# Inside Brazil

## A new future

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CARLOS CAZALIS

# Land of contrasts

Brazil is enjoying high employment, low inflation and steady economic growth. But that comes with vast social and environmental problems. Rory Carroll reports

Picture Brazilian exuberance and odds are you are not thinking economics. This, after all, is the land of carnival.

But picture this: a country where investment inflows are running at record levels, where exports of everything from soy to biofuels are surging and where the incomes of rich and poor alike are rising and driving a consumer boom.

Not quite as attention-grabbing as a beauty queen wearing just a smile and a feather, granted, but it adds up to a striking conclusion. Brazil, best known for soccer, samba and sensuality, has become a serious economic player.

After decades of ruinous boom and bust, South America's giant appears to have entered a new phase of sustainable expansion that could finally unlock the country's vast potential.

"Brazil is in a very positive moment, though we still have many things to do," says Fernando Henrique Cardoso, the former president widely credited with turning things around. If the country stays on track Cardoso thinks it could emulate Spain's belated, impressive development.

The figures range from good to spectacular: 1.4m jobs created each year; over $100bn in foreign exchange reserves (which exceed the external debt and make Brazil an international creditor); 4.7% inflation, which is tame by Brazilian standards; 4% economic growth, a slight closing of the gap with China. Oh, and last year the stock market zoomed up 60%.

"The exuberance we are experiencing is rational in the sense that the fundamentals are solid," says Henrique de Campos Meirelles, president of the central bank. "There is good reason for optimism. This is balanced growth. Brazil today is much less vulnerable than in the past." Brazil's expected investment-grade rating later this year will be a symbolic benchmark, he says.

Analysts agree that strong domestic demand, financial stability and exports that are well spread internationally offer some protection from the US slowdown. When the developed world gets flu, Brazil no longer gets pneumonia.

As well as footballers and samba it is exporting cars and planes, notably the executive jets and passenger liners of Embraer. Indian and Chinese demand for its commodities continues unabated, while sugarcane-based ethanol production is leaping off the charts.

> 'There is good reason for optimism. This is balanced growth. Brazil today is much less vulnerable than in the past'

There is a dark side to this growth. Environmentalists voice alarm that soy and cane crops are pushing cattle north into the Amazon and accelerating deforestation. Workers' conditions on some cane plantations have been compared to slavery.

Growth has also created horrendous infrastructure bottlenecks. Sao Paulo's traffic jams worsen every month, ports cannot keep pace with tanker volumes and air travel regularly descends into chaos.

The teething pains, say policymakers, of a maturing country. Difficult adjustments launched in the mid-1990s have been consolidated under President Luiz Inácio Lula da Silva, giving the government leeway to expand ambitious anti-poverty drives. A £3.2bn scheme unveiled last month followed the much-lauded Family Allowance initiative, which pays »

## Introduction

Kim Howells MP

**This month I made my second visit to Brazil as minister for South America, to participate in the 200th anniversary celebrations for two of the most important events in Brazil's history: the arrival of the Portuguese royal family and the decree opening Brazilian ports to friendly trading nations.**

**For many, these events marked the beginnings of Brazilian nationhood. I like to think so; there was a considerable British role in both events, and 1808 marked the start of a century of very close British engagement with Brazil. Now, at the advent of the 21st Century and the emergence of Brazil as a key global player, the relationship between Britain and Brazil is again making dramatic advances.**

**This relationship, based on common values and interests, and focused on practical outcomes, was given a massive boost by the state visit in March 2006 of President Lula to the UK. We now have broader co-operation on a wider range of issues than ever before, including climate change, sustainable development, the promotion of human rights, technology, science, health and education. Both our countries are committed to an ambitious outcome from the WTO trade talks to help lift millions of people out of poverty.**

**Since Brazil plays a vital role in a rapidly globalising world, we are working together to improve global governance and make multilateral institutions more representative and effective. The UK supports Brazil's bid for a permanent seat on a reformed UN Security Council as part of wider reforms to make the UN fit to meet the challenges ahead.**

**Brazil is also a key regional player, in Mercosul and the Community of South American Nations, enhancing its role as a beacon of stability in South America. Brazil promotes a vision for the region which stresses a progressive approach to social change within the democratic system.**

**Kim Howells is minister of state at the Foreign and Commonwealth Office**

## Contents



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# A rhythm the world listens to

## In just the last year, Brazil's economic indicators have been glowing — 5.2% growth, inflation below 5%, low interest rates and an investment-grade rating round the corner. But will its chaotic infrastructure hold it back?

Despite the latest in a series of corruption scandals — this time over officials running up huge personal bills on government credit cards — president Lula da Silva remains Brazil's most popular leader in living memory.

And why wouldn't he? From the boom-bust days of triple-digit hyperinflation in the late 1980s and early 1990s, Latin America's biggest economy is enjoying a new period of stability and growth.

It was six years ago that Goldman Sachs economist Jim O'Neill formulated the concept of Brics — the giant emerging economies of Brazil, Russia, India and China — which he believed would grow so rapidly they would overtake most of the developed world's economies by 2050.

Until last year Brazil, the world's 10th biggest economy, hadn't looked much like fulfilling that promise. But in 2007 its stock market was among the best-performing in the world and the country climbed rapidly up the global league table for foreign direct investment, attracting $34.6bn — almost double its 2006 total.

Growth, which had averaged just 2.5% a year over the two decades before Lula swept to power in 2003, reached 5.2% last year. Inflation has been kept under control and within government targets of 4.5% and interest rates have been falling steadily.

The country remains on track to gain an investment-grade credit rating later this year, despite jitters from the global financial crisis. This would allow the government to borrow at lower rates and would also widen the country's appeal to overseas investors.

Investment-grade status will be "very positive," says Jose Carlos Grubisich, who heads petrochemicals group Braskem. "Not only will we have lower funding costs but also access to a larger base of investors."

The government appears confident the economy is in good shape to withstand the worst of a world slowdown, although growth is expected to fall to around 4.5% this year.

There have been worrying signs — in January Brazil ran up a current account deficit of $4.23bn, giving the country its first 12-month deficit in five years, at $1.17bn. Economists expect its trade surplus to narrow from $40bn in 2007 to around $33bn as imports rise rapidly to feed domestic demand.

Growth in its exports to China, up from 2% two years ago to 10% now, will help cushion Brazil should America move into recession but it is domestic demand that remains buoyant.

The spending has been fuelled by a slashing of interest rates from the 45% peak they reached in 1999 to 11.25%. Credit, a new concept to most Brazilians, is becoming more widely available and the pent-up demand for consumer goods is kicking in.

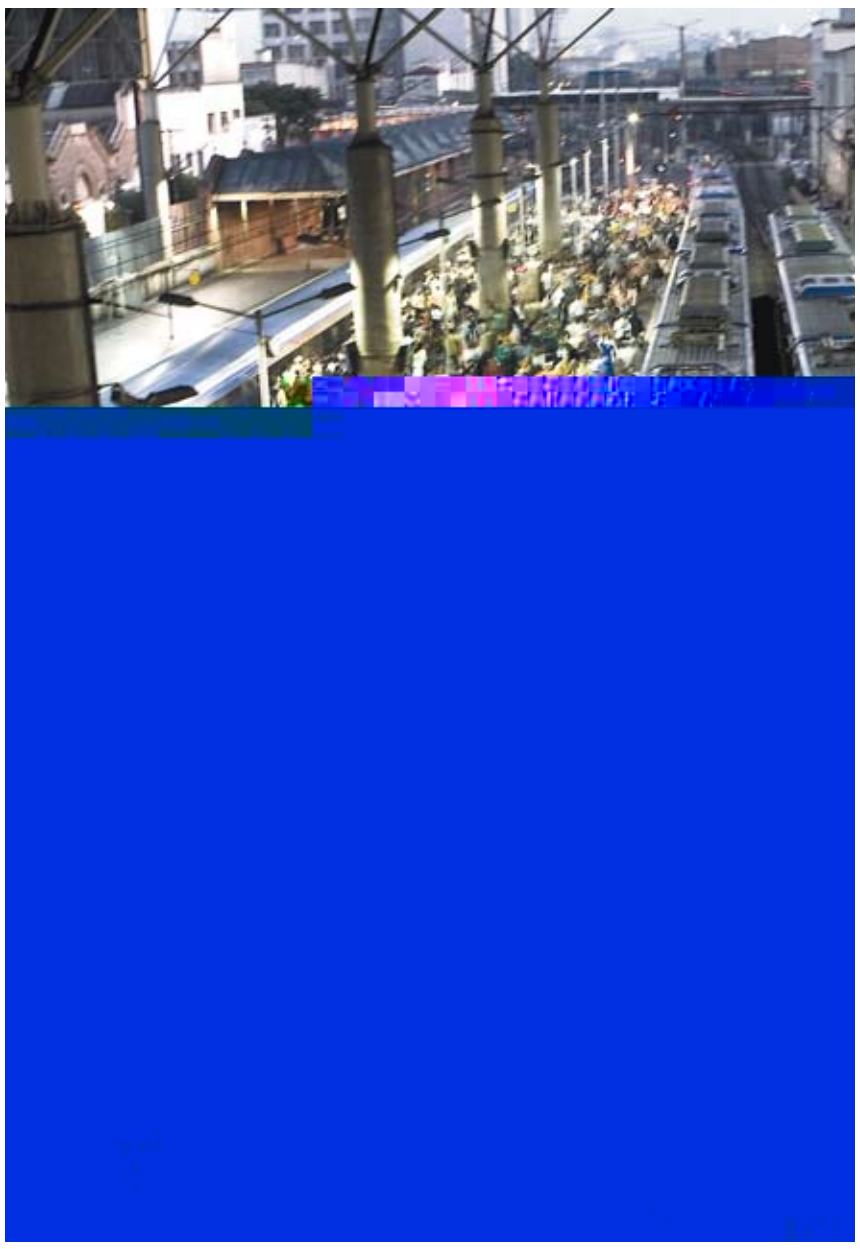
### Need for reform

Despite the new mood of confidence in the country, Brazil has lagged behind the other Bric countries, hampered by the urgent need for radical reform of its bloated public sector and its complex tax system, which stifles enterprise and imposes a crippling burden on business.

A recent survey by PWC and the World Bank calculated that it takes a typical Brazilian company an astonishing 2,600 hours a year to comply with tax legislation. That compares with an average of 322 hours for the 178 countries in the survey and less than an hour in the Maldives.

Lula has been widely applauded for his Bolsa Familia financial aid programme, which helps 40 million of the poorest Brazilians and is conditional on school attendance and vaccinations for children. It costs some 9bn reais ($5.3bn) a year, but the gap between rich and poor in Brazil remains vast. Many millions live in favela or shanty towns, with a housing deficit estimated at 10m homes.

> 'Perhaps we'll have two or three years of prosperity, but Brazil has to go through a dramatic structural change to keep growing'



Busy is an understatement: São Paulo station — at 5.30 am

For Roger Agnelli, president of mining giant Vale, Lula's government has been a pleasant surprise. But the country's inadequate infrastructure urgently needs attention, along with the fiscal system. "We have to think about railways, harbours and energy."

The boom in commodities and overall global growth has largely been behind Brazil's increased prosperity, says Flávio Maluf, president of the wood and metal products group Eucatex. But reform is urgently needed: "Perhaps we will have two or three years of prosperity, but Brazil has to go through a dramatic structural change in order to keep growing."

That view is echoed throughout Brazil. Most accept that total reform would be a political impossibility, but changes to pensions and the tax system are "imperative" if the country is to continue to attract overseas investment, says Sergio Thompson-Flores of Infinity Bio Energy.

"Brazil today is like a marathon runner carrying an anchor round his neck ... the anchor is our taxation system, which is a burden worsened by our labour laws and benefits." It is a wonder Brazil manages to run the race at all, he says.

Marcos de Moraes, a former dotcom entrepreneur who now heads the fast-expanding Sagatiba drinks business, has a more sanguine view on the lack of reform: "The economy and the government can go the same way or not," he says. "Fortunately the economy is depending less and less on the government as it's becoming stronger.

"We are survivors here, never forget that. We endured a period of hyperinflation, a military government ... we've survived many difficult situations here in Brazil."

**Fiona Walsh**

## «Land of contrasts

monthly stipends to more than 11 million poor families with young children.

Hike up into the favelas, the notoriously lawless hillside slums, and you find hairdressers, stationers and electrical goods shops reporting booming sales.

There are still, of course, the more traditional booms courtesy of drug-dealers in combat fatigues who sit on pavements making little piles of gunpowder. "A bomb for the police," explained one young bomb-maker in Rocinha, a Rio favela, after a shoot-out that killed an 11-year-old girl.

