

O Momento Mágico



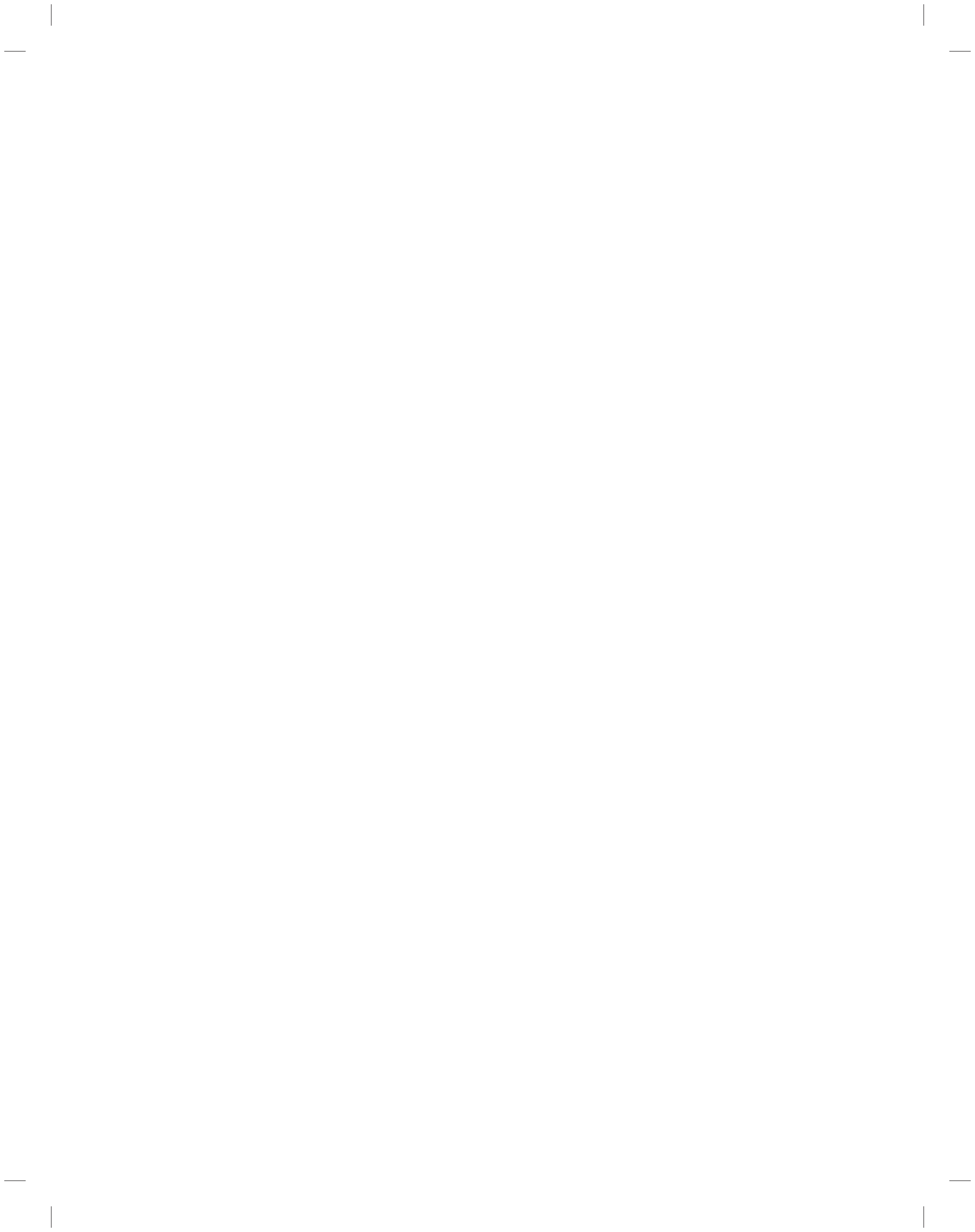
Managing Public Affairs in Brazil

Practical advice on:

- Navigating a country with three capitals
- Forging relationships
- Communicating effectively

Elizabeth Judd
Foundation for Public Affairs





O Momento Mágico



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Managing Public Affairs in Brazil

By Elizabeth Judd

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Introduction

When the world learned that Rio de Janeiro had succeeded in its bid to host the Summer Olympic Games in 2016 — the first time that the event would be held in South America — Brazil’s then-President Luiz Inácio Lula da Silva wept. “Our hour has arrived,” he announced on Oct. 2, 2009, as Brazilians who had gathered at Rio’s famed Copacabana beach erupted in a Carnavalesque display of spontaneous cheer.

Many multinationals operating in Brazil view planned government investments in the World Cup in 2014 and the Olympic Games two years later as make-or-break events for this growing economy. “The eyes of the world are going to be on Brazil for the next decade,” says Rich Wells, Dow Chemical’s vice president of global government affairs and public policy. “The Olympics and the World Cup are great platforms on which the country can shine — and there’s also a possibility for some very visible failures.”

