the corporate world is, in many cases, taking the lead by recognising that there isn't a choice anymore between the bottom line and sustainability because the two are strategically intertwined. No longer simply a buzz word, as Jorge Menegassi of Ernst & Young Terco explains, "Brazilian companies are using sustainability as a competitive advantage." This includes homegrown entities among which he cites, "Mining companies like Vale, oil companies like Petrobras and manufacturers like cosmetics company Natura...this trend in the economy is not because it is exciting but because it is critical."

Latin America's superpower has overtaken the UK to become the world's 6th largest economy. Of course, this is based on the total of gross domestic product (GDP) whereas Brazil's ranking in terms of GDP per capita sees it figure much further down the scale. This is partly due to the size of the population – at nearly 200m inhabitants, it dwarfs the UK's 62.3m. However, the staggering vastness of the country, and the implications of managing a surface area of over 8.5 million square kilometres - which is some 35 times larger than the UK - also has a momentous bearing on providing the necessary infrastructure to promulgate countrywide progress. Nevertheless, President Roussef's ambition for Brazil to become one of the most developed and least unequal nations in the world is definitely underway. Her success has been built on the solid foundations of her predecessors, Cardoso and Lula successively. As a result, more than 40m Brazilians have been raised out of poverty over the past decade. Indeed, in terms of poverty reduction Brazil has achieved the 25-year period Millennium Development Goal for 2015 (which was established by the UN in 1990) an impressive 8 years earlier than anticipated. This has been accomplished through public policies aimed at ensuring sustained economic growth and social inclusion. According to UN officials, the probability is that from 2003 to 2014, poverty in Brazil will be reduced by almost 70%. This seems ambitious but may be feasible if the economy's upward trajectory continues. Lacklustre as its 2.7% 2011 GDP growth may have been – especially after 7.5% in 2010 - a projection of 3-4% for the year 2012 (with job creation, investment in major infrastructural projects, interest rate cuts and tax incentives acting as antidotes to the threat of a downturn), means that Brazil is still perceived as one of the world's sustainable "growth economies."

This is also because the country's prominence and reputation goes far beyond the economic. As Ambassador Jaguaribe elucidates, "From the Brazilian perspective, we are very conscious of the fact that our relative importance is going to continue to grow. Brazilian culture is highly attuned to what is required in international relations. We believe in accommodating others, in diversity and have a fairly obvious tendency to be very comfortable with horizontal, instead of vertical, relations." It is exactly this kind of soft power that ensures Brazil's role in bringing something different to the table. Moreover, it has won worldwide recognition for its knowledge and skills in sustainable development and environmental conservation, which William Hague cited as "Brazil's greatest contributions to the world". Already a global agricultural force (and likely to be responsible to a large extent for meeting increasing international food demands) Brazil often draws unfair criticism from foreign quarters for putting business before the environment. It often seems as if the whole world wants to claim rights over the Amazon – fittingly dubbed the lungs of our planet – without fully understanding the challenges the rainforest represents or appreciating Brazil's sovereign rights over its own territory (more about this on Page 2).

The Talent to Surprise

They say that beauty is in the eye of the beholder and there is certainly a lot of it to behold in Rio; from its inspiringly fabulous beaches, majestic Sugar Loaf Mountain and hillsides cloaked in velvety forest, it is a city filled with grandeur. But not all its splendour is natural, indeed the Tijuca Forest, the world's largest urban forest covering about 32 square kilometres (the last remnant of the city's Atlantic Rainforest) was replanted by hand. Rio is now reaping the benefits of that vision, after preceding generations' urban development and commerce (coffee plantations) wreaked devastation. This reflects the renaissance that the Marvellous City is undergoing.

It is a constant work in progress and, in the spirit of beautification, this month kicked off World Environment Day with a tree planting initiative overseen by Rio's Mayor Paes. At the same event, UNEP Goodwill Ambassador Gisele Bunchen lent her supermodel status to raise awareness of the challenges the planet faces. Bunchen is an ardent campaigner of environmental causes and brings much needed media attention to such topics. However, Brazil's former capital is itself attracting quite a lot of attention these days, as it prepares to host major events from Rio+20 to the World Cup and the Olympics.

Despite its obvious glamour, Rio still has the talent to surprise. Nestled within idyllic tropical gardens, in the hilly terrain of the once bourgeois neighbourhood of Santa Teresa, lies a divine gem. Offering captivating views - and a mesmerising tranquillity which belies the hubbub of the 6.3m inhabitants of the city's municipality - is Hotel Santa Teresa. A favourite haunt of both national and international celebrities, this Relais & Chateaux hotel sets new standards in redefining the city's boutique, luxury experience. To survey Rio from this perspective, while sipping capirinhas by the pool or in the exquisite terrace bar, is truly enchanting. Red-roofed colonial mansions stretch before you down towards Centro – Rio's business district – and the sea sparkles beguilingly in the distance. Claiming to be closer than any 5-star luxury boutique hotel to the main tourist attractions of the city - including Guanabara Bay, Corcovado (Christ the Redeemer), Sugar Loaf, Tijuca Forest - the hotel also boasts fast, easy access to Rio's best beaches.

Being so tucked away, in the historical centre of Santa Teresa (widely considered the "authentic Rio") makes it hard to believe. Hotel Santa Teresa provides a peaceful haven of sensory delights where comfort, elegance and attentive service add to the guests' experience of being in complete harmony with nature, while being right on the doorstep of one of the world's most dynamic cities. And its unique proposition, as a chic, elegant refuge in the heart of Brazil's most famous metropolis, only adds to its allure.