Gang warfare and police brutality remain embedded here, as does extreme inequality. Some shantytowns, with their legions of street children and shacks of wood and plastic, could pass for the more impoverished parts of sub-Saharan Africa. Except that overhead there are helicopters ferrying the super-rich to shopping appointments with Gucci and Jimmy Choo.

Economic and social indicators do suggest the gap is closing, albeit slowly. "What has been achieved looks more solid than in some other countries," concludes Michael Reid in a recent book, Forgotten Continent: the Battle for Latin America's soul.

Reid's upbeat assessment comes with a warning about the need for bolder pro-market reforms of byzantine taxes, red tape and outdated labour laws.

Some critics go further and argue that Brazil is glitzy but hollow, just like a carnival float, because it is coasting on benign global conditions and a domestic credit boom while shirking the hard graft of building a competitive economy.

"Everybody is making a lot of money," says Alan Goldlust, the head of Comexport, a big trading company. "I'm making more money than I've ever made. But nothing is being done to improve our schools or labour laws or bureaucracy. We're filling our stomachs but not our heads."

> 'Everybody is making a lot of money. But nothing is being done to improve our schools, or labour laws or bureaucracy'

Embraer airplane factory near São Paolo. Fully built aeroplanes are now a major export

In the same vein some western diplomats credit Lula with raising Brazil's prestige but not its influence, partly because he lets Venezuela's Hugo Chavez shout as regional spokesman. A permanent seat on the UN security council is still a dream.

The president's vow to end the corrupt ways of the old elite has also faded in a slew of financial scandals tainting senior members of his ruling Workers' Party.

Dilma Rousseff, the president's chief of staff, disagrees. Lula was enthusiastically voted back into power last year, she points out, and the government is sticking with its commitment to low inflation and financial stability. "We have shown we are not afraid of taking tough decisions."

It used to be said that Brazil was a country with a great future condemned to its eternal contemplation. That future has not arrived, not quite yet, but it is closer now than it has been in generations.

**Rory Carroll is the Guardian's Latin America correspondent**

# Open for business

**Despite a flabby public sector, Brazil's markets are booming. All the indicators are right: robust retail sales, strong industrial production, lower interest rates and strong credit growth. Investment-grade rating is round the corner.**

In the past month, the Brazilian mining group Vale, the world's biggest producer of iron ore, has been stalking its Anglo-Swiss rival Xstrata. Vale raised eyebrows in the industry when it bought the Canadian nickel miner Inco last year for $18bn, but a deal with Xstrata, likely to be worth around $90bn, would put that acquisition in the shade.

The audacious bid is emblematic of a new swagger among Brazilian corporations. Confidence has been fuelled by a period of economic stability, the commodities boom, a growing domestic middle class, the opening up of the debt markets and a booming stock market – the Bovespa, which has been delivering some of the best returns of any market worldwide over the past few years. Since 2002, the Bovespa has risen by 1,250 percentage points.

Until recently Brazil was seen as the laggard of the emerging Bric (Brazil, Russia, India and China) economies, but as economic and political conditions have improved, investment has been pouring in. Growth, while not matching China's, is expected to have been 5% last year.

President Lula "has been a pleasant surprise," says Vale president Roger Agnelli. Sergio Antonio Garcia Amoroso, of the paper company Orsa, agrees. "Investors are feeling secure, so much so that foreign investment has increased substantially".

Brazil was the world's fifth biggest market for initial public offerings last year, and accounted for some 85% of equity being issued in Latin America. The boom was driven initially by natural resources companies, but the past year has seen other firms joining the market, from retailers to biofuels, many riding the growth of the domestic Brazilian consumer as well as export market.

**The Brazil Mercantile and Futures Exchange in São Paolo: Latin America's biggest**

"The Brazilian market has outperformed the US stock market in the year to date," says Katy Dobson, Latin America fund manager at the asset management firm Threadneedle. Brazil is booming."

There were 64 IPOs on the Bovespa during 2007, between them raising $42.8bn. Much of the investment is coming from outside Brazil. During 2007, there was a net inflow of foreign investment on the exchange of $23.5bn. The value of daily trades on the exchange more than doubled, from an average of $1.2bn in 2006 to an average of $2.6bn in 2007. The total market capitalisation of the companies on the exchange rose from $723bn at the end of 2006 to $1.4 trillion at the end of 2007. The market rose around 75% during the year.

The biggest IPO of the year was Bovespa itself, which raised $3.7bn, the fifth largest IPO in the world last year, according to Thomson Financial. Some 80% of the investor interest came from overseas, including NYSE Euronext, owner of the New York Stock Exchange, which paid $90m for a 1% stake. On its first day trading, shares in Bovespa rose 52%.

At around the same time, the Chicago Mercantile Exchange agreed to take a 10% stake in Brazil's Mercantile & Futures Exchange, Latin America's largest derivatives market, for $742m. In November it raised $3.4bn in an IPO.

There has also been a growing amount of M&A activity within Brazil, eased by the fact that once family-owned companies are increasingly dominated by outside investors. The exigencies of the capital markets have also forced many companies to drastically improve corporate governance, transparency and productivity. Private equity has also been taking an increasing interest in Brazil, partly because of the health of the IPO market, which has provided a steady option for exit.

There have been some concerns that a bubble might be building in Brazil. Questions have been asked about the quality of some of the companies on Bovespa. And analysts also point out that the key index on the Bovespa remains heavily weighted toward just two companies; Vale and the oil giant Petrobras, which together account for roughly 30% of daily trades. According to the Financial Times, the Bovespa still ranks 21st in the value of trades, despite its rapid growth, way behind New York, Nasdaq and London.

More broadly, critics also point to the unwieldy public sector, heavy tax burdens, onerous labour laws and relatively poor infrastructure. There is little appetite for further economic reform. The currency, the real, has also been strengthening, which some industry bosses and exporters fear will erode Brazil's competitiveness. The biggest threat would come from a collapse in commodity prices.

Still, the markets look to be ready for the next step. The three leading rating agencies all have Brazil just one notch below the all-important investment grade, something it is expected to win later this year. If it does, it would open Brazilian assets to large institutional investors, including the big European and American pension funds, and a new chapter would begin.

**David Teather**

# The accidental hero?

He's the shoeshine boy who became a man of the people, a market-friendly socialist who has earned international acclaim. But is president Lula the architect of Brazil's boom, or simply a symbol of its success?

AP/VICTOR R. CAIVANO

At the age of seven, Luiz Inácio Lula da Silva's mother packed him and his siblings and their meagre possessions into the back of a truck for a long journey in search of a better future.

A roll of the dice, but there was little to lose. Dirt poor, one of the millions of illiterate peasant families in Brazil's north-east, they rode for 13 days to join his father in the south. Lula, as he was called, became a shoeshine boy, buffing and polishing until the leather gleamed.

Fast forward half a century and the former peasant migrant can still see his reflection while at work but the image is sharper: it comes from the reflecting pool at the Palácio do Planalto, the presidential office in Brasilia. Lula, as in President Lula, has found his better future.

The view from his office is of a modernist utopia. The floating gardens and towering arches of the foreign ministry, the swooping dishes and twin towers of the national congress, the geometric lawns and monuments and museums, all beneath huge, clear skies.

It has been a remarkable journey. From the humblest of origins Lula has hopscotched his way to the very top of Latin America's powerhouse, a vast, populous landmass which is more a continent than a country.

"Our president has had an extraordinary life story. It is very emblematic of the history of our people," says Dilma Rousseff, his chief of staff and cabinet enforcer.

It is a seductive notion given the economic and social progress since he took office. Inflation and extreme poverty have fallen, investment and exports have risen and there is giddy talk of a new Brazil. No wonder the president is popular at home and feted abroad.

The question is whether he is the architect or merely the figurehead of these changes. Some say Brazil is virtually ungovernable, that all a president can do is ride the waves and hope for the best.

So has the former shoeshine boy dragged the country up along with him, or is it a coincidence of timing? Has Lula, in other words, just been lucky?

He inherited a relatively healthy country. After the grim dictatorship of the 1980s and hyperinflation of the 1990s Brazil had found its footing by the late 1990s. A new currency, the real, stabilised the economy and there were modest improvements in living standards.

Lula's election victory in 2002 frightened Wall Street investors, who saw in him a socialist radical. Worse, a bearded socialist radical. He would ruin the fragile recovery with populist splurges and mass nationalisations.

They were wrong. After working in a factory (where he lost a finger) Lula had risen up through the trade union movement and stood for the Workers' Party, known by its Portuguese initials PT, promising left-wing policies. But three failed bids for the presidency had changed that by the time he won on his fourth attempt.

**Has the former shoeshine boy dragged the country up along with him, or is it a coincidence of timing? Has Lula just been lucky?**

In contrast to the revolutionary rhetoric of Venezuela's Hugo Chavez he struck a cautious, reformist tone. "Each day, even if we advance a centimetre, we are going forward – without any miracles, without breaking away from our international commitments, simply doing what needs to be done."

Lucia Hippolito, a prominent political analyst, said it was an error to describe him as a man of the left. "He is a conservative with social concerns," he says. Far from being a socialist hero, Lula continued the orthodox policies of Cardoso's government. Traditional PT supporters who expected aggressive social policies to tackle massive inequality were disappointed, at least initially. Lula's team bent over backwards to appease investors.

"They didn't understand anything about the markets – zero – and that was an advantage because we could explain things to them," recalls Gilberto Mifano, the chief executive of Bovespa, the main stock exchange. "This left-wing party supported us like no other government had in 170 years."

That endorsement may make left-wingers cringe but five years later Lula can claim vindication. Fiscal prudence and market-friendly policies have delivered economic stability and solid, if unspectacular, growth. The rich are richer, but more importantly the poor are less poor. Real incomes are rising across the board and the Bolsa Familia, a monthly stipend to 11m families, a quarter of the population, is being imitated around the world.

That is why the likes of Fernando Ermiro, a young community activist in a Rio slum, Rocinha, inadvertently echoes the stock exchange's praise. "What Lula has done in six years the republic did not do in 100."

From his studio overlooking Ipanema beach, Brazil's most famous communist, Oscar Niemeyer, 100 years old and still sharp as a tack, nods in agreement. Better known as the architect and high priest of modernism who designed much of Brasilia, Niemeyer finds the enrichment of capitalist fat cats galling but acceptable, as ordinary people are also better off. "Lula is smarter than everyone thought," he says.

## Political skill

Politically there is no doubting that. Senior aides have been mired in financial scandals that have tarnished the PT, but not the president; somehow the muck slides off his teflon persona. Just as impressive, he has forged useful friendships with Hugo Chavez and George Bush, a tribute to his pragmatism and schmoozing skills. Aides say Lula is quick to master a brief and tailor his spiel for the audience.

Economically, however, it is unclear if he has been more lucky than smart. Global conditions have favoured Brazil, not least the export boom driven by Chinese and Indian appetites for soy, iron and other commodities. Decades of investment in biofuels and Petrobras, the state energy company, are now bearing fruit.

Critics say the president is drifting, that he is ducking painful but necessary tax, pension and labour market reforms. "Lula has demonstrated that he will not do this, he prefers to enjoy the good times without risking himself," says Cardoso, the former president. "I think he is more of a symbol than a leader."

Even some supporters complain that power has been centralised without coherent leadership. "There is no strategic nucleus that really thinks collectively or in the medium or long term," says Joao Pedro Stedile, a leader of the landless movement. "Because of his electoral prestige and charisma he ends up muffling his aides, who behave much more like suck-ups than as the driving unit of a government."

Stedile believes his friend is better at empathising than governing. "He is still very sensitive to the problems of the people. He is easily moved and always acts more because of his heart than of reason. His best performances are when he is with the people or with popular leaderships."

Lula's international image remains golden. The compelling life-story, the bear-hugs, the charisma: he is viewed as a cuddly yet pragmatic social progressive at the helm of a nation finally realising its potential.

A politician at the peak of his powers, you would think he is aloof to opinion. You would be wrong, says political analyst Lúcia Hippolito. "He deals very badly with criticism. Like all governors he likes to be praised. He has an almost childish necessity to always compare himself to others. It is a kind of inferiority complex." Behind the public face of affability Lula is a loner, she says. "He listens very little to his aides. He is very isolated."

That is possible. But that does not change the fact that Lula is adored by many ordinary Brazilians. They have found, or expect to find, the better future he embodies. To what extent he is responsible for that progress is an abstraction. Let the historians argue over luck. What matters is that the country is shining.

**Rory Carroll**

# Signs of life

## On the following pages we report on the major economic and social sectors in Brazil, beginning with **energy**. With major new oil finds and the rise of ethanol, this sector, more than any other, is fuelling the Brazilian boom

Is God Brazilian? President Lula certainly thought it a distinct possibility when, in a radio interview late last year, he waxed lyrical about a "higher power" having taken a shine to Brazil.