“Brazil is a country that has grown up quite a bit in the last 10 years,” says Wells. He continues: “It’s an opportunity for Brazil to get some of its bigger challenges resolved and really put the country on its deserved path to being a world economic power for the next hundred years. However, if some of their problems aren’t addressed, they could lose credibility on the world stage just as quickly.”

Today, Brazil is the world’s eighth largest economy, and by 2016, the South American country is expected to have climbed to number five, overtaking France and Britain.

Pundits no longer argue whether Brazil will be an economic superpower; its economic strength is regarded as nearly beyond dispute. Brazil’s GDP is larger than that of all other South American countries combined; its economy grew 7.5 percent in 2010 and is expected to

grow approximately 4 percent in 2011, according to World Bank data, and the country also struck oil in the past few years. One hundred and fifty miles off the Brazilian coast, 123 billion barrels of new oil reserves were found in what’s quite likely the largest oil discovery in 35 years.

A ‘Magic Moment’

For Brazil, the past 16 years have been prosperous ones — especially the past nine, when Lula guided the country into a healthier economy and resurgent feelings of national pride, and Dilma Rousseff became president. Brazil enjoys some of the finest natural resources in the world. It possesses 14 percent of the world’s fresh water, large deposits of iron ore, the Amazon rainforest and a climate and terrain that are well suited to growing sugarcane, which can be used for both food and biomass. The country has also embarked on a sustainable path and has a well-developed green economy that many countries are eyeing with stark envy.

In addition to its sporting events coups, Rio will also be the site of a large environmental summit — Rio+20 — in June 2012. Because so many opportunities are converging at once, some experts are calling the next few years Brazil’s “magic moment.”

Whether Brazil will shine in hosting these highly publicized events and assume the mantle of global leader will depend on its ability to improve outmoded infrastructure and tend to a host of social problems. Many experts are cautiously optimistic that a true and lasting transformation is underway in Brazil.

Novozymes, which has had facilities in Brazil for over 25 years, operated through the era of military rule and hyperinflation. Justin Perrettson, senior advisor, public affairs, for Novozymes, says the fact that Brazil’s current leaders are acutely aware of past missteps is critical “to why things are heading in the right direction now,” particularly from an economic perspective. “There’s a generation of people who really experienced [the problems of the past] and who are now running the businesses and government departments that are trying to propel Brazil forward.”

Brazil’s turns at hosting the World Cup in 2014 and the Olympics in 2016, as well as a major environmental summit in 2012, are collectively seen as creating a “magic moment” — *o momento mágico* — for the country.



Felipe Dana/AP

Key Issues for Government Affairs Practitioners in Brazil

One reason Brazilians understand the government affairs function differently from natives of other countries is that Brazilian democracy is so young. A mere 23 years ago, the military regime ended and the Brazilian Federal Constitution gained approval on Oct. 5, 1988.

“Brazil has really evolved,” says Ned Masee, vice president of corporate affairs for MeadWestvaco (MWV), the Richmond, Va.-based global packaging company. “We’ve been there for over five decades, and during that time we have operated under military control as well as freely elected governments. When Brazil had military control, you kept a very low profile, but the country is becoming much more progressive, is experiencing rapid growth and is working through the challenges that come with managing that growth for such a big country.”

Understanding Government

The federal government is made up of the executive, legislative and judicial branches. The president is elected for a four-year term and may be reelected for a second four-year term. The bicameral Congresso Nacional consists of the Federal Senate (the upper house), with 81 seats, and the Chamber of Deputies (the lower house), with 513 seats. And the judicial branch is organized into both a federal system and a system for each of Brazil’s 27 states.

Brazil’s government structure is similar to that of the U.S., with a few key differences. “Brazil’s government is more dominated by the president than ours is, and there are multiple parties rather than two parties,” says Barry Ames, a political science professor at the University of Pittsburgh and author of *The Deadlock of Democracy in Brazil*. “There is not really a strong right wing, as there is in the United States. There’s a moderately well-organized center-left party, but there isn’t a right wing of any substance.”

Multinationals operating in Brazil are closely watching Dilma Rousseff, Brazil’s first female president, a former Marxist guerrilla who was elected to office on Oct. 31, 2010, as the protégée of the wildly popular Lula.



Agência O Globo/AP

Multinationals are closely observing Brazilian President Dilma Rousseff, who is more private and less communicative than her predecessor and mentor, Luiz Inácio Lula da Silva.

Unlike Lula, who was gregarious and a natural politician, Rousseff is far more difficult to read. “She’s not very communicative,” says Leslie Bethell, senior scholar at the Brazil Institute of the Woodrow Wilson International Center for Scholars. “She gives very few interviews and speeches. Whereas Lula spent every weekend glad-handing and talking, she spends most weekends privately. She doesn’t see her ministers that often, and so we’re a little bit in the dark.”

