

A strategic investment opportunity

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Brazil is standing in the spotlight. The country has managed to zero-out its external debt and achieved world-class investment grade status. The nation's economy has maintained an accelerated rhythm of growth for the last 24 consecutive quarters, despite the global economic slowdown. Its internal market is thriving – consumption in Brazil increased more than 6 per cent over the past year and the creation of new jobs in 2007 was the strongest the country has seen for many years. At no previous time has the country ever experienced such a tremendous expansion of credit as is being experienced today: in the last seven years the total jumped from US\$198 billion (R\$320 bn) to more than US\$550 billion (R\$935 bn). Inflation has finally been vanquished and all contracts are being honoured.

The whole country has become an excellent opportunity for investment thanks to its sustainable economy. By 2012, Brazil will be manufacturing close to five million automobiles per year. Many other sectors such as domestic electrical products, computers, the food industry, cosmetics and personal hygiene have all consolidated their ambitious growth plans.

In the midst of this long succession of good news, the State of Rio de Janeiro has assumed an outstanding position. Well-known for its natural beauty and the cosmopolitan charm of its inhabitants, Rio de Janeiro is advancing strongly in terms of its economic indicators and diversification, today reaching a total GNP of close to US\$146 billion, greater than the combined GNPs of Chile, Colombia and Peru.

The powerful performance of the state is also reflected in its external markets. In 2007, exports from producers in Rio de Janeiro exceeded US\$14 billion, an increase of more than 678 per cent since 2000, and Rio presently occupies fourth place in the ranking among the top Brazilian exporting states.

These numbers will gain a new perspective as of this year. On the map of forecast investments, Rio de Janeiro is going to become the centre of Brazil, the new capital for productive enterprises. The state will receive a massive injection from both public and private sectors over the next three years, in the order of US\$51 billion, which will create approximately 310 thousand direct and indirect jobs.

The mapping of private and public initiatives and new workstations forecast for the development of the state

was recently consolidated by the Federation of Industries of the State of Rio de Janeiro (FIRJAN), in an updated version of a document entitled *Decision Rio* that for the first time will be presented in a new visual format, thanks to the use of the Google Earth program, and can be accessed at the website: www.firjan.org.br/decisionrio.asp

Of the total resources forecast, 51 per cent will go to the construction of new enterprises while the balance, 49 per cent, will be used for the modernisation and expansion of existing infrastructure, as well as the construction of new maritime vessels. The purpose of the report is to act as an instrument to orient industries in the country and abroad who intend to set up business activities in the state as well as to aid public administration in its action planning activities.

The largest share of the investments is targeted towards the processing industries and the infrastructure sector; each of these areas will receive 27 per cent of the total forecasted investment package. Petrobras is going to allocate US\$18.8 billion over the next three years, equivalent to 37 per cent of the investment total. The tourism industry, one of Rio de Janeiro's natural vocations, will receive US\$4.3 billion representing 8 per cent of the total projected investment for the state. Highlights include major tourist enterprises to be built in the Sun Coast region, mainly in the municipalities of Búzios, Cabo Frio and Maricá.

Many other projects are in their consolidation phase such as the Companhia Siderúrgica do Atlântico (CSA), an association between the German giant ThyssenKrupp Steel and Vale, which has become the largest private enterprise underway in Brazil at this time, with a value of US\$4.5 billion. Nearly 14,000 workers have been employed in this steel mill project under construction in the satellite city of Santa Cruz. Furthermore, other national industries are also inaugurating new industrial plants such as the Companhia Siderúrgica Nacional (CSN), Votorantim and Gerdau, which is representative of the solid participation of new investments being made in the area.

The Petrochemical Complex of Rio de Janeiro (COMPERJ) is another project of mega-proportions involving a massive investment, work on which is scheduled to begin this year. The Complex will cover an area of 45 million square metres located in the municipality of Itaboraí, less than an hour's drive from downtown Rio de Janeiro. The investment forecast

for this project exceeds US\$8 billion – US\$3 billion over the next three years – and will ultimately generate approximately 210,000 jobs.

Other companies installed in the State are working full steam ahead and are announcing their own expansion projects for new plants, such as Volkswagen and PSA Peugeot-Citroën. Michelin has recently doubled its presence in the State after inaugurating a modern factory to produce giant-sized tyres, each one weighing more than a ton, tyres used mainly in the mining and earthmoving sectors.

There are many new opportunities for small and mid-sized companies as well who may qualify as suppliers of this huge productive chain that is being formed in the state as a result of the new forecast investments.