AGRIBUSINESS

Feeding the Hope of Future Generations

They say that size matters but when it comes to Brazil it is both a blessing and a curse. The landmass occupied by the Latin American giant is phenomenal, rendering the implementation and policing of environmental protection very challenging. However, the space afforded it - coupled with its advantageous climatic conditions - gives the country a unique opportunity to nourish the world from the bounties of its lands.

To put it into context – imagine taking all 27 EU member states and placing them over the map of Brazil and you have more or less the same surface area. It truly is a country of continental proportions. Imagine how challenging it is to police a border 16,885km long (shared with 10 neighbouring nations), let alone ensure execution of legislation related to the protection of a whopping expanse of largely impenetrable jungle. Not without its detractors, Brazil faces a quandary of global magnitude. Can it really provide food and energy security for the world without further damaging the environment on which the international community also depends?

Sometimes it seems as if Brazil is being asked to save the world and, dramatic as it sounds, in many ways it is. Famously home to the Amazon rainforest, it is the only country on earth with a maximum score of 100 in the GEF Benefits Index for Biodiversity. The number of species – both flora and fauna – is unfathomable, thanks largely to the pristine conditions in which they are conserved. The WWF describes the Amazon Biome as being "distinguished by superlatives" and at twice the size of India (with a landmass of 6.2 million square kilometres) it's not hard to understand why. As a country, Brazil accounts for 30% of the world's tropical forests and 12% of the world's surface water. Thankfully, as Roberto Jaguaribe, Brazil's Ambassador to the UK points out "There is a very clear and important environmental voice throughout Brazil. It is the voice of the people. This reflects the major transformation that we have undergone in the past two decades. The United Nations Conference on Environment and Development (UNCED) in Rio in 1992 really generated an enormous change of perception in Brazil and we have maintained our environment in a better manner than most countries in the world."

Carlo Lovatelli, President of ABIOVE which oversees the soybean industry admits that the agricultural sector has a lot of hard work to do with regards its image. "Europe is a very important market for us, especially in agribusiness. However, there is a lack of information - distorted information - about Brazil in Europe at government level in Brussels. Our legislation on environment in Brazil has 16,787 laws, decrees etc. It may seem ludicrous but it is by far the most complete environmental legislation in the world. Moreover, our laws at ABIOVE regarding deforestation are tougher than the laws of the country itself." China may be driving demand in many of the industry areas but getting the message across to the EU (with its farming subsidies and quotas) is important to Brazil. Lovatelli clarifies, "If you take into consideration soymilk for cattle feed purposes, Europe is the largest client for Brazil with 8-9 tons of soymilk annually." He continues, "The soybean business is very important for Brazil; the value of exports reached $24bn in 2011. It represents the top export by far at about 8 or 9% of total external trade," and this dwarfs all other agricultural products.

It should be remembered that decisions taken oceans away (like the EU's Common Agricultural Policy) also have an impact on the sector in developing and emerging markets. One thing is for sure, Lovatelli and his peers in Brazil's agribusiness want both their sector and the country to have a better image. He says that this is what led them to sit down together with Greenpeace to explore how to work in a more sustainable manner. As a result, the Brazil Soy Working Group (of which ABIOVE is part along with other members including Banco do Brasil, the Ministry of the Environment (MMA), WWF and Greenpeace) has since implemented the Soy Moratorium – first signed on 24 July 2006 and since renewed annually until 2013.

In fact, despite popular myths, only 38% of Brazil's surface area is arable land and this includes pasture, agricultural land and sugarcane. The current law also requires the conservation of 20% of forested land on farms. This means that, according to 2011 figures from the MMA, 70% of Brazil is still covered with original vegetation. Jaguaribe continues, "In Europe there is just 0.3%. The numbers speak for themselves, but people do not want to listen. Obviously, Europe has done a very good job of reforestation. However, all of that is after the fact. In terms of what still constitutes a natural environment (even if you include the reforested area), it is a much smaller percentage than is found in Brazil." Despite being a commodity-oriented economy and global agricultural force, Brazil has managed to preserve a large amount of its natural assets. This would be unthinkable in virtually any other country, much less a country of Brazil's sophistication. Yet in order to meet the demands of the estimated global population in 2020, the OECD projects that a 20% increase in food production worldwide will be necessary. Of this total figure much is expected of Brazil. Already a top exporter of a wide range of produce including orange juice, coffee, soybean, chicken and sugar, the world's fastest-growing agricultural producer is expected to raise output by more than 40% within the next 7-8 years. But just how achievable is this growth and is it sustainable in environmental terms?

"Embrapa (the government entity for agricultural R&D) was, and still is, responsible for the transformation of the agricultural industry. Brazil was the first country with a tropical climate to produce and export food at this level. It has been creating tropical technology (for the production of foodstuffs) that can be used elsewhere in the world," explains Fernando Sampaio of Brazilian Beef (ABIEC). The association which oversees the development of Brazil as the world's No1 beef producer is keen to point out that there is, "No need for further deforestation to rear more cattle, since our herd of 200m is currently being raised on nearly 200m hectares," pointing to an acute underutilisation of pastures. Perfectly within international standards, the sector is undertaking to free up approximately half of its current pasture to turn it over to agricultural use. All of this can be done without felling a single tree.