That said, Bethell points out that Rousseff successfully assembled a 10-party coalition that holds approximately two-thirds of the seats in both houses of Brazil’s Congress.

Although many suspected Rousseff would be nothing more than a carbon copy of her mentor, she has sent signals that she plans to diverge from Lula’s policies in some key respects. In foreign policy, she indicated that she would support defending human rights in Iran, a departure from the policy of the prior eight years.

For Eduardo Carlos Ricardo, founder of Patri, one of Brazil’s largest homegrown public affairs consultancies, what sets Rousseff apart is her governing style. Ricardo explains that while Lula and his predecessor, Fernando

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The National Congress, Brasília. Patri's Eduardo Carlos Ricardo believes that reducing the number of political parties in Congress would make Brazil's political system more governable.

Henrique Cardoso, are consummate politicians, Rousseff is “not a politician but a manager” — which may be exactly what Brazil needs at this juncture.

Armando Valle, vice president of government relations and sustainability for Whirlpool, agrees: “Until now, President Dilma has done what everybody expects. The president is recognized by the press as a great manager, and she has been a great manager.”

Ricardo believes that there are some important challenges facing Brazil in the political sphere. First, he says, Brazilians must become far more participatory in crafting public policy rather than simply viewing one's political obligation fulfilled by “showing up on election day.” Going

forward, he says, there must be fewer political parties than the 15 currently represented in Congress. Ricardo believes that winnowing the parties to a more manageable number would make the entire political system more governable.

When it comes to the relationship between the U.S. and Brazil, Ricardo anticipates that Rousseff might steer a slightly different course. “Dilma Rousseff has no problem with the U.S.A.,” says Ricardo, “but she'll want a two-way relationship.” In other words, he believes that the new president will have little patience with American companies interested solely in exporting to Brazil, without any desire to also buy from Brazil. Going forward, he says, “If you want to produce in Brazil, the conversation will be different” than if U.S. companies view Brazil only as a market for their products.

Ricardo notes, however, that the relationship between the U.S. and Brazil seems to be growing stronger. In part, he credits President Barack Obama's March 2011 trip to Brazil for the positive change. “The visit was important for America's image in Brazil,” he says. “Obama had no concrete business, but he started to reopen doors. What he accomplished in 48 hours in Brazil was a huge PR program.”

How Strong Is Brazil's Economy?

In the early 1990s, Brazilian inflation ran at 80 percent a month. With the introduction in 1994 of a new currency — the real — Brazil put the era of hyperinflation behind it, but some experts question the strength of the country's economy today.

Dow's Wells cites the economy as one of the imminent threats that he and other government affairs practitioners in Brazil are watching closely. With inflation at 6.5 percent and slowly creeping upward, he describes the Brazilian economy as “overheated.” Here is the central question, he says: “Is Brazil going to do the right things to ensure

Books to Read

- **Brazil as an Economic Superpower?** by Lael Brainard
- **Brazil on the Rise**, by Larry Rohter
- **The Cambridge History of Latin America, Vol. 9, Brazil Since 1930**, Leslie Bethell, editor
- **The Deadlock of Democracy in Brazil**, by Barry Ames
- **Democratic Brazil Revisited**, Peter Kingstone and Timothy Powers, editors
- **The New Brazil**, by Riordan Roett
- **Throes of Democracy: Brazil Since 1989**, by Bryan McCann

sustainable growth and that inflation doesn't get away from them again?"

Part of the challenge, argues Bethell, is that "Lula's economic legacy was not as good as it might have been or as Lula claimed it was." In addition to inflation, Brazil faces a huge fiscal deficit coupled with a number of fundamental and expensive problems to tackle, such as



infrastructure investment and improving its ineffective educational system. Lula is not the only one in Brazil's government who has publicly denounced reports that its economic situation is not quite as rosy as many believed. In January 2011, the International Monetary Fund (IMF) wrote that Brazil's fiscal situation is worsening and that it would miss its 2011 target for a budget surplus. In response, Finance Minister Guido Mantega called the IMF assessment "stupid."

For American multinationals doing business in Brazil, another looming issue is China's investments and relationships there. "What does the fact that China is striking relationships with Brazil mean for our manufacturing base in Brazil?" asks Wells of Dow Chemical. "Will [the relationship with China] undermine our manufacturing base there, or does it present an opportunity?"

What's more, one of Brazil's greatest assets — its green economy — has the potential to prove a liability. Because the Brazilian government decided to become more energy secure by using alternatives to fossil fuels, Brazil now finds itself largely energy self-sufficient. However, public awareness of sustainability issues and the impact of some initiatives such as hydropower from the Amazon and biomass programs for sugarcane on national and international stages is growing.