The source of his rapture was a massive oil discovery by the state-owned Petróleo Brasileiro (Petrobras); a find that will not only transform the fortunes of the Brazilian energy company but also the country's economy.

Lying in deep water some 200 miles off the southern coast of Rio de Janeiro state, the Tupi discovery is the biggest oil find since the giant 12bn barrel Kazakh field in Kazakhstan in 2000 and, potentially, one the biggest oil discoveries ever.

It is not only the size of the discovery that has electrified the global energy industry, but also its quality. Brazil's current oil output is largely heavy oil, while the new find is believed to contain higher quality light oil.

Petrobras is not the only company that will benefit from Tupi. Britain's BG Group has a 25% share in the field and Portugal's Galp Energia holds a 10% stake.

But Brazil, which briefly became self-sufficient in oil in 2006, intends to make the most of its good fortune: shortly after news of the discovery, the government withdrew a large number of blocks close to Tupi that had been scheduled for auction.

Reserves of the new field were initially estimated by Petrobras at between five and eight billion barrels, which is equal to the all the remaining oil in the North Sea and not far short of the entire reserves of Norway. But earlier this month (February) BG chief executive Frank Chapman revealed that latest estimates put the find at "between 12 and 30 or more billion barrels of oil equivalent."

The riches lying beneath the Atlantic Ocean offshore Rio have been further underlined by the discovery in January of an equally large natural gas reserve, again by Petrobras, which has an 80% stake in the new field. Called Jupiter, it lies some 23 miles west of Tupi and has the potential to make Brazil self-sufficient in natural gas.

But first the discoveries must be recovered, a huge task even for Petrobras, which has unrivalled experience of working in deep water. At Tupi, the oil lies more than four miles beneath the surface and, to reach it, the company must drill through sand, rock and a giant layer of salt.

As well as traditional energy sources, Brazil has been a pioneer of alternative fuels since the 1970s, and is now the world's leading producer of ethanol, producing more than 4bn gallons a year.

Some 45% of all the energy Brazil consumes now comes from renewable sources against a world average of only 13%. Domestic demand for ethanol has rocketed in recent years and 90% of the nation's new cars are "flex-fuel" cars, which can run on ethanol or petrol (which is already 25% ethanol-based), or a combination of the two.

Brazil's ethanol, made from sugar cane, is more efficient than the corn-based ethanol produced in the US and, although domestic demand takes its full supply now, Brazil is keen to become a major exporter in the future, transforming itself into a "green Saudi Arabia". Before it does, however, it will have to overcome heavy trading barriers, such as the 54 cent-a-gallon import tariff imposed by the US.

Sergio Thompson-Flores, of Infinity Bio-Energy, which floated on London's Aim market in 2006, says ethanol will really take off once other countries introduce flex-fuel vehicles. "This will change everything because consumers will be able to choose an alternative fuel."

Higher petrol prices have helped increase ethanol's attractions, he says. "This is a very competitive product even with all the import barriers in Europe and the US."

Judging the eventual size of the market is impossible at this stage, he says: "Nearly everything that we can make out of petrol we can also make out of biofuel, and this is only the tip of the iceberg."

Despite all this, Brazilians are still facing power shortages this year. The country's booming economy has raised demand for energy at a time when there have been delays in new generating capacity and a shortfall in the supply of natural gas from Bolivia, from which Brazil gets around half its supplies. In addition, below-average rainfall has depleted reservoirs at Brazil's hydroelectric power plants, which provide more than 80% of the country's electricity.

Power shortages are something the government is desperate to avoid – it was the electricity rationing imposed six years ago that stalled the economy and led to the previous regime being voted out.

**Fiona Walsh**

REUTERS/BRUNO DOMINGAS

**Black gold: a rig at the giant Tupi oilfield off Rio de Janeiro state**

## **Banking** A stable economy and greater banking transparency have fuelled a credit boom in this traditionally debt-wary nation

Just a few years ago, the average Brazilian would never have dreamt of borrowing from a bank.

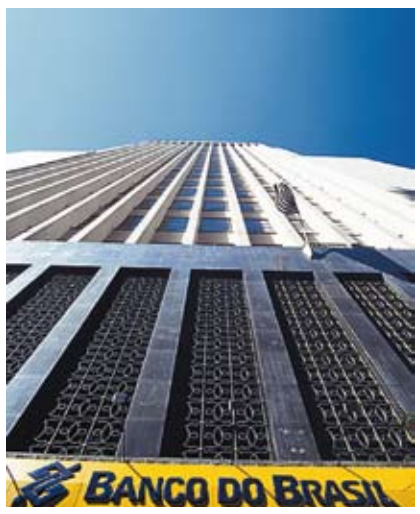
Loan rates were sky-high and what mortgage money there was available was offered to customers on unmanageably short terms of just a few years.

But a prolonged period of interest rate cuts have taken the country's benchmark Selic lending rate down to 11.25% and sparked a surge in demand for consumer credit.

With inflation running at more than 4%, real interest rates in Brazil are still the highest in Latin America. And consumers can only dream of obtaining cash at 11.25%; in reality, banks charge customers anything from 35% a year to 100%-plus on unsecured loans.

Canny consumers have found one way round that, however. One of the biggest growth areas is car loans, which accounted for around a third of personal lending in Brazil last year. Rates on auto loans are far more competitive, at under 20% a year, and manufacturers offer long terms and low down-payments. Thus it is not uncommon for Brazilians to sell their cars to raise cash to fund other purchases and then simply take advantage of a cheap loan to buy a new car.

In Brazil's boom-bust years, banks would simply not risk lending to consumers. But recent legal changes have been fuelling the demand for credit, and have helped create a new market in loans deducted direct from payrolls. This has opened up the credit market to the poor, with the bulk of payroll loans taken out by low-earners. Other changes have brought in faster bankruptcy proceedings and asset recovery process.




**Bamco do Brasil: today Latin America: tomorrow, the world?** Alamy

There is a cultural change too, believes Carlos Jeireissati, chief executive of the real estate developer Iguatemi, which specialises in shopping centres.

He recalls a meeting with some Spanish businessmen: "All of them had either one or two mortgages. Among the Brazilians present, none of us had credit. This happened six months ago."

Brazilians have historically had an aversion to debt, he says. "We have always looked at debt as something over which we have no control.

> 'We have always looked at debt as something over which we have no control. Now this is changing'

"Now this is changing. Regardless of the interest rate, because there is more predictability, credit has started to enter the life of Brazilians."

São Paulo state savings bank Nossa Caixa, one of the largest financial institutions in Brazil, plans to increase loans to individuals by more than a third this year and to up its lending to businesses by 50%.

Nossa Caixa is controlled by the government but its shares are now quoted on the stock market, which chief executive Milton Luiz de Melo Santos believes is vital to its continued development.

The visibility and accountability brought by the bank's share float has made it more competitive and also helps it resist political interference from "congressmen, mayors and government officials generally," he says. The bank is accountable to its shareholders, which gives it more control: "I have more arguments to say 'no'," he says.

Despite the recent boom in lending, bank loans in Brazil still equate to little more than a third of the country's gross domestic product, well behind levels in developed countries. Mortgage lending equates to just 2% of the country's GDP, leaving plenty of room for growth.

At Banco do Brasil, vice-president Jose Maria Rabelo is keenly aware that the banking sector has a long way to go before it can compete effectively with the rest of the world.

The main challenge, he says, is scale: "We are the biggest bank in Brazil and in Latin America, but when compared with the biggest banks, the leaders in the world, we are small."

## Agribusiness Climate, vast tracts of available land and a hi-tech approach make Brazil a leader in agricultural commodities

Don't mention the word farmer to Laurence Beltrão Gomes. As CFO and investor relations director of SLC Agrícola, one of the biggest players in Brazil's booming agricultural industry, but it is not a description he appreciates. He heard the word frequently at investor roadshows last year ahead of the initial public offering (IPO) that made SLC Agrícola the world's first publicly quoted agribusiness.

"We are not farmers," he would tell potential shareholders. "We are a large company that uses state-of-the-art technology to produce high-quality soybean. The same way you have shoemakers and computer manufacturers, we produce agricultural commodities."

It is this hi-tech approach to its business that has turned Agrícola into Brazil's leading producer of cotton and one of its biggest producers of soybean, corn and coffee.

An agricultural powerhouse, Brazil overtook the US as the world's largest exporter of soy in 2006 and is also the world's leading producer of coffee, sugar, beef, poultry, pork and ethanol. In cotton, it is now in fifth place in the world production league, having overtaken Turkey and Uzbekistan in recent years.

Brazil has a number of natural advantages — a favourable climate with regular rainfall, which produces high-yield crops. Where soil is of lesser quality, it can be used for sugar cane, which does not require rich soil to thrive.

Labour is cheap so production costs are low and the country still has vast areas of land ripe for cultivation. Such advantages help to offset the Brazil's extremely poor transportation and logistics system, which requires substantial investment.

**Land ownership in Brazil is concentrated among just 3% of the population who control as much as two thirds of all arable land**

Demand for sugar cane and soy has exploded in recent years — sugar cane for the production of ethanol and soy for human and animal feed as well as a growing number of industrial applications, including biodiesel.

Brazil uses sugar cane to produce ethanol, while in the US corn is used. Sourcing from sugar cane is less costly, however, and also requires less energy to produce.

There have been fears over the environmental impact of giving vast tracts of land over to sugar cane production, as it could force producers of other crops and livestock to move into the precious rainforests.

But Antonio Lafelice, president of the agri-group Agrenco, dismisses those concerns: "Sugar cane is not taking away productive areas in more than 90% of cases, but pasture instead," he says.

Having cattle roam vast areas of land is no longer profitable in Brazil, or elsewhere in the world, and it is this land that is being used, he says. There are many thousands of hectares of abandoned or ill-managed pastures that were cleared many years ago so "there is no need to cut trees," he says.

Land ownership in Brazil is concentrated among a small group of wealthy families, with just 3% of the population estimated to control as much as two thirds of all arable land.

This led to the establishment of the Landless Rural Workers movement (MST) which has long demanded a fairer redistribution and uses direct action such as land occupation to further their cause. The MST is the largest social movement in Latin America, with 1.5m members throughout Brazil.

**Fiona Walsh**

ESPEN RASMUSSEN/PANOS

**Just don't call it farming: Soy (top) and sugar cane (above) are big business in Brazil**

## Real estate and construction Newly available mortgages and the rise of the middle class are fuelling a construction boom but, as ever, wealth is failing to reach the favelas

Nowhere is the gap between rich and poor in Brazil more graphically illustrated than in the favelas of Rio de Janeiro or São Paulo. Rural Brazilians in search of employment have flooded into the major cities over the past few decades, only to end up living in squalor. The shortfall in housing is now estimated at up to 10million homes.

Yet Brazil's construction industry is booming. In São Paulo, it is impossible to find cranes to rent, complains Sérgio Newlands Freire, who heads the estate agency group Brasil Brokers.

Brasil Brokers is one of a number of real estate companies that have joined the IPO rush over the past year or so. Around a quarter of the record Brazilian stock offerings in 2006 came from the real estate sector, including house builders Gafisa and Cyrela, bringing much-needed foreign investment into the industry.

The growth of a new middle class, along with the introduction of long-term mortgages, previously unavailable, is expected to fuel a boom in housing construction. That will have a knock-on effect on employment in an industry that traditionally employs large numbers of unskilled workers. Many construction companies are starting to introduce training programmes for their workers.

**'It's a country in which there's still a lot to be done. It's important Brazil is able to gain the long-term trust of investors'**

In commercial property, emerging markets will continue to attract "healthy levels" of investment, according to the recent Rics global property survey.