Brazil's capacity to close the efficiency gap, employ innovative technology and create alternative opportunities for natives and occupiers of protected areas, is crucial to the country's continuing success on all levels - including the declining rate of deforestation. Speaking on this subject Jaguaribe elucidates, "We are extremely digitalised and formalised. If you want to know what is happening in the Amazon, you can check it daily via the country's Earth Resource satellite pictures." From monitoring the planting of crops, to the use of advanced tracking devices mapping cattle migration (therefore making suppliers more accountable) - the use of technology is finding multiple applications in rural areas. In an unlikely partnership, the Surui people of the Amazon (led by Chief Almir) turned to internet giant Google and cell phone use to create awareness of the threat and impact of deforestation as well as record illegal logging on their land. Inspiring stories like this give the world hope. "All over Brazil, farmers are working with technology and trying to be sustainable in their approach," says Sampaio. However the country wants to be so much more than a net exporter of produce. The future impact of the implementation of Brazil's expertise is huge. Sampaio firmly believes that, "The model can be used in Africa and Asia to solve the world's most pressing issues – malnutrition and hunger."

Those seeking to damn Brazil would do well to consider the consequences of it not performing its role as an agricultural powerhouse. It is probably the only country in the world that can support double-cropping (the production of soy and corn in one season), has a strong commitment to crop rotation, is able to plant sugarcane in degraded pastures and can potentially double the number of cattle per hectare, freeing up 100 million hectares of land. Legislation now in place has been largely responsible for the slowdown in the Amazon's destruction, yet big agricultural companies are often maligned for pushing the boundaries and impacting on the forest. Francisco Turra of Brazilian Chicken (UBABEF) asserts, "Good practices are the rule not the exception, so getting a licence is difficult." The general public is rarely cognisant of the fact that, many decades ago the past military government actually paid dividends for the clearing of land for productive use. No doubt critics will find much to say about the new Forest Code, just as they have about the past decades of illegal and legal logging. Subsequent democratically-elected governments in Brazil seem committed to change and have been trying hard to right the wrongs of former military rulers. That said a retrospective law is deemed by many to be incongruous given increasing global demands for food security. In the decade from 2000-2010, Brazil increased its trade balance in agricultural products over fivefold but while it is true that some areas of native vegetation have been impacted, there are many misperceptions about the actual proximity of farmland to the Amazon. One perceived ecological villain, the humble sugarcane (which aside from being a critical food staple is also a great green energy resource in the form of ethanol) is a great example. Ironically, despite the depiction of the Amazon being eaten up by the planting of sugarcane for biofuel, the conditions are actually too damp for production. As UNICA (Brazil's Sugarcane Industry Association) expounds, "Most sugarcane for ethanol production (90%) is, in fact, harvested in South-Central Brazil, over 2,500km from the Amazon. That is roughly the distance between Paris and Moscow." Turra expands, "Brazil is often wrongly accused of being aggressive and abusing the environment. In fact, a report by the UK's DEFRA on chicken production concluded that energy consumption and the Global Warming Potential from the emission of greenhouse gases are lower in Brazil than in the UK, by 25% and 17% respectively."

A major influence on the encroachment of the rainforest has always been illegal logging. Motivations vary from the sale of timber and subsistence farming to land-grabbing for the misappropriation and unlawful use of terrain. The march of agribusiness, especially the need for acreage to produce beef and soybean - two of the most internationally in demand foodstuffs - has often been criticised for encouraging the clearance of land. ABIEC and ABIOVE are adamant that best practice is the order of the day and that their members adhere strictly to official legislation. "One of the strategies of the government is to keep the occupation within limits by creating new conservation units of native lands in priority areas, creating a protection as a barrier to limit the occupation that past governments had stimulated," explains Sampaio of ABIEC, "However when officials go there to demarcate the land they find people already living there without property titles, running small farms which are producing - so this is creating conflict."

The federal government, overseeing the protection of Brazil's forests, clearly has quite a challenge on its hands. The key to overcoming it is the creation of alternative economic opportunities for those living on the land and the empowerment of local municipalities to administer their territory effectively. Such is the complexity of the size issue. The rainforest territory is so vast that it is nigh-impossible to police, yet what is taken away with one hand is given back with the other. The immense scale of the country and the fact that capacity has never been maximised, means that there is plenty of room for growth without further deforestation. More effective management of its existing cleared landmass means that Brazil is in an enviable position. Few other countries have this possibility. However, finding a path to economic advancement and social development which also protects the environment is a delicate balancing act. Instead of simply expelling land occupiers it is crucial to find alternatives that will keep them in rural areas but respecting regulations. To do this, improving access to tools is vital. Credit lines from banks like Banco do Brasil (that promote sustainable development) have an important role to play in cultivating responsible practices.

Speaking about the criticism levelled at Dilma Roussef's government (with regards Brazil's new Forest Code) Ambassador Jaguaribe points out that protecting native vegetation, "Is completely beyond what would be possible in any place in Europe, not just in terms of the percentage of the forest but in key areas like the amount of native vegetation to be sustained on all river systems. It is impossible to do anything like that in Europe, and would represent complete upheaval. Now, it is still a focus of complaint. It is absurd. Nevertheless, we will take it in our stride. One thing is for sure - we are not going to change our policies because of any external pressure, but because of internal determination."