Having once again become part of the country's main project development scenario, Rio de Janeiro is also preparing by offering new investments in infrastructure and logistics in order to sustain the economic growth expected in the state over the coming years. Of the US\$13.5 billion to be spent on infrastructure in the state by the year 2010, 41 per cent is earmarked for the logistics area, backed by a total investment of US\$5.6 billion.

In fact, the state is already privileged in terms of logistics thanks to characteristics that make Rio an outstanding participant in the Brazilian scenario: more than 60 per cent of the GNP of Brazil is generated in a radius of 500 km from the city of Rio de Janeiro. The state boasts all the major interstate highways crossing through its territory as well as the largest international airport in South America (Tom Jobim). As of this year,

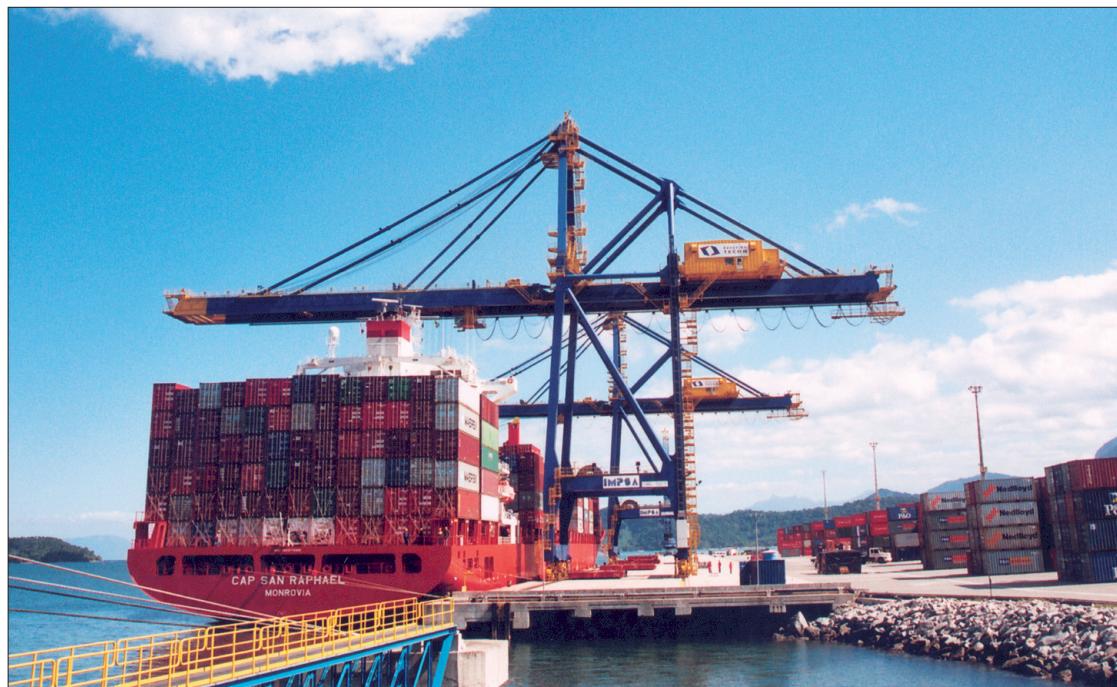
a new ambitious project called the Metropolitan Arc will be launched, an important infrastructure project that will build a modern highway loop around the metropolitan area of Rio de Janeiro and connect users of the country's main highways directly to the Port of Itaguaí, one of the main export ports in Brazil today, located in the State.

State planners understood the importance of focusing their attention on logistics to support port terminal operations and provide them with diversified advantages such as the ones already implanted at the Ports of Itaguaí, Rio de Janeiro and the new ports of Açu and Barra do Furado. The idea is to reinforce these advantages and assure Rio de Janeiro major competitive differentials to further aid the productive investments to be made over the next three years.

The modernisation and construction of new ports are of key importance in the priorities designated by the State and take into consideration that 85 per cent of all Brazilian exports are shipped across oceans; 16 per cent of the total national volume of exports leave Brazil through ports located in the State of Rio de Janeiro.

As a result of this more than promising scenario and the action planning that has been elaborated to foster the sustained development of the country – and especially Rio de Janeiro – I believe that our State will, more than ever, act as a gateway for the entry of new productive investments. In 2008 we celebrate the 200th anniversary of the opening of our ports to friendly nations and thanks to the record-breaking investments that will be made, Rio de Janeiro will once again return to the centre of decision-making circles. **F**

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The port of Itaguaí in Sepetiba Bay occupies 10 million square metres in downstate Rio and has the potential to become a hub for the whole of South America