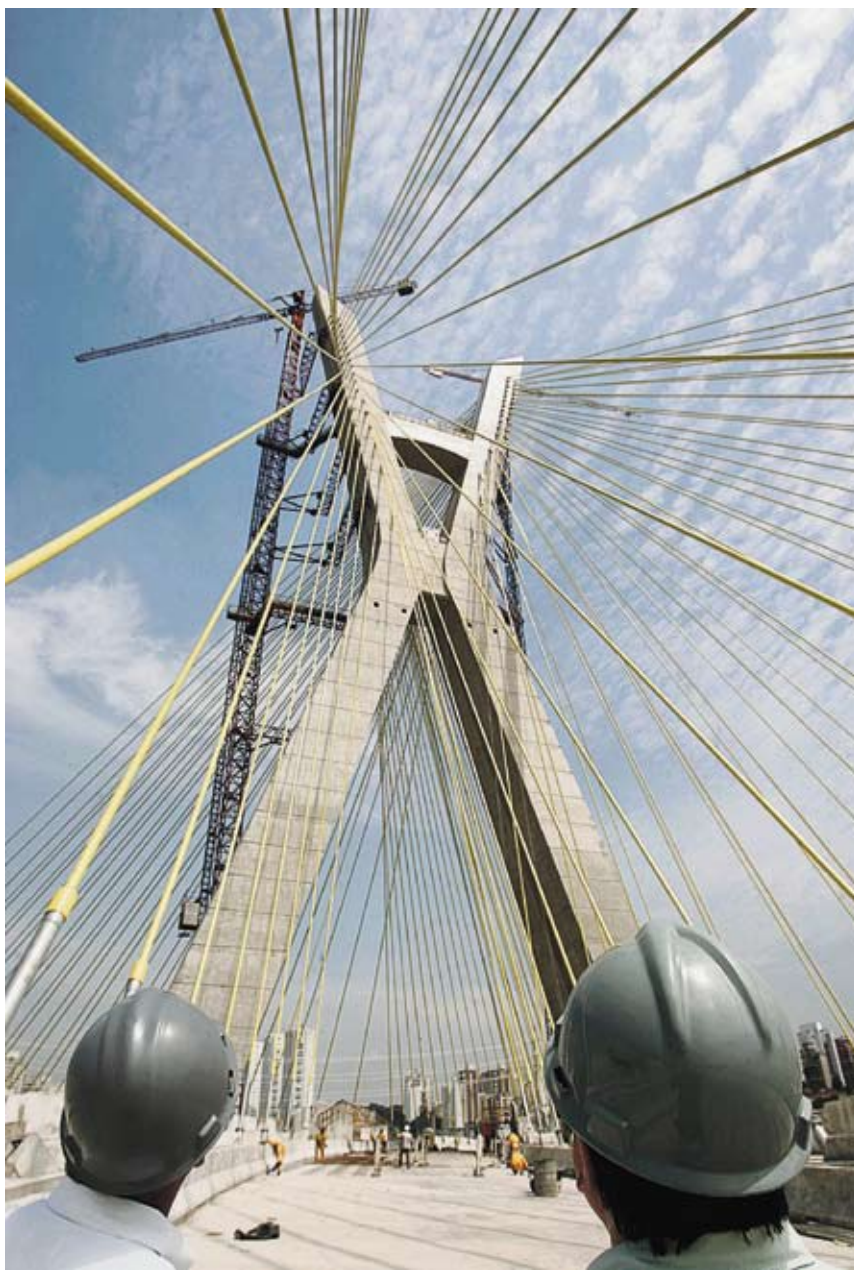
"The emerging giants of Brazil, India, China and Russia now account for more than 50% of the world's GDP, and have started to devour ever-increasing proportions of global property transaction activity," the report says.

Investors eager to gain exposure to these booming markets have been "unfazed" by the volatility and economic weakness of financial systems, which so far have largely been confined to the developed world. Indeed, emerging economies such as Brazil are in better shape, according to Rics, as buffers of reserves have been built up on the back of rising oil prices and trade gains.

As well as attracting overseas interest, the new economic stability in Brazil has encouraged longer term investments. But the real estate industry still has a long way to go, says Jose Auriemo Neto, president of property development group JHSF.

"It's a country in which there's still a lot to be done," he says. "It's important that Brazil has a positive outlook and is able to gain the long-term trust of investors."

**Fiona Walsh**



**Construction of the Octavio Frias de Oliveira bridge in São Paolo** Reuters

## Health Poverty, malnutrition, disease and poor sanitation remain the main problems for Brazil's health sector, while the lack of public finance seems ever-present. But the country's Aids programme has won international praise

The Brazilian health sector struggles in the face of insufficient funding and the need to care for a population heading rapidly towards 200 million.

With millions forced to live in favela or shantytowns, the needs of the poor are particularly pressing. It is estimated that the US spends some nine times more per capita on health than Brazil, while in Europe the figure is up to six times more. Life expectancy in Brazil is 69 for men and 76 for women, according to World Health Organisation figures for 2006, compared with 76 and 81 respectively in the US.

Brazil's Aids programme has, however, become a model for others. In 1996 it became the first developing country committed to providing free access to Aids drugs and has since succeeded in stabilising rates of infection.

Brazil created an international stir when it forced drug companies to reduce their prices by threatening to produce cheaper generic versions of their drugs.

"We were able to break the patent on drugs used to treat Aids, we were able to produce part of the drugs in our public health laboratories, and we were able to distribute these medicines to 170,000 Brazilians with Aids," says Dr Gonzalo Vecina, director of philanthropy at São Paulo's Hospital Sirio-Libanes.

But the government has failed to repeat this success in other areas of health.

This "model of efficiency" cannot be replicated in the area of hypertension, says Vecina, and it is the leading cause of mortality among the population, accounting for 25% of deaths. "We do a diagnosis, we tell the patient he has hypertension, but we cannot afford to pay for his treatment."

As well as lack of finance, efficiency needs to be improved, he says. The average stay in public hospitals is seven or eight days compared with just four days in private hospitals.

As overseas money pours into the country, the health sector is also poised to reap the benefit of the growing foreign investment, according to Sergio Lopez Bento, who heads the Hospital Samaritano in Sao Paulo.

As a non-profit organisation, Samaritano cannot receive direct investments but it is attracting funds in other ways, such as "health tourism" and the hospital is now offering its services worldwide.

Brazil has already become known as a centre for cosmetic surgery, particularly among Americans, and offers procedures such as gluteoplasty – otherwise known as the "Brazilian butt lift."

The concept of globalisation in health is different from other sectors, due to the specific demands of each regional market, says Bento. "But one thing is evident worldwide: there is not sufficient money to cover rising health costs."

**Fiona Walsh**


CAMERA PRESS/BILDERBERG

**Right: the campaign against Aids in Brazil has won international praise. Left: a patient is taken to hospital by helicopter, avoiding the crowded streets of São Paolo**

'We were able to break the patent on drugs used to treat Aids, and we were able to distribute these medicines to 170,000'


REUTERS/BRUNO DOMINGOS


# City of the future

## No Brazilian city is enjoying the current economic boom more than Sao Paolo, where executives buzz above the skyscrapers in helicopters wearing $10,000 suits. But away from its opulent centre lies another world...

The pilot flicks the ignition and the blades scythe the air, slowly at first, then a blur, until the helicopter judders and begins to lift. It surges forward, past the edge of the helipad, and in a blink the ground beneath us drops more than 300 feet.

We have just flown off the roof of Banco Safra, a 26-storey Sao Paulo skyscraper about the height of Big Ben, and in this bubble of glass and steel it is a stomach-tightening experience.

Well, for a first-timer it is. For Gilberto Kassab, the city's mayor, it is a banality. He does this almost daily, a routine so well-established he does not flinch as the helicopter, a municipal-owned aircraft named Eagle 3, swoops down Avenida Paulista.

A picture of tranquillity, Kassab gazes over the skyline. The city stretches into the horizon, a concentration of humanity so vast, so chaotic, that he travels by air to do his rounds. "It's big," he says with some understatement. "Really big."

This morning's journey – to inaugurate a new school on the periphery – yields an aerial snapshot of Brazil's commercial and financial capital. It is an instructive ride.

Avenida Paulista, the city's main drag, could pass for Manhattan. The headquarters of banks and corporate giants form concrete canyons and the fast-moving specks on the pavements show an army of worker ants in a hurry.

The helicopter banks west over the Pinheiros river, and through a haze of pollution it skims over apartment blocks and six-lane motorways jammed with traffic. The skyscrapers disappear and there is a swathe of green, the jockey club, then mansions with gardens and swimming pools. Morumbi, the swankiest district.

The glimpse of privilege swiftly gives way to a lower-middle class area where houses contract and cluster together. As we approach the periphery, it turns into a slum. An endless vista of packed, jumbled brick dwellings sheeted with tin roofs.

The helicopter touches down in Guaianases, a shantytown. The 15-mile journey lasted just 10 minutes but we have landed in a different world, as if we had swapped Canary Wharf for Kampala. Broken and potholed roads, uncollected rubbish abuzz with flies, legions of children without proper schooling or health care.

**Rich and poor: the Sao Paulo cityscape (above) is now so congested that helicopters (below) are the preferred option for wealthy Paulistas. Meanwhile, the inhabitants of the favelas (top right) can only dream of the opulence of exclusive designer outlet Daslu (bottom right)**

"Our inequality is one of the greatest in the world," says Kassab. "But it's narrowing. Things are getting better." The school, a sturdy two-storey building with decent plumbing, is part of a wider effort to bridge the gap between rich and poor, he says.

After decades of neglect, state services, not least law and order, are reaching the periphery where most Paulistas live.

After painful adjustments in the 1990s, Brazil's economy is purring. A credit boom is helping to drive record car sales, bank profits and stock exchange gains. Foreign direct investment is flooding in and real incomes are rising. Growth last year reached 5%.

As ever it is Sao Paulo, whose 11m inhabitants are considered workaholics by the rest of Brazil, that is setting the pace. The city dominates financial services, prompting the cliché that Rio does carnival, Brasilia does politics and Sampa, as it is widely known, does money. The state of Sao Paulo, long a magnet for migrants from the north-east, has 40 million inhabitants and hosts booming industries such as car and plane manufacturing.

The question is to what extent this shiny, successful Sao Paulo is connecting with the squalid shantytowns. To answer that requires another trip from the centre to the periphery, but this time at ground level.

An obvious starting point is the main stock exchange, Bovespa. It soared 73%

last year, making it a market darling and symbol of Brazil's bid to become a Latin tiger. Values have tumbled since January, partly because of global conditions, but a proposed merger with the BM&F, Brazil's main futures exchange, has rekindled bullishness. "For the first time people have the confidence to plan ahead, to invest in the long term, to buy," says Gilberto Mifano, Bovespa's chief executive.

Surging production of ethanol, the biofuel derived from sugar cane, has heightened the giddy atmosphere. The revival of cane as an economic force brings Sao Paulo full circle since it was founded originally as a series of sugar plantations before giving way to coffee in the 19th century and industry in the 20th.

Now the crop is again making people rich. And merry. Visit the Skybar, or any number of designer watering holes around the leafy Jardins area, and you see people knocking back caipirinhas and other sugar cane-derived cocktails like there was no tomorrow. Conspicuous consumption is visible in the restaurants, packed every night, as well as the sports cars and 4x4s, which accounted for many of the 2.5m vehicles sold last year, a 28% rise from 2006.

That boom has compounded horrendous traffic jams, which make commuting torture. For the rich, as ever, there is a way out: helicopters. Sao Paulo has 462 private helicopters, second only to New York, and for a few thousand dollars an hour they can zip you across the city. Air traffic has grown so fast that the city recently regulated it.

Helicopters are a genuine work tool for executives – or so they insist – but they are also a status symbol. None more so than the one that hangs in the atrium of Daslu, the city's plushest shopping emporium. A shrine to luxury, Daslu has a helipad for clients, of course, but it uses its own helicopter as a sort of mannequin. Draped in cashmere for the launch of the store's winter collection, its next, er, outfit is a closely guarded secret.

"Business just gets better and better. Brazil is going up and we're going up with it," exults Daniella Lunardelli, a spokeswoman. Staff are dressed in black and white livery to resemble servants and there is a champagne bar to get clients in the mood before a consultant advises on how best to coordinate a £2,800 Balenciaga handbag with £1,000 Tod's shoes and a £4,200 Dolce & Gabbana dress.

Given that the monthly minimum wage is just over £100 and that the city's 8,000-plus homeless people rummage in bins for food, you don't need to be Karl Marx to deplore the blatant materialism of those at the top.

## Inequality

London, Paris and New York have their own shameful juxtapositions of rich and poor, true, but Sao Paulo's is in a league of its own. The melting pot image of a city that blends all colours into one belies the reality that the blacker you are the likelier you are to be poor, uneducated and jobless.

Paraisopolis, one of the biggest slums, is a vast warren of shabbily built brick homes clinging precariously to a hillside. In the rainy season they have a habit of being swept away in mudslides, burying families alive.

The higher up the hill the worse homes become. Wooden walls, plastic sheeting roofs, no electricity or running water. Gang-fuelled crime, especially cocaine trafficking, is rife.

The sense of frustration and alienation is palpable. "Helicopters, ha! It's absurd," José Batista, a wiry 34-year-old community leader, says indignantly. "The government should be investing in public transport to help us get into town and find work."

Government-funded houses are being built on the site of cleared shacks but residents suspect it is a plot to create space for a middle class development, not an irrational fear given the experience of some other slums. Government schemes such as Bolsa Familia, a stipend for the poorest, has filled bellies but done nothing to integrate shantytowns into the economy, says Batista. "Food is good but it's not enough."

