

# A warm climate for business

By HIS EXCELLENCY SÉRGIO CABRAL

GOVERNOR OF THE STATE OF RIO DE JANEIRO



SÉRGIO CABRAL

graduated with a degree in journalism, beginning his political career at the age of 24 as the Director of TurisRio, the State Government's tourism agency. He was elected State Representative in 1990 and re-elected in 1994, becoming President of the State Legislative Assembly of Rio de Janeiro (ALERJ), a position he held until 2002. He was elected Senator that year and after four years in the Federal Senate was elected Governor of the State of Rio de Janeiro in 2006. Governor Cabral took office in January 2007 with a four-year mandate.

Brazil and the United Kingdom share important historical ties, particularly in the economic sector. Indeed, this year marks two centuries of continuous trade between our countries since the opening of Brazil's ports to friendly nations in 1808. At that time, England was the main commercial partner of Portugal and developed close ties with Brazil as a consequence. We should keep in mind, therefore, that Rio de Janeiro has been the gateway for British goods and investments into Brazil since colonial times.

At present our bilateral trade lags behind its great potential, despite the fact that Brazil is the UK's main trading partner in Latin America. Brazilian exports to the United Kingdom in 2007 amounted to a mere two per cent of our total exports, while imports to Brazil from the UK accounted for just 1.5 per cent of total imports. Rio de Janeiro's exports to the United Kingdom last year corresponded to one per cent of the State's total exports – putting the UK in 15th place in the list of our overseas trading partners – while our imports of British products were equivalent to three per cent of the total. While the United Kingdom is the seventh largest supplier to the State of Rio de Janeiro, there is undoubtedly room for improvement.

British direct investment in Brazil totals around US\$3.5 billion, placing the UK 11th in the list of the country's major inward investors. By way of comparison, Britain's investments in Brazil represent half those of Canada and a quarter of those of France.

This situation indicates that we still have great opportunities to increase our business and to renew the opportunities in many sectors. I am determined to contribute to expanding and diversifying our economic and commercial relations and I will try to explore new avenues at the meetings I will have during my mission to London.

I believe that governmental initiatives, including my visit to the United Kingdom as well as the Joint Economic and Trade Committee created during President Lula's mission to London in 2006, will facilitate and stimulate our dialogue in sectors such as economic and business collaboration, political issues, scientific and technological cooperation and cultural events.

My mission coincides with a favourable economic and political juncture in Brazil, which offers new possibilities for foreign investors. From a political perspective, Brazil

is a very stable country and has a firmly established democracy, based on a periodic change of political parties in government. Brazil is also the tenth largest economy in the world, with a GDP of over one trillion dollars. It has a very diversified industrial base, most of its energy comes from renewable sources and it also counts on an extensive array of natural resources. The macroeconomic fundamentals are solid and two of the most prominent risk rating agencies granted the status of 'investment grade' to Brazil in the first semester of 2008. Besides which, Brazil has experienced sustainable economic growth recently, based on the expansion of the domestic market.

President Lula has adopted a very successful policy, which promotes both economic growth and social inclusion. As a result, more wealth is being generated and it is being more evenly distributed. Comprehensive social programmes – especially in the education and health sectors – are under way and we are gradually making progress to achieving a high Human Development Index, as recognised by the United Nations last year.

As part of the Brazilian territory, Rio de Janeiro benefits from the country's positive economic context. In addition to which, Rio can offer various competitive advantages as a gateway for foreign companies interested in establishing their operations in Brazil, as well as providing an excellent platform for the exports of goods and services to other countries in South America.

The first advantage is that Rio is strategically located in the southeast region, which includes three of the richest states in the country and generates more than half of Brazil's GDP. It has the third largest population in the country – with 15 million residents – and its economy is the second biggest in Brazil, with a GDP equivalent to that of countries such as Israel, Colombia or Chile.

The second advantage is that Rio offers an excellent logistic platform, particularly in terms of ports and airports, to connect the State with the rest of Brazil, Mercosul (the Common Market of the South) and the world. The new deep-water port of Itaguaí – located less than 70 miles from downtown Rio – has all the conditions to become a hub port, and is being integrated with highways and railways that will improve Rio's capacity as a distribution centre for goods and services.

Rio de Janeiro's international airport offers the largest and most modern cargo terminal in Latin America. Besides, a new international and privately

managed airport – located 90 miles from the city – started its operations last year.

The third reason to do business in Rio is that the State is the capital of energy production in Brazil. It produces 40 per cent more electrical energy than it consumes and can therefore assure its supply for future investments. It is the largest producer of oil and gas in the country, and the two nuclear plants currently operating in Brazil are both located in Rio. The Federal Government has authorised the construction of a third plant in Rio.