The importance of the world's rainforests is undisputed but in the past there was, as Jaguaribe puts it, "A clear determination to reduce the sovereignty of Brazil over the control of its own natural resources. The fact is, since the 90s, there have been several attempts to transform the Amazon into something of international stature. All of this has long ceased to be an issue in Brazil. These last 20 years have clearly shown the incorporation of the values associated with the environmental perception of the world. In fact, during Climate Change negotiations, of the biggest economies, Brazil was noticeably the one that made the most courageous bid in the process. We are very much at ease in relation to environmental issues in Brazil. That, of course, does not diminish the challenges that we need to continuously face and monitor. These issues are not going to go away." The world is counting on Brazil's commitment to the mammoth task it faces, while Brazil is counting on the world to recognise its paramount importance in finding solutions to the challenges experienced today.

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A truly amazing fact about Brazil; it holds an incredible 12% of the world's surface water! But so precious is this resource considered, that Banco do Brasil, the government-controlled bank, is in partnership with the National Water Agency and the WWF for one of its principal sustainability initiatives. Starting in 2010, Agua Brasil (Brazil Water) Program will benefit from an investment of $27m from Banco do Brasil over a 5-year period. Projects such as improving the quality and supply of water, and expanding the coverage of natural vegetation in 14 micro-watersheds will be undertaken. Rural producers are also being reached by the Program, in a concerted effort to promote sustainable business models. Disseminating agricultural and cattle breeding best practices is vital to the success of the sector. Banco do Brasil takes its role, in the successful evolution of the economy, very seriously.

BRAZIL Green Economy at a glance

12% of the world's surface freshwater (ANA, 2007)

70% of the country is still covered with original vegetation (MMA, 2011)

30% of the world's remaining tropical forests (SFB/MMA, 2010)

+/-90% of electricity generation and 45% of the total Brazilian energy needs are met by renewable energy sources (MME, 2011)

95% of brand-new cars sold are flex-fuel (petrol+ethanol) (Anfavea, 2011)

+97% of aluminium cans are recycled (ABAL, 2010)

Production and Export of Food Products

Products	Brazilian Production %	World Ranking	Brazilian Exports %	World Ranking
Orange	57.21	1st	81.30	1st
Coffee	36.77	1st	27.98	1st
Sugar	21.25	1st	41.98	1st
Soybean	28.05	2nd	35.61	1st
Chicken	15.70	2nd	42.24	1st
Beef	15.03	1st	17.25	2nd
Pork	3.19	3rd	8.34	3rd
Corn	7.13	4th	8.56	4th

Source: USDA & Ministry of Finance

Land Use

Very large potential for sustainable expansion

	Total Area	Protected & Native	Arable Area	Other
Millions of Hectares	851.48	495.61	329.94	25.92
	100%	58%	38%	3%

Available	Pasture	Agriculture	Sugarcane
111.34	158.75	51.7	8.14
33%	48%	16%	2.4%

Source: ICONE, ESALQ & IBGE

ENERGY

Powering an Ecological Evolution & Revolution

Former President of Shell Brazil, Vasco Dias knows a thing or two about oil. Now CEO of Raizen, Dias has gone well and truly green. With the current capacity to crush 65m tons of sugarcane per 225-day harvest cycle, Raizen sells an incredible 6bn litres of ethanol yearly but its passionate biofuel advocate has his sights set on much bigger goals.

The world's second largest producer of ethanol, Brazil is already a global biofuel leader. Involving an extremely integrated production chain from sugar production to industrial ethanol processing; historically Brazil's industry has been seen as highly sustainable for a number of reasons. Processing plants operate on electricity generated from burning bagasse (the biomass that remains after crushing) making them self-supporting, but the real advantage of ethanol is its use in transportation. The mid-seventies saw government policy implementing mandatory blending of anhydrous ethanol with fossil fuels and the result has been a phenomenal transformation in the transportation sector. For example, over 90% of new light vehicles being sold today are flex-fuel vehicles (FFVs) and at least 80% of the total auto fleet should be equipped with flex-fuel technology by 2020. Positive as these developments are, uptake in ethanol consumption has led to supply issues not dissimilar to regular fossil fuels. The big difference is that not only is ethanol renewable, it is also significantly less polluting. Dias explains, "It is almost inconceivable to be able to produce something that reduces GHG emissions by 90%, yet here we see ethanol doing exactly that from the ground to the petrol station."

"We have a strong R&D arm developing specific enzymes for use with sugarcane biomass. I believe strongly in this. I cannot imagine not investing in this. It is a win-win situation"

VASCO DIAS
CEO of Raizen

Dias points out that a number of big companies want to shift from fossil fuels to a more environmentally sound alternative. With $30bn in revenues and 40,000 employees, Raizen's structure is well equipped to spearhead this. "World consumption is currently about 80m barrels of oil a day. This will increase to 180m," he predicts, "And Raizen doesn't believe this gap can be filled exclusively by fossil fuels." Biofuel is a more attractive resource but even increased production will result in a shortfall. This is where the world's seemingly unquenchable thirst for energy is a key driver for innovation.

Raizen is poised to be a game-changer by producing fuel from organic waste. "There is nothing cleaner that that – it is the solution for us all," elucidates Dias, "We have a strong R&D arm developing specific enzymes for use with sugarcane biomass. I believe strongly in this. I cannot imagine not investing in this. It is a win-win situation." As an alternative fuel, ethanol is a real boon for the environment and for the economy. Dias is avid about taking it to the next level. There is a solid plan to put this in place and within 5 years he expects to be able to produce commercially viable, second generation ethanol in a competitive way using bagasse. "Knowing the benefits of the product, I think that when we achieve this, it is going to be both evolutionary and revolutionary," remarks Dias excitedly.