**It's wearily familiar: an economic boom ushers in salad days for the rich and leaves those at the bottom scrambling for crumbs**

In the absence of state services, the First Capital Command, a powerful, quasi-military criminal gang based in prisons, has funded schooling and health care for some families, says another community activist, Silveiro de Jesus. Gangsters in charge of certain areas are called pilots because they know their way around.

It seems to add up to a tale wearily familiar across Latin America: an economic boom ushers in salad days for the rich and leaves those at the bottom scrambling for crumbs.

Brazil's recovery is too recent to give a definitive verdict but there is reason to think that this time the outcome will be better, notwithstanding the troubles in Paraisopolis.

The decades-long stream of rural migrants to Sao Paulo has slowed to a relative trickle, giving much-needed breathing space, and better policing has helped cut the state's murder rate by 70% since 1999. Parts of Rio de Janeiro, in contrast, still resemble war zones.

Generous government social spending has pumped money into the slums, including £73m last year in Paraisopolis. A steep fall in inflation has allowed real incomes to rise and low interest rates have extended credit to the poor.

A telling illustration is the breakneck growth of Casas Bahias, a chain of furniture and electric goods stores, which sells to the poor by letting them pay in monthly instalments.

In the past five years its outlets have almost doubled to 560 and annual revenue has soared to £3.6bn. Even more striking – and arguably this is a bellwether – the chain is signing up 2.5m new customers every year, the vast majority from slums. "We now have 29m customers. The poor are becoming less poor and many are going on to become middle class," says Michael Klein, the chain's executive director.

That does not mean the chasm between rich and poor will be bridged any time soon. It is too wide for that. It does mean that this vast concentration of humanity, a Latin version of Gotham famous for extremes, may be on its way to becoming, against all the odds, a kinder, gentler place.

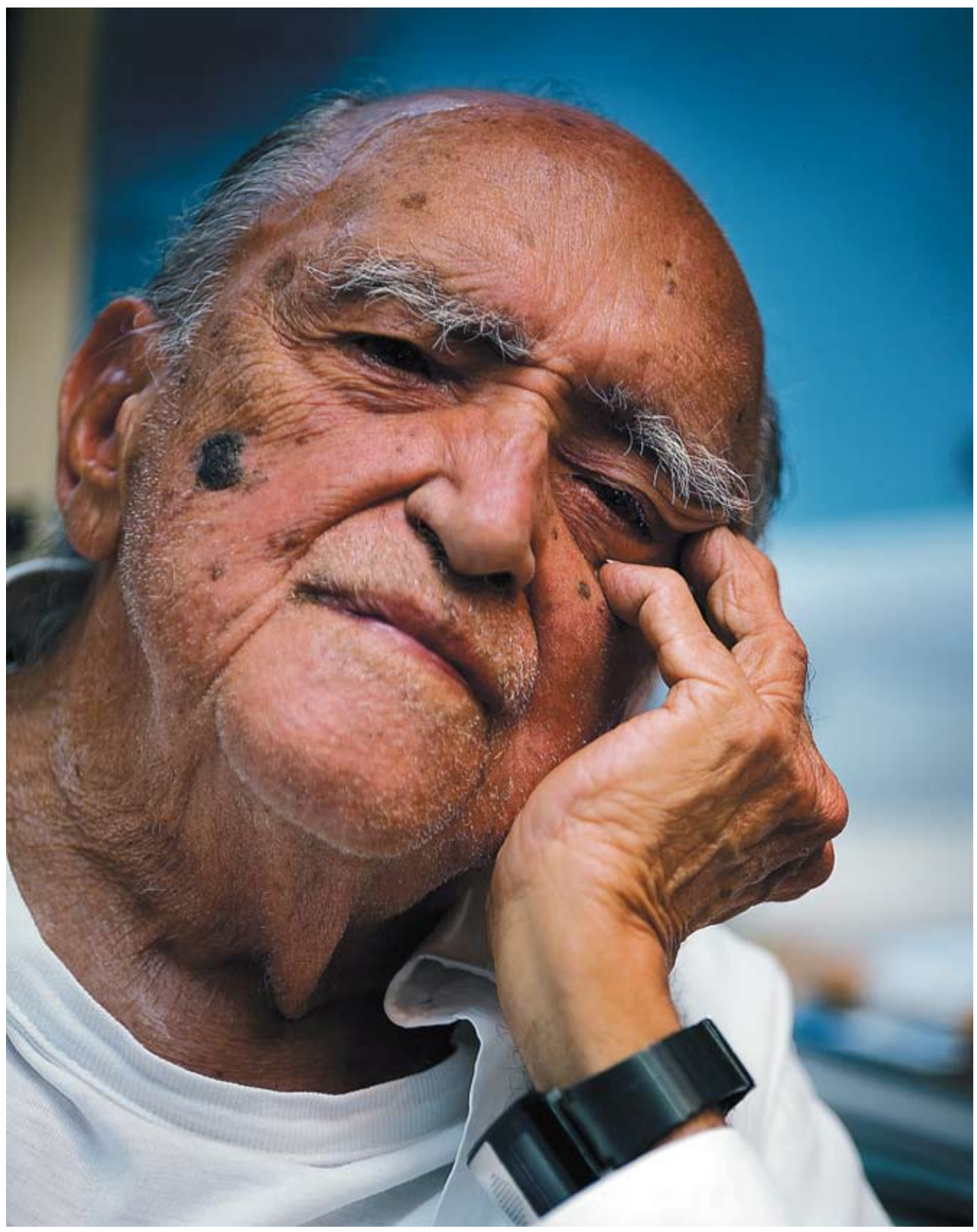
**Rory Carroll**

# Faces of the new Brazil

**When Portuguese explorer Pedro Alvares Cabral "discovered" Brazil in 1500, it was an accident – he was blown off course by a storm. Now, the international business community actively seeks out the country's rocketing economy – and Cabral is depicted on the country's one cent coin. Modern Brazil, on the face of it, sometimes seems at odds with the images we all know of samba, carnival, beaches, favellas. So, we sent acclaimed Mexican photographer Carlos Cazalis, who lives in São Paolo, to show us the modern Brazil. The result, shown here and throughout this supplement, is a country and a people of extraordinary contrasts.**

PANOS/JEREMY HORNER

***This page*** **(top) tattoos adorn the back of a resident of Rocinha, a Rio favela. Above, nightclubbing in São Paolo; left: children take a nap on an Amazon riverboat; below: a gay parade in São Paolo; right: Oscar Niemeyer, legendary Brazilian architect.** ***Opposite page*** **(top left) women from Salvador observing Candomblé, an Afro-Brazilian religion; top right: Alex Atala, chef of top restaurant D.O.M in São Paolo, now a major gastronomic centre; middle left: partying in São Paolo; right: an immigrant of Sao Paolo from the north-east of the country; bottom: playing football on Ipanema beach** *:* All photos Carlos Cazalis except where indicated



PANOS/DERMOT TATLOW

# The ethics of ethanol

## Brazil has long been in the driving seat in the use of 'sustainable' fuel, uses 80% hydro power, and is the most environmentally and socially sensitive country in South America. But it must now deal with a new set of problems

It has been hailed as the green Saudi Arabia.

Brazil began investing in ethanol, a biofuel based on sugar cane, in the wake of the oil shock of the 1970s when prices skyrocketed. The then government encouraged car makers to move away from petrol and develop vehicles that could run on ethanol instead. The shift had a lasting impact.

Today, around 90% of all new cars sold in Brazil are flex-fuel vehicles, a Brazilian invention that can run on either petrol or ethanol. Because of a government subsidy, the innovative cars cost no more than conventional vehicles. Ethanol already accounts for about 40% of the fuel used in cars in Brazil, putting it way ahead of any other nation, and it is expected to overtake gasoline in Brazil by 2020.

"When it comes to biofuels and related products, Brazil is the leader, Andrew Liveris, chief executive of Dow Chemicals said last month. "The US is thinking about it. Brazil is doing it."

A recent report by Germany's Allianz Insurance ranked Brazil third in an index of "sustainability of fiscal and ecological development", in large part because of its support for biofuels. In addition, four-fifths of Brazil's electricity comes from hydroelectric dams.

Brazil is now starting to export the fuel alternative in bigger measures. The country presently produces around 18bn litres of ethanol a year, of which 4bn litres is exported. A key customer will be the US, following an ambitious, albeit belated, statement by the president George Bush that he wants to cut petrol consumption by a fifth. He has signed an agreement with Brazil to ramp up production.

Europe also has strenuous targets to meet. By 2020, biofuels are supposed to account for 10% of transport fuels across the 27-member EU.

Brazilian producers complain that the main obstacle to growth is not availability of land or other environmental issues but tariffs and subsidies in developed markets, to protect their own industries. The US has a 54 cents a gallon tariff to protect American farmers.

In recent years, concerns have been raised about the efficacy of biofuels in combating climate change. There are doubts about their carbon savings, and also worries about space taken to grow the fuel and its the impact on food supplies. But the ethanol produced in Brazil is regarded as the greenest option, the sugar cane taking relatively little energy to grow and convert to fuel. The US makes ethanol from maize, which is more expensive and estimated by scientists to burn about seven times more fossil fuel per unit of energy produced.

The Joint Research Centre, the European Commission's in-house scientific institute said in a report last month that only sugar-based ethanol from Brazil was sufficiently green to pass muster. A separate report from the International Monetary Fund underscored the advantages of Brazilian ethanol, noting that it was the only form of ethanol generally cheaper to produce than gasoline. The report said it was 15% cheaper, while US-produced ethanol is 18% more expensive and European sugar-beet based ethanol twice as expensive.

The industry is beginning to attract huge investment from outside Brazil, including companies like the US private equity firm Infinity Capital and Cargill, the American agribusiness group. The number of mills in operation is expected to grow from 335 to 425 with four years.

"Investment of foreign capital is already a reality and has been very positive for the sector," says Rui Lacerda Ferraz, president of Crystalsev, which trades over 1bn litres of ethanol a year. "As Brazil reaches investment grade (expected this year) the interest will increase and foreign investors will come with more confidence. The availability of finance and credit will also allow for investment in land and production, which means an increase in productivity and profitability."

Management consultancy McKinsey recently suggested that if the area being farmed for sugar cane doubled, fertiliser used and the farming were mechanised then Brazil's ethanol output could increase from 18bn litres to 160bn litres by 2020.

It is not just in ethanol that Brazil, blessed with good weather, an abundance of land and good quality soil, has the potential to help the global environment. For instance a pine tree growing in Scandinavia will take 50 years before it is ready to be cut down, pulped and turned into paper. By contrast a Brazilian eucalyptus tree takes just seven years to reach maturity.

Paulo Borges, organiser of the Sao Paulo Fashion Week, which last year planted more than 4,000 trees to offset its event, points to other potential products in the fashion industry. "We can actually be the biggest producer of sustainable fashion.

**Soy source: environmentalists argue that the production of ethanol, made from climate-sensitive sugar cane, is pushing production of more the more adaptable soy crops into virgin rainforest areas** Carlos Cazalis

There are many communities in Brazil that work with natural fibres, that produce fish leather, vegetable leather, banana leaf fibre, bamboo fibre and so on."

The sustainability culture is further advanced in Brazil than any other Latin American nation. The British consultancy firm SustainAbility says Brazil is the "unequivocal leader" in the region.

"Social responsibility is now ingrained in almost all the big companies in Brazil," says Jose Maria Rabelo, vice-president of Banco Do Brasil. "Awareness of the requirements, not only of the regulators, but all the stakeholders, the customers, investors, society, suppliers, government, is increasingly present in every company."

Around 900 companies in Brazil are members of an organisation called Instituto Ethos, a network of firms committed to operating in a socially responsible way. Bovespa, the Sao Paulo stock exchange, launched a corporate sustainability index in 2005, a stock index funded by the World Bank that acts as a benchmark for socially responsible investments. It is the first of its kind in Latin America. In addition, ABN Amro Real of Brazil was recently named the emerging markets sustainable bank of the year by the Financial Times.

> 'Social responsibility is now ingrained in almost all the big companies in Brazil. Awareness is increasingly present'

"Until now, firms concerned about maintaining sustainable development policies have been multinationals," says Gian Enrico Mantegazza, chief executive of pharmaceuticals group Mantecorp. "But domestic companies are advancing. The environment is increasingly on the agenda of national politics." The UK and Brazil signed an alliance on sustainable development and established a joint working group to combat climate change in 2006.

Brazil is also home to what is recognised as one of the world's greenest cities — Curitiba, the self-styled ecological capital of Brazil, has a world-beating mass transit system and was one of the first to take recycling seriously.