Rio de Janeiro produces 85 per cent of Brazil's oil, with a daily output of 1.5 million barrels, as well as 22 million cubic metres of natural gas. The production is offshore, in the Campos Basin, the site of almost 90 per cent of all Brazilian oil reserves. New oil and gas deposits have also been discovered recently in Rio. Estimates indicate that these may increase the country's reserves by as much as 50 per cent. When production in the new fields starts, Brazil will become an oil exporter, with Rio de Janeiro at the centre of the economic activities related to this important business.

The fourth good reason to invest in Rio is that the State has a great number of industries in key sectors, such as petrochemicals and iron and steel, as well as pharmaceutical production, shipyards and automotive manufacturing plants.

In the petrochemical sector, a very interesting project is now under construction: the Petrochemical Complex of Rio de Janeiro, known as COMPERJ. It is a US\$8.5 billion investment by Petrobras and offers large possibilities for joint ventures. In the iron and steel area, a new plant is being built by the German group Thyssen Krupp in association with the Brazilian company Vale, in the port of Itaguaí. This investment amounts to some €4 billion. Other investments in the same sector total a further US\$3 billion. When these new steel mills begin production, Rio de Janeiro will become the largest steel producer in Latin America.

The automotive complex is located in the southern part of the State, comprising a Volkswagen truck factory, a Peugeot-Citröen car plant and a Michelin tyre factory. All three companies have recently announced that they will expand their investments in order to increase

production and meet growing domestic demand.

The fifth advantage is that there is available in Rio a highly qualified labour force, including experienced researchers and well trained technicians in different fields. The State has a well structured network of public and private universities, as well as professional centres, technical schools and high level research and innovation clusters.

The services sector is also quite strong in Rio and provides attractive opportunities for investors. Rio is the main gateway for foreign tourists visiting Brazil and important international companies are building new hotels and resorts in the State. Audiovisual productions also offer interesting and profitable projects, as Rio has the largest film production complex in Latin America. ►

**Rio's strategic location and abundant resources make it a natural hub for Brazil, Mercosul and Latin America**



Governor Cabral's tough approach to public administration has won plaudits from many in the private sector



**Experts believe that Rio's reinsurance market, already the largest in Latin America, could double in size by 2010**

Rio de Janeiro is an important financial centre too, as a consequence of the size of its economy and because several of the largest Brazilian companies have their headquarters here, including Petrobras, Eletrobras, Furnas and Vale.

I would also particularly like to highlight the insurance and reinsurance sectors. The new regulations approved at the beginning of this year opened the Brazilian insurance and reinsurance market to the participation of foreign companies. It is a market that still can be better explored and has a good chance of promising growth in the near future. Experts estimate that the Brazilian reinsurance market could double in the first two years after its opening. It is already the largest in Latin America.

The main players in the insurance and reinsurance sectors are located in Rio: the national regulatory agencies; all the associations and entities representing the two sectors; the Brazilian Institute of Reinsurance; and some of the largest Brazilian insurance companies – Icatu-Hartford, Sul America, Bradesco – among others. We should keep in mind that the largest Brazilian companies, with their pension funds as well as their headquarters in Rio, are an extra attraction because their large operations and projects naturally require insurance and reinsurance. Also in Rio is the only school for training professionals for the insurance sector in Brazil. I am delighted that Lloyd's of London

has recently decided to establish its operations for Brazil in Rio.

In order to reinforce these positive economic trends, my Government is fully committed to modernise public administration. We are improving the capacity of our public organisations to spend their resources in more effective and productive ways and we have elaborated a Strategic Plan for 2007-2010 which defines long-term Government projects and goals.

Through a series of reforms we have made substantial progress in the management of the Government budget and public funds. As a consequence, we have achieved a surplus and increased public investments. Simultaneously, we are creating a business-friendly context to attract foreign partners. Among other measures, we are simplifying and expediting bureaucratic procedures for entrepreneurs as well as defining clear and stable rules for investors.

In conclusion, I would like to stress that we are experiencing a new economic momentum in Rio de Janeiro, starting with a cycle of large investments, and a favourable political situation based on a fruitful cooperation with the Federal Government. It represents a turning point in our history and I want to invite entrepreneurs to take part in this effort and use our unique advantages.

Like its famous statue of Christ the Redeemer, Rio de Janeiro awaits you with open arms. **F**

Rio's statue of Christ the Redeemer was recently designated one of the Seven Wonders of the modern world



Photograph by Ricardo Zettermer. [www.amnlogprints.com.br](http://www.amnlogprints.com.br)