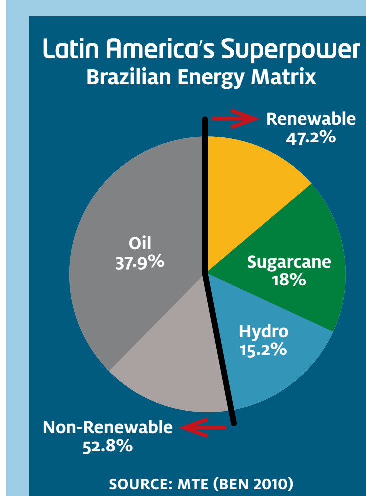
Apart from its increasing participation in the Brazilian energy matrix, ethanol is set to expand its global footprint and finally become an internationally traded renewable commodity. This is Raizen's ultimate goal. "In exports and imports Raizen's reach is wider than most of the competition," outlines Dias, "We have access to Brussels, Washington and we are about to extend our advocacy efforts to London, thus developing business opportunities and increasing access to new markets." Appropriately this new office will be headed up by the current Vice President of Sustainable Development & External Affairs, Luiz Eduardo Osorio who firmly believes that, "It is an important step to expand Raizen's global presence and advance sugarcane ethanol in international markets." Certainly, further exploring the potential of European interest in ethanol is paramount. Dias puts it perfectly, saying, "Just to be clear, when you talk about clean energy, you are not just protecting the environment. You are also positively affecting peoples' lives. Think about the impact of current CO_2 levels on society's health and on hospital costs. If you think about the families who are touched by the negative effects of these emissions, it is a staggering number."

"It is an important step to expand Raizen's global presence and advance sugarcane ethanol in international markets"

LUIZ EDUARDO OSORIO
VP of Sustainable Development & External Affairs of Raizen

Green Energy Pioneer

Brazil may be considered a "growth market" but when it comes to its economic rise to power it is, by all accounts, one of the most sophisticated and dynamic energy markets globally. Very much in tune with its environmental role, it has long embraced the concepts of green energy and has been much quicker than a great number of developed countries to implement and set standards. According to Roberto Rodrigues, staunch supporter of green energy policies deriving from agriculture, "47% of Brazil's energy matrix comes from renewables as opposed to the global average of 13%," - a remarkable amount generated by water, biomass, ethanol, wind and solar sources. However, the rest of the world lags behind, pointing to a crippling lack of uptake in what many see as the only environmentally-sound solution to increasing demands. Rodrigues of FGV (Getulio Vargas Foundation) is part of a groundswell of opinion-formers, policymakers and corporate entities who want the international community to understand the viability of alternative energy resources.



Often infrastructure and technology costs, coupled with a dearth of willpower, are the culprits responsible for apathy. However, Brazil is a beacon of light shining the way and one of its brightest performers is Eletrobras. Headed up by Jose Costa, it has a fundamental role in the sustainable renewable energy sector. Accounting for 36% of total market share, Eletrobras is symbolic of Brazil's hydroelectric plants which generate over 75% of the electricity used in Brazil. Despite their pure intention (to protect the environment by offering a solution to the burning of fossil fuels), no one would claim that complexes like Itaipu - the world's largest generator of renewable energy with the third largest dam globally – are completely innocuous. However it is an inevitable trade-off. Although besmirched for the effect their building has on fragile ecosystems like the Amazon, hydroelectric plants are in fact providing a massive country with the necessary power to ensure economic growth and a better life for all.

Costa believes Eletrobras' new operation in Belo Monte (currently under construction) is a clear demonstration of the company's commitment to limiting its impact on native communities. He says, "$12.3bn, one fifth of the project's total investment, is going towards environmental development," and maintains that the nearest affected Indian community is 600km away. "Eletrobras' corporate social responsibility programme ensures much-needed infrastructure in these areas including the provision of electricity, education and healthcare." Speaking of his participation at Rio+20, Costa explains that he is keen to bolster Eletrobras' dedication to three key objectives. "First is the Energy Forum which will address the fact that, globally, 1.5bn people remain with no electricity in their homes. In the last 9 years Brazil got a further 50m connected and now there are only about 1.2m left to provide electricity to. Our aim is to have everyone connected by 2014 and this is being implemented through a sustainable project called "Luz para Todos" (Light for All). Secondly we are looking to promote the doubling of the renewable energy matrix worldwide, and lastly we want to see an increase of efficiency – by 30%." They are of course ambitious goals that need to be backed up with concrete actions, given that the provision of electricity is a lynchpin in the socioeconomic advancement of developing countries. Since he firmly believes both are directly related to GDP growth, Costa no doubt hopes that world leaders will step up to their responsibilities.

Little wonder then that Eletrobras' President is heartwarmingly blunt in his assessment - that much more can be done. "If all the waste in Brazil were utilised to create biogas fuel, it could produce the same amount of energy as Itaipu!" exclaims Costa, "This is why our R&D department is studying new ways to harness natural resources including river current energy." And he is not alone. Even fossil fuel stalwarts like the world's top oil companies are delivering significant, tangible examples of cleantech innovation in Brazil. The impetus is not only coming from the private sector. April this year saw Brazil's government-controlled oil company, Petrobras get the green light for a 1.1mw solar-power project. It will invest $11.5bn in the plant and aims to be operational in the second half of 2014. It is hoped that solar investment will witness a similar upsurge in interest as wind-power projects have seen recently. Even if the Global Cleantech Innovation Index (published by the Cleantech group and the WWF) ranks Brazil 25th worldwide - and the country still has some way to go - one thing is certain, green innovation is a booming business in Brazil.