Ferraz at Crystalsev says the increasingly rigorous demands of customers worldwide can only lift environmental standards. "Every company has to react quickly to changes in the macro and micro environment to remain competitive. Social-environmental concern is a requirement of the world market. Crystalsev compiles studies to discern the benefits of building production units to a region, the preservation and restoration of the environment, tracks agricultural activities and provides social assistance to employees and communities. The world market has strict rules to evaluate these practices. Ethical behaviour is better not only for the social environment but for business as well."

Sergio Antonio Garcia Amoroso of the paper company Orsa says that corporations often step in where there is a lack of government aid. The company in 2000 acquired a firm called Jari Cellulose, which owned 1.6m hectares of native forest in the Amazon, on which there are 14,000 people living in 98 communities. A further 125,000 live in four cities. "The company needs to take care of all these. There is a definite lack of help from the public sector and there isn't any control whatsoever. We invite these communities to go into business with us, to work on projects. At the same time we help with social structure projects."

The firm has developed a programme of micro-credit for women and helped one community to set up a jewellery business. The average household pay in the Amazon is 90 reals a month; the women are making 1,000 a month — about $600. The Orsa Foundation also trains young people in the region and set up The Orsa Florestal, a company that aims to employ the young graduates and makes diversified use of the native forest to generate sustainable economic activity in the Amazon. It is the world's largest Forest Stewardship Council-certified sustainable forest management project in native tropical forests.

The mining giant Vale says it plants more than 20m saplings of native species per year to offset its carbon emissions. A separate programme, the Vale Florestar, seeks to recover 3,000 square km in the Amazon region by planting 165m trees. The biodiesel group Agrenco has been running a foundation that builds schools for poorer children in Brazil for decades, providing them not only with free schooling but healthcare as well. Jodie Thorpe at SustainAbility says there is a tendency for the private sector in Brazil "to take a paternalistic view of its role in society".

But there are pressures on the environment, with concerns particularly about growing demand for ethanol. Supporters say that only 1% of Brazilian land is currently given over to sugar cane production and that, because of climate, it cannot be grown in the Amazon region. Critics argue that ethanol production is pushing other more adaptable crops like soybeans into forests.

There is added pressure on Brazil because much of the land that was given over to soya in the US is being converted to corn for ethanol production. McDonald's last year said it would stop using soya from newly deforested land in the Amazon.

Destruction of the Amazon had slowed but is increasing again. In a sign of a renewed urgency, Brazil's leadership met in emergency session in January to discuss how to deal with an abrupt surge in deforestation after a three-year slowdown. An area the size of France has been lost in the space of a single generation.

The Amazon, which has been called the lungs of the world, is vital for offsetting greenhouse emissions. In addition, the burning and rotting of wood in the Amazon, releases carbon dioxide into the air. The current rate of destruction is estimated to produce 400m tonnes of carbon dioxide a year, an astonishing 80% of Brazil's current greenhouse gas emissions.

**David Teather**

# Boutique boudoirs

## More discerning tourists are turning their backs on traditional high-rise hotels in older, run-down districts like Copacabana and opting for the smaller, chic boutique hotels that are in the vanguard of Brazil's new tourism

The cobalt blue Atlantic Ocean glistening behind them, half a dozen sweaty builders busy themselves around a construction site in the west of Rio de Janeiro.

When their work is finished, Francois-Xavier Dussol, a stylish Rio-based Parisian entrepreneur believes his hotel's second swimming pool will have one of the most stunning vistas in this South American city. And he is not exaggerating.

Perched slap-bang on one of the world's most renowned shorelines, the hotel boasts a panoramic, 180-degree view over Rio's beaches, with the city's colossal rock formations surging up dramatically from behind them.

Welcome to La Suite, currently one of Brazil's hippest hotels and one that is leading the way in a new trend of boutique hotels that is sweeping the country.

Rio de Janeiro is ground zero for Brazil's burgeoning boutique movement. From the southern beach districts to the cobbled streets of the hilltop district of Santa Teresa, foreign tourists are turning their backs on more traditional hotels and making instead for smaller, uniquely designed guesthouses that boast personalised iPods in each room, foreign chefs and, in the case of La Suite, even a small rabbit adopted from the set of a recent Gisele Bundchen photo-shoot.

Since 2005, dozens of such places, many foreign owned, have sprung up around the city – each with a view more spectacular than the next. Rio's boutique hotels often contain only half a dozen rooms, but what they lack in size they more than make up for in personality, security and, perhaps most of all, luxury.

Take La Suite. Located in Joa, slightly away from the more traditional tourist areas but easily reachable by taxi, the hotel is a breath of fresh air from the growing squalor of Rio's run-down beach districts such as Copacabana. Located inside a mini gated community, with its own security guards monitoring the entrance, there is not a pick-pocket to be seen here.


**Above: La Suite, a designer hotel in Rio, is a comfortable mixture of antique and modern. Below, Ipanema beach in Rio** Carlos Cazalis

La Suite is spread across three floors and has seven colour-coded rooms filled with a mixture of antique furniture and modern art. The bathrooms are crafted from imported marble, chosen to match the room's colour.

Upstairs there is a designer swimming pool, a luxurious dining room with a black crystal Philipe Starck chandelier (the only one in Latin America, says owner and designer Dussol), a large balcony dangling over the cliff edge and even a helipad on the roof for those who really want to arrive in style.

"When Roger Moore came to Brazil to film Moonraker he stayed next door," enthuses Dussol, pointing to a neighbouring mansion. It is easy to see why.

If La Suite is currently the pacesetter of the Brazilian boutique market, La Maison, a hotel located in the leafy southern neighbourhood of Gavea, is the movement's grandfather.

Reputedly Rio's first boutique hotel, La Maison is set in a spacious remodelled mansion that looks directly out at the Christ the Redeemer statue and across Rio's forest-covered mountains.

Gavea is not a traditional tourist hangout, historically being the home of bankers, politicians and super-rich artists and intellectuals. But in recent years a number of stylist guesthouses, hotels and bars have opened here. Just down the road from La Maison is the Praça Santos Dumont, by day a peaceful Brazilian piazza, after dark one of the trendiest meeting points for Rio's young, rich and beautiful.

La Maisons' bright pink corridors are filled with a mish-mash of designer furniture, pop art and antiques. At the foot of the property there is a large swimming pool with a stunning view of Rio's mountains, where guests can lounge around in the sun listening to the tweet of birds in the hotel's miniature bird zoo.

**The *pousada* is built from sweeping curves of white concrete and boasts a jaw-dropping view across the cityscape**

For those who tire of the luxury, a well-known and deeply unconventional tourist guide called Peanut from the nearby favela, Rocinha, offers day trips into the slightly less glamorous setting of Rio's largest slum.

Last but by no means least there is the Maze. The Maze is not a boutique hotel in the strict sense of the word, but then its rooms don't come with the same price tag either.

Designed to mimic the city's undulating hilltops, the *pousada* is built from sweeping curves of white concrete and boasts a jaw-dropping view across the cityscape below and over the gigantic Sugar Loaf Mountain.

The most extraordinary thing about the Maze, however, is its location – slap bang in the middle of Tavares Bastos, a Rio shanty town hanging high over the crumbling colonial streets of Catete.

Built by Bob Nadkarni, an eccentric former war correspondent from Britain, the Maze has fast become one of the trendiest tourist hangouts in Rio, a place where gringos and well-healed Brazilians mingle around overflowing glasses of caipirinha and plates stacked high with succulent Brazilian beef from the barbecue.

The hotel is still a little rough at the edges and there's certainly no helipad to be seen. But the sheer bizarreness of it all has proved a winning ticket.

It is enough to make anyone grin ear to ear, which is what the hotel's owner spends rather a lot of his time doing as he stares out from the *pousada*'s enormous rooftop balcony overlooking his adoptive city.

"The only thing I miss about England is the Indian food," he says.

**Tom Phillips**

# Meet the new breed

## Meet the business leaders and bright sparks making waves in Brazil and beyond

Roger Agnelli is one of a new breed of ambitious Brazilian businessmen determined to take their place on the world stage.

As head of the former state-owned mining group Vale, Agnelli is already a powerful player. Vale is the largest mining company in Brazil, the world's leading producer of iron ore and its second-largest miner overall, after BHP Billiton.

But if the 48-year-old former investment banker pulls off his latest move – a $90bn bid for Anglo-Swiss rival Xstrata, Vale would be catapulted right to the top of the world league.

Agnelli's move on Xstrata has divided opinion in Brazil. While many are delighted to see a Brazilian company making such waves in the global M&A market, others fear that such a massive move overseas would divert Vale's resources away from Brazil.

The company needs to be sensitive to opinion back home – under terms of its privatisation just over 10 years ago, the Brazilian government retains powers to veto any deals it deems against the national interest.

Those opposed to a takeover of Xstrata complain that it would bring nothing back to Brazil, no new jobs or investment in the country, but would instead see a massive outflow of capital. Debts taken on to fund the deal could also damage Vale's financial health, they argue.

If Agnelli pulls it off, the $90bn deal would be the largest ever foreign acquisition by a Brazilian company and one of the biggest moves in corporate history.

Vale has been positioning itself for such a global move for some time. Last year it launched a $50 million corporate branding campaign, adopting the country's green and gold national colours for a new heart-shaped logo and shortening its name to Vale for ease of pronunciation outside Brazil.

Mining companies around the world have been boosted by soaring commodity prices on the back of a huge increase in demand from countries such as China. They are also coming under growing scrutiny on social and environmental issues.

Agnelli is proud of the company's record in the Amazon and uses Vale's mines there to showcase the company's environmental credentials. When Vale took on a nickel project in New Caledonia, concerned locals were stalling the project, so he flew them to see Vale's Amazon operations. The project got back on schedule: "We represent a new mentality; we understood the needs of that community and we proposed a solution."

**Agnelli is proud of the company's record in the Amazon and uses Vale's mines there to showcase its environmental credentials**

AP

### Leading lights

**ROBERTO SETÚBAL, CHIEF EXECUTIVE BANCO ITAÚ**

Roberto Setúbal (right) is known as Brazil's most successful banker. The Itau dynasty began when Alfredo Egydio de Souza Aranha, Roberto Setubal's great uncle, founded an insurance company in the 1920s. The bank is part of the Itausa conglomerate, run by Roberto's father Olavo, a former foreign minister.

Unlike many other Brazilian family concerns, the business has successfully made the transition from family-run company into top-class player.

Its workforce was drastically cut back and technically advanced banking systems introduced. The bank was active in the wave of consolidation that has swept the banking sector and Setúbal is said to have ambitions for more and bigger deals in the future.

**JOSÉ SERGIO GABRIELLI DE AZEVEDO, PETROBRAS**

"Like buying a winning lottery ticket" is how José Sergio Gabrielli de Azevedo (right), chief executive of Petroleo Brasileiro (Petrobras) described his company's huge oil discovery last year.

A little good fortune never goes amiss in the oil exploration game, but it is Gabrelli rather than luck that has helped transform the state-owned energy giant in recent years.

LEFT: REUTERS; RIGHT: KENIA HERNANDES

LEFT: GETTY; RIGHT: AP

Once so poorly thought of in Brazil and the rest of the world that it was referred to as "Petrosaurus", Petrobras is now widely acknowledged to have become a model for other government-owned corporations in the developing world.

A former academic, politician and, briefly, a journalist, Gabrielli had few fans when he took on the role of chief financial officer at the oil group in 2003, after the election victory of President Lula.

For the last three years he has headed the company, which doubled its success rate at drilling new wells between 2002 and 2005. On 21 April 2006 President Lula declared Brazil self-sufficient in oil on board a Petrobras oil rig.

**PAULO SKAF, PRESIDENT OF THE FEDERATION OF INDUSTRY, SAO PAULO (FIESP)**

Formed in 1931, FIESP promotes the country's business interests and represents more than 100 companies based in the State of São Paulo. The organisation is also active in public health, training and education and had more than 1m people enrolled in its schools last year. It also has leisure and sports facilities.

"Our vision is not the industry," says Skaf (left). "Our vision is our country."

Like many Brazilian business people, he is impatient for reform, for investment in infrastructure, and an end to corruption and bureaucracy.

"Without doubt, the government needs to make a lot of decisions. And it's necessary to have courage to put these decisions into action."

But he is optimistic: "If Brazil is good without these reforms, just imagine what it will be like if they are actually implemented."

**PAULO HARTUNG, GOVERNOR STATE OF ESPIRITO SANTO**

In 2003 Espirito Santo was in a state of severe crisis resulting from "years and years of abuse," says governor Paulo Hartung. "The public machine was shattered." The southern state has been working hard to bring in badly needed infrastructure, and between 2002 and 2006 had the fastest rise in employment in the federation, with an increase of 28.5% against the national average of 20.5%.

Its GDP per capita is $6,300 against a national average of $5,700 and state industrial growth was more than double the national average last year, making it among the top three states in Brazil.

For the future, the main objectives, says Hartung, are: "social inclusion, reduction of poverty, equal access to opportunities and economic dynamism."



Agnelli is also keen to play his part in protecting the workforce. "In the poorest regions you have to factor in things like basic sanitation, education, security and health services, so in some way or another CVRD is involved almost in a governmental level in the places we are present.

"You cannot play the government," he says. "We are a private company aiming for results and to build value for our shareholders. But we cannot close our eyes to the social reality of where we are working. We are trying to keep a delicate equilibrium."

Agnelli has yet to make a formal offer for Xstrata, which has already rejected an informal approach, and it is by no means certain that any deal would succeed.

Known by some as the Iron Man, Agnelli will need all his negotiating skills, not just to secure control of Xstrata, but also to convince his critics back home that the deal is not just good news for Vale, but for Brazil too.

**VIVIANE SENNA, INSTITUTO AYRTON SENNA**

Brazil lost Ayrton Senna on the race track at Imola at 1994, but the triple world champion left a remarkable legacy that has changed the lives of millions of Brazilian children.

Just a few weeks before his fatal accident in the San Marino Grand Prix, Senna told his sister Viviane he was thinking about what he could do to help his country.

"Despite his wealth, he knew something had to be done to close this gap between rich and poor," she explained in a recent interview with Motor Sport magazine.

"He asked me to plan some organisation that would help children have a better future. This was two months before Imola. I began to work on a structure, but we did not have the opportunity to talk again."

Viviane carried out her brother's wishes and, just months after his death, founded the Instituto Ayrton Senna, a non-profit-making organisation dedicated to helping the dispossessed children of Brazil. In a country where the gap between rich and poor remains vast, millions of children live in appalling conditions, uneducated and excluded from society with little hope for the future.

Based in São Paulo, the institute is funded by royalties from the licensing of the Ayrton brand and image, and from the Senninha children's TV and comic character, as well as corporate and other donors. It makes strategic alliances with companies, with federal, state and city governments, and also with private foundations. It has links with scores of major companies, from Vale to Bradesco Capitalizações, Microsoft, IBM and Nokia.

The figures are extraordinary: last year the institute helped educate 1.35 million children and young people via partnerships with almost 11,000 schools, NGOs and universities. Since its foundation, the institute has helped almost eight million youngsters.

It runs a wide range of programmes, all aimed at educating Brazil's children in pursuit of its aim to "build a fairer country for all." They include Education through Sport, Education through Art and Youth SuperAction; its Accelerate Brazil programme deals with learning acceleration while Connect Yourself fights illiteracy. Since it was first set up, it has spent £45 million in total.

But the benefits are far greater than simply financial – by involving businesses and government organisations, it has helped reinforce the message that ensuring a fairer society cannot be left to charities and philanthropic organisations but is the responsibility of everyone.

**Viviane Senna founded Instituto Ayrton Senna, dedicated to helping the poor and excluded children of Brazil** Corbis

For fashion see page 17

# Artistry in the blood

## Brazilian design, from fashion to architecture, is usually recognised simply for its flamboyance, but it is only recently that its unusual mix of influences is being embraced for its inventiveness, originality and sheer diversity

Think Brazilian design and the first things that spring to mind may well be plastic flip-flops and miniscule beachwear.

But there is more to Brazilian style than Carmen Miranda's fruit basket headgear, and a new generation of Brazilian designers, mostly based in Rio de Janeiro and São Paulo, are pushing the boundaries of South American fashion, art and architecture.

Inspired by themes as diverse as urban disorder, impoverished sugar cane cutters, the Amazon rainforest and even the gothic movement, Brazil's young designers are charting new territory and winning accolades the world over.

Last year the Brazilian clothing industry made $34.6bn, making it the world's sixth largest textile producer and responsible for 3.5% of Brazil's GDP. Some $2.4bn of that revenue came from exports.

Brazil's fashionistas are also gaining influence. Alexandre Herchcovitch, currently the country's best-known fashion designer, was listed as one of Brazil's 100 most influential people in a recent survey by a respected Brazilian news magazine.

Carolina Gold, a London-born Anglo-Brazilian designer based in Sao Paolo, runs Amapo, one of the country's most celebrated fashion labels, with her business partner Pitty Talian. Gold says the explanation for Brazil's growing success abroad is its diversity. "A little bit of everything exists within Brazilian fashion," says Gold. "Our work always carries a tropical perfume," says Gold. "The colours we use are strong; it's very tropical."

Like many Brazilian designers Gold believes her country's unmistakable national identity is a defining factor in her work's success. "I'm of the philosophy that the more you look inside yourself the better your output is. And that when you just look outside you get confused."

Gold cites Maria Bonita as one of the Brazilian labels that most excites her. The label's collections draw heavily on traditional northeastern Brazilian styles, giving the country's rural backlands an urban twist.

"It's completely different to our work... but it is still linked to the Brazilian roots," says Gold, whose clothes are now sold in London, New York and Tokyo.

"All of our collections start with the print. Because Brazil is a hot, tropical place these prints work well. I think [the overseas buyers] like the artisan-type Brazilian style, it enchants them," she adds.

For decades Brazil's tropical chic has enchanted the outside world in a variety of forms; from the white concrete sweeps of Oscar Niemeyer's architecture, inspired by Rio's undulating mountains, to the rubber Havaiana flip-flops that have become one of the country's best known exports and worn by Brazilian street sweepers and super models alike.

But not everybody in the industry accepts the notion that there is a typically Brazilian style of design.

**Professions here are more based on creativity and the natural intensity of our people and less on studies and rules**

Julia Bolliger, head of journalism at Brazil's leading design and "experimental art" magazine Zupi, plays down the idea of "Brazilian-ness". "A global exchange of influences" means Brazilian designers find their inspiration as much abroad as at home, she believes.

"There is no such thing as typically Brazilian or typically London design," she says, pointing out that there are "Americans doing excellent oriental art, Brazilians making European design [and] Argentines who are completely influenced by German fashion illustrations."

She does, however, admit that Brazil's complex colonial past and rich history of European, Japanese and Middle Eastern immigration make the country rich pickings for designers. Bolliger argues that this "vast array of cultures" provides the Brazilian designer with a "wealth of graphic icons, clothes, colours and identities."

"Because of all this historical and cultural baggage we certainly have something original in these parts," she says.

The artistic backgrounds of many Brazilian designers also gives them an advantage over others, Bolliger says.

"Even the biggest designers here have had an extremely strong artistic background before they moved into design, which really adds a huge wealth to their work," she says.

"The interesting thing about Brazilian designers – and this is something that should be a maxim for designers across the world – is that they concentrate less on technique and focus more on artistic freedom. I think that all professions here are more based on creativity and the natural intensity of our people and less on studies and rules."

GETTY

**Winter collection from Amapo at São Paolo fashion week**

LEFT: CORBIS; RIGHT, CARLOS CAZALIS; FAR RIGHT: GETTY

**Clockwise from top: the unmistakable Carmen Miranda; the ubiquitous 'dental floss' bikini; Oscar Niemeyer's congress building in Brasilia; the favela chair designed by the Campana brothers**

REX FEATURES

Examples of this artistic freedom can be found around virtually every corner in Brazil, on billboards and buses, in shop windows and showrooms and of course on television. It can also be found in the work of the Campana brothers, two Sao Paulo furniture designers who have become world-renowned for their so-called spontaneous architecture projects.

The Campanas are best known for their eccentric furniture designs, which employ everyday materials used in the country's slums to produce luxurious sofas and chairs, like the Favela Chair, made from a mesh of plywood.

"Translating the Brazilian identity into design is the most important challenge for us," Humberto says in a recent interview. "The challenge is to make a portrait of our poor, beautiful and culturally rich country."

Campana traces this new creative freedom back to the end of Brazil's military dictatorship in 1985 when a host of exiled artists and intellectuals began flocking back to their home country.

The Campanas are not the only brothers making a name for themselves. Graffiti artists Gustavo and Otávio Pandolfo, better known by the title "Os Gemeos" or The Twins, have also taken the world by storm with their distinctive street art, which can today be found in art galleries across the world fetching five-figure sums.

With more and more finance being pumped into the industry and new designers springing up on a seemingly daily basis, the Brazilian design boom and its impact on everyday life looks set to continue.

For fashion designers such as Rodolfo Murilo, one of the youngest members of this new troupe, it is an exciting time to be starting out in fashion. Aged just 22, he is currently the chief designer for Carlota Joakina, a label owned by Gloria Coelho, one of Brazil's most respected designers who has showrooms in New York, Paris and London.

"I think Brazilian fashion is now moving into a new phase," he says. "There are lots of young Brazilian designers now dreaming about having their own labels. Brazil is in fashion. Universities are opening new fashion courses all the time. We are feeling that the labels are being watched all the time by the entire fashion world. The eyes are on us. You feel observed. It's great."

**Tom Phillips**

## FIVE BRAZILIAN DESIGN CLASSICS

**1. THE FAVELA CHAIR**
Despite its name – the "shantytown chair" – the Campana brothers' Favela Chair became a defining piece of Brazilian design with a price tag to match when it was launched in 2003. Reputedly made out of the same wood used to construct shacks in the ramshackle city districts, this design classic sells for just under $4,000.

**2. THE HAVAIANA FLIP FLOP**
Invented in 1962 the Havaiana, a rubber flip-flop, spent nearly 40 years as an unremarkable but commonplace component of the Brazilian wardrobe. Suddenly at the end of the 1990s the Havaiana took off as an international fashion accessory worn by top models across the globe such as Naomi Campbell. Havaiana's international sales are said to be doubling each year. In Rio the lowly Havaiana costs around R$10 (£2). In Europe they have been known to fetch around £100.

**3. OSCAR NIEMEYER'S CONGRESS BUILDING**
Erected at the end of the 1950s, Brazilian architect Oscar Niemeyer's Congresso Nacional, the Congress Building in Brazil's capital Brasilia, remains his most celebrated work, often compared to two white flying saucers. Mixing the sweeping convex and concave lines for which he became famous, the building is one of the most recognisable symbols of Brazilian architecture.

**4. THE DENTAL FLOSS BIKINI**
Known in South America as *fio dental* or "dental floss", the Brazilian bikini is also begrudgingly held up as a design classic, widely embraced on the country's beaches. The dental floss bikini was not always a unanimity, however. In 1961 president Janio Quadros outlawed the tiny fashion item from Rio's beaches. He lasted just seven months in power.

**5. THE TUTTI FRUTTI HAT**
Carmen Miranda, Brazil's most famous singing export, is to this day one of the defining fashion icons to emerge from Brazil. Born in Portugal, "the lady in the tutti-frutti hat", as she became known, moved to the US in 1939 where her colourful, fruit-laden costumes became a seminal creation, referenced to this day by Brazilian designers.

# Beyond the bossa nova

**Think Brazilian music and you'll probably be thinking of the samba. But like its art, design and fashion, Brazil never stops reinventing its irresistable rhythms, and its music draws widely on influences from far and wide**

Switch on the radio in Rio de Janeiro and it won't be long before you hear the catchphrase of the local Brazilian music channel. "Nobody can resist our music!"

Since the bossa nova of Tom Jobim and Vinicius de Moraes took the world by storm in the late 1950s, the word Brazil has been synonymous with music; the melancholic samba from Rio de Janeiro's hilltop shantytowns, the frenetic forro rhythms from Brazil's arid northeast and more recently the bass-heavy funk from Rio's crime-ridden slums.

Today a new generation of Brazilian musicians, based in Rio de Janeiro but hailing from across this vast South American country, is reinventing the Brazilian sound in an equally irresistible fashion.

**Singer Maria Rita** Retna

Their influences come from far and wide: ranging from reggae to jazz, rock, eastern European folk music and the Beatles – all filtered through traditional Brazilian melodies and rhythm.

Closer to home they mix a range of Brazilian beats such as forro, frevo and choro with better known styles such as samba, as well as Argentine-influenced music from Brazil's deep south.

"I listened to lots of things when I was growing up; Guns and Roses, Reggae, Jazz," says Henry Lentino, a mandolin-playing sensation from the critically acclaimed Rio-based instrumental group Tira Poeira. "Things transform naturally. To do something new you need to respect what came before but also draw on what is from our generation," says Lentino, whose breathtaking virtuoso performances have earned him the nickname of the Brazilian Jimi Hendrix since he moved to Rio from the southern city of Porto Alegre eight years ago.