JOSE COSTA
President of Eletrobras

"If all the waste in Brazil was utilised to create biogas fuel, it could produce the same amount of energy as Itaipu!"

RELATIONS

Celebrating all that is GREAT

As Brazil rises in the rankings of the world's most powerful economies and the population's middle class increases by the day, it is not surprising that the UK government has renewed its commitment to the country, with increased diplomatic presence and an impressive number of high-profile visits. The UK already features prominently in the economic landscape as Brazil's 4th largest investor. Big names like BG, BP, Rolls Royce and Shell are all speculating substantial amounts. In fact, as John Doddrell, Consul-General in Sao Paulo points out, "BG (British Gas) is the UK's biggest foreign investor in the country and Brazil is hugely important to their success." But regardless of the sector, this is by no means a saturated market. Many other opportunities exist and UK companies should not be tardy in entering the market since numerous countries are eyeing Latin America's most populous nation and being far more bullish; "China invested heavily 2 years ago with around $15bn of investment," points out Jorge Menegassi of Ernst & Young Terco (E&Y Terco). And it's not just cash rich nations; "Even struggling European countries like Spain - which is the second biggest investor in Brazil." With sovereign debts and unemployment rife, EU countries are turning to growth markets, looking for salvation.

However promising and bountiful Brazil may be, it is not for beginners, "There is more to the business environment than it seems and it is often more complex than many originally perceive it to be," underlines Ambassador Jaguaribe. This is echoed by senior executive, Omar Carneiro da Cunha, who now lends his decades of international corporate expertise to Dealmaker, a company specialising in mergers and acquisitions. "Brazil is not a country for amateurs; companies trying to do business in the country, mainly those with limited international experience, should think about the long term, and find the right kind of advisors and/or partners, that can help them to minimise risks." His optimistic outlook is tempered with a realistic opinion of the recent climate of euphoria regarding investing in Brazil, "Our view is that the situation in the past was not as bad as outsiders used to think, nor is it as rosy as many believe today. There are many pitfalls in legislations and bottlenecks in the economy that can seriously affect business - just as there are excellent opportunities to be pursued."

Sadly Brazil often engenders misperceptions and Cunha outlines a prime one, "The oil and gas sector is a good example: recent legislation regarding the role of the state as an economic agent, coupled with an irrational product price, unrealistic local content policies and a lack of new exploration acreage could lead to the wrong conclusion of a scarcity of opportunities. In fact there are many, and some local and international companies are already taking advantage of them." Thus it is vitally important for investors to do their homework. A local collaboration obviously makes that easier, "Dealmaker is a different kind of M&A boutique; all partners have extensive business backgrounds, with previous hands-on experience in areas such technology, media & telecom (TMT), oil, gas, retail and financial services. This is a differential when understanding our customers' needs. International alliances, such as the one signed recently with Arma Partners from the UK, in the TMT area, give us international reach," reaffirms Cunha.

Undoubtedly forewarned is forearmed, and access to up-to-date information on Brazil is imperative to success. Menegassi believes that few international companies understand the way business is done in the country, "In order to have a soft landing in Brazil it is critical to do a thorough study of the business model and, in doing so, you must take into account taxation issues and do your due diligence on local partners." E&Y Terco sees itself as the perfect conduit for providing information. It has opened a British Desk - a consulting service for UK companies interested in investing in Brazil - specifically to bridge the gap. Doddrell, who as UKTI Director also heads up a 50-strong team, agrees on the importance of knowing the market. He has noted a 700% increase in enquiries from the UK on Brazil's prospects and the UKTI provides analyses on market conditions and procedures. Pleased by the renewed intensity of bilateral relations, Doddrell believes that, "Brazil's growth is sustainable - it is not a bubble," openly praising the complementarity of the two countries - which he swears is not because he has been married for over two decades to a Brazilian.

There is a need for UK expertise - President Rousseff's "Science without Borders" scholarship programme will see up to 10,000 Brazilian students going to the UK to study science, technology, engineering, mathematics and creative industries at British universities over the next 4 years. Moreover, the UK is thirsty for new ways to grow given the stagnant and challenging market back home. One great example of this is a recent matchmaking event, where 20 British universities visited Brazil to explore how to potentially set up operations in a country that is in desperate need of a more effective educational system. "These academic partnerships will lead to even more business partnerships," Doddrell concludes.

"There is a renewed level of intensity in UK-Brazil relations"

ROBERTO JAGUARIBE
Brazil's Ambassador to the UK

"Brazil's growth is sustainable - it is not a bubble"

JOHN DODDRELL
Consul-General in Sao Paulo & UKTI Director – Brazil

"There are a lot of synergies between Brazil and the UK"

GARETH MOORE
Consul in Recife

Some British entities have evidently understood how imperative it is to have a local presence. Marco Castro, Managing Director of Lloyd's Brazil says, "Co-located firms who are operating in the country under the Lloyd's licence are yielding much better results from the local market." Figures from 2009 to 2010 bear out this fact, "Those who have an office at Lloyd's in Rio (as well as doing business with Brazil from London) have grown 67% as opposed to those operating in London alone, which only grew 23%," Castro confirms. Lloyd's decided to be based in Rio for numerous factors. Being close to the all-important state-owned energy company, Petrobras (whose recent pre-salt oil discoveries will catapult Brazil into the realms of the most innovative and most productive oil producing nations in the world) is deemed vital to success. The ripple effect of the oil and gas sector in the insurance world undoubtedly offers a great volume of business but then there is, of course, also the incredible prospect of providing insurance coverage for the World Cup and the Olympics.