True to form, Tira Poeira's next album – Feijoada Completa – will feature vocals from the Brazilian stars Maria Bethania and Lenine as well as a funk remix of O Morro Nao Tem Vez, a Tom Jobim bossa nova standard, produced by MC Pitbull, a well-known exponent of Rio funk.

The album's title – an allusion to the pork stew made out of thrown away food by Brazil's slaves – is a nod to the wide range of influences that Brazil's young musicians are drawing on.

Edu Krieger, a 32-year-old composer and singer from Rio, is one of the local musicians on the front line of this new scene in Rio. The son of well-known Brazilian classical conductor Edino Krieger, Edu's music is, in his own words, a mix of "the Beatles, with video games with [legendary Brazilian musicians] Luiz Gonzaga and Pixinguinha".

His first album, released at the end of 2007, has received critical acclaim drawing comparisons with legendary Brazilian composers such as Caetano Veloso and Chico Buarque. The last two albums of Brazilian singer Maria Rita also feature some of Krieger's tracks.

"There was a time in my life when all I listened to was the Beatles ... I was totally enchanted. The other influence you can't deny is that of the video game. I was brought up during the first generation of video games – that electronic sound fascinates me."

"Then later when I was nearly 20 I discovered samba," says Krieger, who went on to teach himself the seven-string guitar on which he now composes.

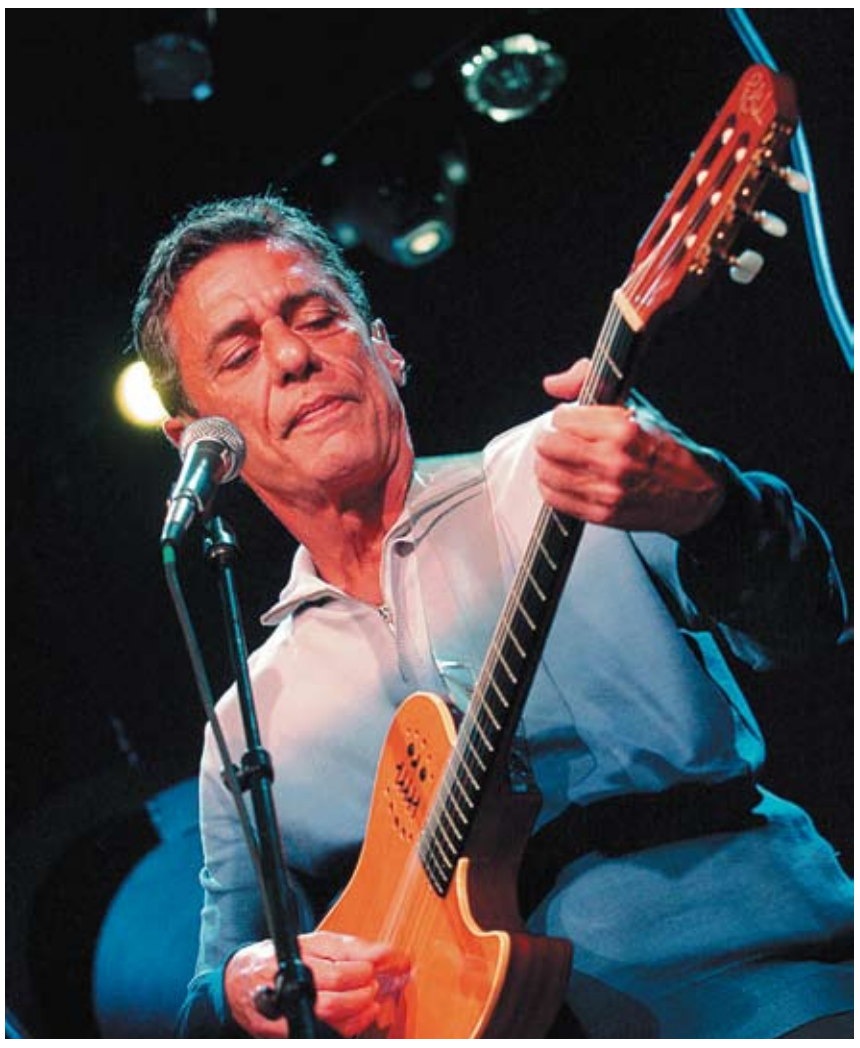
Lentino and Krieger are both veterans of the musical scene in Lapa, a rundown bohemian district in central Rio where scantily clad transvestites, poets and musicians have rubbed shoulders since the beginning of last century. In recent years their numbers have been bolstered by musicians from Brasilia, Recife and even the Amazon city of Belem.

"Rio is attracting lots of people from the new generation. It is still a big shop window for the rest of Brazil," says Krieger.

And what do they have in common? "Today Brazil's young musicians play with more attitude, with more rock'n'roll," believes Lentino.

Not forgetting, of course, the influence of the Atari.

**Tom Phillips**



**Legendary musician Chico Buarque** Wire Image

# Brazil in numbers

It is a land of contrasts: of the suddenly very rich and of the devastatingly poor. This is your visual guide to the new Brazil

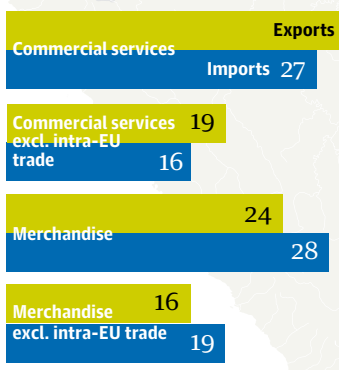
## Basic indicators

**GDP**
Official exchange rate, 2007
$1.269 trillion

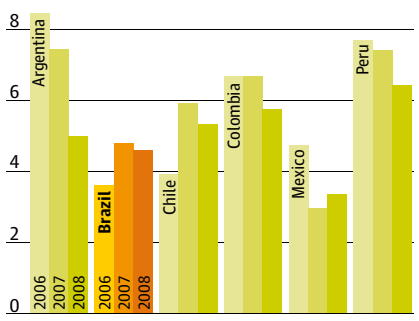
Purchasing power parity, 2007
$1.838 trillion

Per capita, 2006
US$9,700

**Rank in world trade**
2006

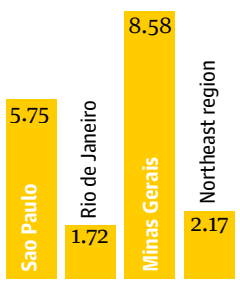



**Economic growth**
Actual and estimated, %




The Growth Acceleration Programme announced earlier this year includes **US$280 billion** of public and private sector infrastructure investment between 2007 and 2010

**Industrial production**
Index, 1992 = 100, year on year change, seasonally adjusted, Jan 2008



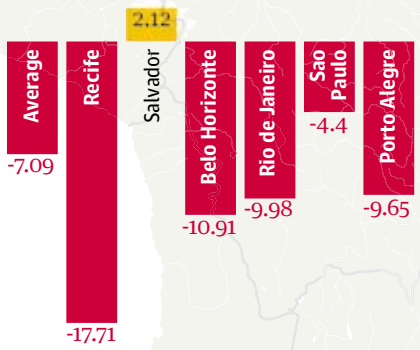

## Education

**Education spending**
% of GDP
4.1 %

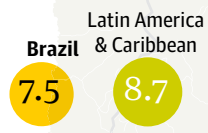
**Literacy**
1995
83.2 %

**Literacy**
Now
86.6 %

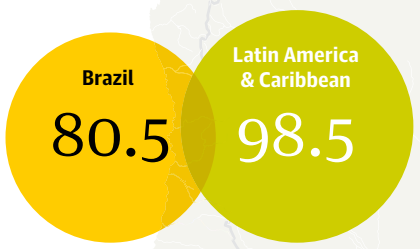
**Unemployment rate**
By metropolitan region, year on year change, Jan 2008, %



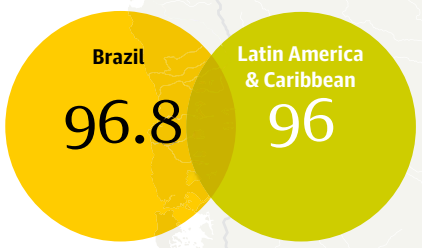

**Poverty**
Population below $1 (PPP) per day, %



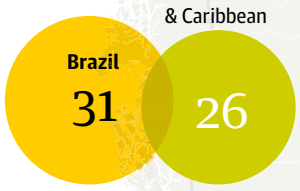

**Education**
Pupils completing primary education, %




**Literacy rate**
5-24 year olds, %




**Infant mortality rate**
0-1 year, per 1,000 live births




**CO2 emissions**
Per capita (tonnes)


## Health

**Health spending**
% of GDP
8.8 %

**Doctors**
Per 1,000 population
1.2

**Hospital beds**
Per 1,000 population
2.7

**Improved-water source access**
Per 1,000 population
90

## Society

**Number of households**
50.0m

**People per household**
Average
3.6

**Marriages**
Per 1,000 population
4.2

**Divorces**
Per 1,000 population
0.8

Total population 190.01m

Population by state

BRAZIL

ATLANTIC OCEAN

0.59m AMAPA — Macapa
0.39m RORAIMA — Boa Vista
3.17m AMAZONAS — Manaus
7.07m PARA — Belem
0.65m ACRE — Rio Branco
1.45m RONDONIA — Porto Velho
2.85m MATO GROSSO — Cuiabá
1.25m TOCANTINS — Palmas
6.12m MARANHAO — São Luis
3.03m PIAUI — Teresina
8.18m CEARA — Fortaleza
3.01m RIO GRANDE DO NORTE — Natal
3.64m PARAIBA — Joao Pessoa
8.49m PERNAMBUCO — Recife
3.01m ALAGOAS
1.94m SERGIPE
14.1m BAHIA — Salvador
FEDERAL DISTRICT — BRASILIA 2.46m
5.64m GOIAS — Goiania
19.3m MINAS GERAIS — Belo Horizonte
3.35m ESPIRITO SANTO — Vitoria
39.8m SÃO PAULO — São Paulo
15.4m RIO DE JANEIRO — Rio de Janeiro
MATO GROSSO DO SUL 2.27m — Campo Grande
10.3m PARANA — Curitiba
5.87m SANTA CATARINA — Florianópolis
10.6m RIO GRANDE DO SUL — Porto Alegre

200 MILES

## Drugs

**Cocaine seizures**
% of world total, 2005


**Colour TVs**
Per 100 households
87.9

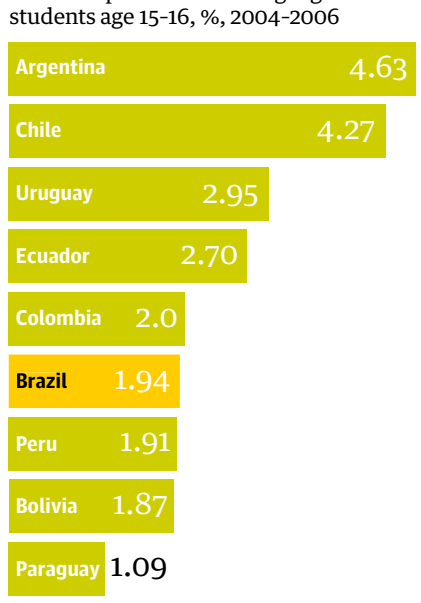
**Telephone lines**
Per 100 population
21.4

**Mobile subscribers**
Per 100 population
46.3

**Computers**
Per 100 population
16.1

**Internet hosts**
Per 1,000 population
39.8

**Cocaine use**
Life-time prevalence among high-school students age 15-16, %, 2004-2006




SOURCES: UN, ECONOMIST, WTO, WORLD DRUG REPORT, CIA WORLD FACTBOOK

PARQUE CIDADE JARDIM

THE BEST PERSPECTIVE ON LIFE

The property area of 72 thousand square meters, includes 55 thousand square meters of permanent green areas, in an exclusive neighborhood of Sao Paulo, Parque Cidade Jardim is the most important development in Sao Paulo's history. Apartments, ranging from 237 square meters to 1,807 square meters in size, have intelligent layouts, spacious rooms, large terraces and extraordinary view of the city's sky line. The Spa is the largest in Latin America with an area of 12 thousand square meters dedicated to premium beauty services and sport activities.

The Shopping Cidade Jardim brings to Sao Paulo a unique concept, inspired on the most renowned malls abroad. 180 stores, comprising the most sophisticated Brazilian and international brands, all of them facing open plazas and internal gardens. The office buildings development is composed of three triple A towers and one mixed-use tower anchored by a Fasano Hotel, member of The Leading Small Hotels of the World. In other words, Parque Cidade Jardim is an unique development surrounded by nature with unsurpassed location and spectacular view.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