However, Castro is quick to demonstrate another deciding factor outside the window of his office - the charm of "The Marvellous City". Rio's attractiveness trumps that of its over-performing rival Sao Paulo which, as home to most of the local and international banks, has long held the title of financial services centre of excellence in Brazil. But Rio is doing its best to prove that it is serious about business – even if it does overtly covet its glorious beaches and inspiring landscape. Castro gives credence to this, intimating the probable announcement towards year end of the founding of an insurance hub in Rio. This will likely bring together hundreds of insurance companies - housing 6,000 industry employees under one roof - thereby giving the city its own claim to the burgeoning financial services sector. It is something that Lloyd's committed to helping the local government with upon its arrival 3 years ago. Castro affirms, "The concept was inspired by the Lloyd's Underwriting Centre in London and based on the Lloyd's model." Being at the forefront of such a development certainly won't harm British (re)insurers looking to maximise their chances in Brazil and the continent as a whole.

The huge potential of Latin America's largest internal market is a consumer powerhouse that British companies – demoralised by the European economic crisis – cannot afford to ignore. UK exports to Brazil were up 23% in 2010 and a further 9% in 2011 but William Hague has set targets to double trade with Brazil by 2015. The Foreign Secretary's visit was just one of 37 to Latin America made by British Ministers in the first 18 months of office. It speaks volumes that nearly half of those were to Brazil. However, it is not only diplomatic engagement that has been taken to a whole new level - there was even a royal visit in March. Performing duties on behalf of his grandmother in the lead up to the Queen's Diamond Jubilee, Prince Harry was touring various Commonwealth countries in the region. So Brazil may have seemed an unlikely destination. But this was no ordinary stop – this was a statement at the highest level. It was perfectly timed with the launch of the UK's GREAT campaign in Brazil (to promote Great Britain ahead of the Olympics and shine the spotlight on the growing relations between the two countries) and was geared towards tapping into the massive local market and their increasing interest in the UK.

Delivering his opening speech on the top of Rio's iconic Sugar Loaf Mountain, the young royal addressed an audience of top business leaders and entrepreneurs from both nations, proudly announcing, "It's wonderful to see here tonight so much that is truly Great about Britain - and particularly about our flourishing partnership with Brazil. In business, the UK is now Brazil's 4th largest foreign investor. In education, innovation, technology, fashion, and even in shopping, Britons and Brazilians are forging bonds that will stand the test of time, and take us forward together into the 21st century." As Paula Walsh, Consul-General in Rio explains, "The impact of Prince Harry's visit was huge." It went beyond diplomacy and business, encompassing the bilateral cultural and sporting cooperation that has further cemented the relationship. Brazilians have always exhibited a fondness and admiration for Great Britain but the Olympics – London 2012 and Rio 2016 - have created a synergy and awareness that is proving pretty bankable. As incomes improve and the numbers who are able to travel swell, so too does the ability to fly. Traffic between Heathrow and Brazil went up 62.3%, compared with March last year. According to Jose Coimbra, who heads up BA in Sao Paulo, "The biggest growth registered at Heathrow was Brazil and Brazilians now rank 5th in terms of the number of tourists coming to the UK." In response to increased demand British Airways recently boosted airlift to Brazil by doubling flights to and from Rio. Undoubtedly the number of British business delegations visiting the country is also on the up, further benefiting BA's strategic move.

While BA may only fly to Rio and Sao Paulo, Brazil's immense connectivity means that the WEF ranks it 9th (out of 142 countries) for its weekly available airline seat kilometres. Given the length and breadth of the country, effective air transport is imperative to progress. "People need to understand that the distance between Sao Paulo and Recife, is similar to that of London to Moscow," reiterates Gareth Moore of the recently reopened British Consul in Recife, Pernambuco. "For the longest time Brazil has been all about Sao Paulo, Rio and the Amazon," Moore admits. It can be an uphill battle changing perceptions of what Brazil represents. Away from the economic centres of gravity, other states offer many opportunities and are vying for UK investment. One such region is Pernambuco whose State Secretary, Mauricio Rands, highlights that, "There is a strong opportunity for UK businesses to compensate for the downturn in the EU and use the North East as their base in Brazil."

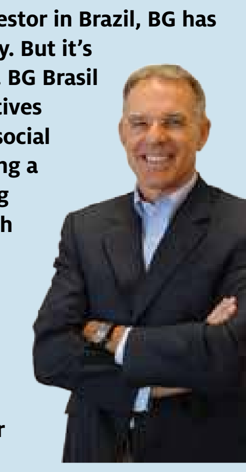
Indeed, besides having their own individual characteristics - Pernambuco boasts one of the most beautiful coastlines in Latin America - many of the regions are creating special incentives to attract specific industry clusters. These are proving vital in order to create concentrated critical mass in states that are often larger than whole European countries. Bahia, Pernambuco's neighbouring state is the size of France. Yes, that's a state within Brazil that has the comparable landmass of one of the largest EU members. But it doesn't end there. "Amazonas," Ambassador Jaguaribe proudly points out, "Is three times the size of France." Taking into account the sheer scale of the country and the wealth of opportunities that exist, it's no startling discovery that Brazil ranks 4th in the world in terms of foreign direct investment inflows; behind the US, China and the UK (2011 UNCTAD figures). With all eyes on the international events it is staging, the country's performance is in the limelight and its global status is on the rise. As Hague pointed out during his visit in January, "The very best days for Brazil are still to come."

"In business, the UK is now Brazil's 4th largest foreign investor. In education, innovation, technology, fashion, and even in shopping, Britons and Brazilians are forging bonds that will stand the test of time, and take us forward together into the 21st century"

PRINCE HARRY

Intrinsic Values

As the UK's single largest investor in Brazil, BG has taken a big bet on the country. But it's not all about the bottom line. BG Brasil also funds a number of initiatives to foster environmental and social development - from supporting a whale and dolphin monitoring programme to partnering with Brazilian institutes, non-governmental organisations and training agencies working on education and skill building. Here Nelson Silva, President of BG Brasil explains the company's major commitment to the country.



BG Brasil (part of BG Group and present in Brazil since 1994) is active in exploring and producing hydrocarbons in the offshore Santos Basin, as the major partner of the national champion Petrobras in the pre-salt oil and gas development. The company has a long-term commitment to the country and is aligned with the Brazilian government's priorities of maximising local content, increasing environmental protection and operational safety, promoting scientific and technological advancement as well as social progress.

Through our Sustainability Strategy, we are investing in projects that contribute to social and economic development in Brazil. Our strategy is based on the following four pillars: research and development (R&D), social investment (mainly in education), local content plus environment and safety (including work on biodiversity). We believe that investment in these four areas has the potential to provide enduring benefits for Brazil, as well as furthering BG Brasil's long-term business objectives. For example, our investment in Brazil's federal government programme "Science without Borders" equates to $100m in international fellowships to Brazilian students and researchers which will support a generation of Brazilian scientists who can build the country's technology sector.

In fact, Brazil is now the centre for BG Group's global technology strategy. The group is implementing its Global Technology Centre (GTC) in Rio de Janeiro's Technology Park. It will concentrate around 80% of all BG Group's global R&D projects, working closely with Brazilian universities and contributing to the national economy with a strong focus on local content. Through the GTC we will create a network of BG Institutes, in partnership with Brazilian universities, laboratories, international institutions, and with the government. Knowledge generated in projects, as well as laboratories built, will remain with the universities.

BG Brasil will have the most significant investment in R&D amongst international oil companies in Brazil - over $2bn by 2025. Construction on the Centre begins this year and the inauguration is expected in mid-2013. We are the only multinational company setting up its main technology centre in Brazil, with Rio de Janeiro chosen from a list of the 25 cities worldwide where we have operations. We believe this will deliver long-term benefits for both Brazil and BG Group.

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A Sense of Community

The impact of crime in Brazil has long been a blight on both society and the economy but significant progress has been made in the past decade. Rio's government took a particularly strong stance, adopting a security policy based on the installation of UPPs (Pacifying Police Units) within the notorious shantytowns. This saw a crackdown on violent and drugs-related crime as well as the promotion of social policies. In many other areas of the country NGOs and charities are picking up the slack. The appropriately named Happy Child charity is focused on street children. Investing in the younger generation is definitely the way to build a solid future for Brazil's society.

It was 1991 and Sarah de Carvalho, who worked for BBC and Sky in London, found herself between TV contracts. So she decided to go to Brazil to help the street children there. However, the reality of what she found at the time - that 35% of the street children were dying before they reached the age of 18 - led her to quit her job and dedicate herself to her calling. Just 2 years later she founded the charity, Happy Child, in Belo Horizonte - Brazil's third largest city. Since then Carvalho's initiative has enlarged and now includes a rescue home in Recife which is currently fully-funded by the UK and, increasingly, by local government and civil society partnerships in Recife. The charity has developed a 12-step programme with a critical focus on prevention work in the "comunidades" (shantytown communities); rescuing children from the streets and trying to reunite them with their families. Where this is not possible they are rehabilitated in Happy Child homes which provide social care, counselling and education. Reintegration back into their families and communities is always the final objective but not always feasible. In those cases Happy Child looks after the children until they can be fostered, adopted or leave care for employment.

"As the founder, I lived in Brazil for 10 years but in 2006 I set up an office in the UK where I am now based," explains Carvalho, "Happy Child's office in Leatherhead is where fundraising is done. Money collected here goes directly to the delivery of child and family services in Recife. Thankfully, Happy Child Belo Horizonte is now fully funded from within Brazil." As Brazil attracts more foreign capital, Carvalho is hopeful that corporate social responsibility (CSR) programmes will also include assisting Happy Child. "We are aware that many UK businesses are investing in Brazil and most have CSR. If they are going to invest commercially then perhaps they could also consider investing in the country's social issues."

Carvalho is of the opinion that the divide between the rich and the poor remains harsh, especially in northeast Brazil where Happy Child is now replicating its model of prevention, rescue, rehabilitation and reintegration of children. "The aim is to get as many of them off the streets, out of the clutches of abuse and sex tourism so that they can get back to their families, back to education and back to society," she affirms. Appealing to both corporate entities and individual donors with a social conscience, Happy Child hopes to extend its reach. Its founder underlines, "With the run-up to the World Cup, many more of these vulnerable children need to be taken into care and this can only be achieved with increased sponsorship."

Image Diplomacy (iD) supports Happy Child's efforts

If you would like to donate to Happy Child or know more about the charity's work please visit www.happychild.org or www.facebook.com/happychildint

Please make a donation now by Text Giving: send an SMS to 70070 with the text HCIN12 £5 (to donate £5)