"The challenge Brazil has is sustaining [the progress that has been made] while continuing to grow," says Wells. "And Brazil has quite an emphasis on growing in a green, sustainable way. We believe Brazil can do that and continue to be competitive even in light of all the other issues they face."

Novozymes' Perrettson points to the role of government in fostering and championing Brazil's renewable energy programs. As an example in biofuels, he cites the establishment of government bodies, such as CTBE (the Brazilian Bioethanol Science and Technology Laboratory), to develop additional sustainable supplies, including supplies from waste and residues. "In terms of competitiveness," says Perrettson, "national champions, such as Petrobras and Cosan, as well as international players, such as BP, Shell and Novozymes, are actively developing their operations in renewables."

Overcoming the 'Cost of Brazil'

Companies doing business in Brazil refer to a number of hassles and entrenched problems under the umbrella of the "cost of Brazil." This encompasses everything from poor infrastructure to high rates of crime and poverty to regulatory slowdowns to a culture that moves at a completely different pace than the U.S. or most of Europe.

Benno van der Laan, an international government affairs consultant based in Washington, D.C., emphasizes that Brazil's infrastructure problems also take a toll on government affairs professionals hoping to set up appointments with industry stakeholders, officials or regulators. "In the U.S., if you visit a city, you might book five or six appointments in a day, but in São Paulo, that's not a good idea. There are often delays, and if it rains in São Paulo, everything grinds to a halt. You can sit in traffic for hours." He continues: "You really need to know where you're going and how much time you need between one appointment and another."

"The cost of Brazil is not just all the appalling problems of infrastructure. It's red tape, bureaucracy, the incredibly complicated tax system," says Bethell. "It's not just foreigners who have problems. Brazilians have problems, too. If you look at the Brazilian press, you see a constant debate about how we can reduce the cost of Brazil."

Bryan McCann, author of *Throes of Democracy: Brazil Since 1989*, observes that the World Cup and the Olympics will spur infrastructure improvements but cautions that Brazil needs a great deal of infrastructural modernization in its ports, electricity network and highway system

to eliminate bottlenecks currently limiting economic expansion.

Corruption also continues to be a problem. Multinationals operating in Brazil note that the government is working to bring an end to corruption but that not all graft and ethics issues have yet been resolved.

Poverty in Brazil's *favelas*, the shantytowns where the indigent reside, and drug-related crime continue to haunt the nation. "You have young people born into poverty and drug problems, and it's not easy to deal with. Brazil's police aren't as bad as Mexico's, but there are areas where they have trouble exerting their authority," says Ames. "In the long run, I think prosperity will ease these problems, but it takes a long time."

Bethell agrees: "Although Lula claims that he has to a large extent dealt with Brazil's social problems, they continue to be daunting." He believes that the poor quality of much of Brazil's educational system is at the heart of the nation's social problems.

Whirlpool's Valle notes that while Brazil has a large number of high schools and universities, the quality of these institutions is usually "very poor," with a few key exceptions. Given Brazil's dismal educational system, multinationals sometimes can't locate talented employees with the proper expertise — and doing so proves time-consuming and expensive. "Our company," says Valle, "does not have problems finding good people, but we invest a lot of time on the process of recruiting and developing."

For all the handwringing about the dismal state of education and the high level of indigence in Brazil, the



Christopher Kolaczan/Shutterstock.com

Poverty in Brazil's *favelas*, or shantytowns, like Rio's Rocinha (above), has been a persistent challenge for the country.

country has made leaps that its neighbors haven't matched. "Brazil is the only country in Latin America that has managed to decrease inequality over the past 20 years," says McCann.

One key factor in this progress is Brazil's federally funded social programs. For instance, Brazil's Bolsa Família, a welfare program providing financial aid to poor and indigent Brazilian families as long as their children are vaccinated and attend school, has helped alleviate some social ills.



Antonio Milena/AP

Case Study

Dow: Identifying Olympian Opportunities

Dow, which runs its entire Latin American operations from São Paulo, is prepared to participate in the Olympic effort in any way it can, says Wells. “Our biggest government affairs focus in Brazil for the next four years is the opportunities associated with the Olympics and the World Cup.”

Although the Brazilian government has yet to announce many of the crucial details and tenders surrounding all projects to enable the events, Dow is positioning itself for a range of eventualities. The chemical giant has signed on to be an official global partner of the Olympic Games (the official chemistry partner) and has assembled a 20-to-25-person engagement team dedicated to identifying opportunities that will enable the most successful and sustainable World Cup and Olympic Games yet.

Government affairs plays a key role in this engagement team but is only one of many disciplines involved (the others are the directors of the various business areas, public affairs, sustainability and marketing and sales people dedicated to the Olympics — all under the leadership of Dow’s president).

Dow’s Olympic Team

For Dow, the real challenge is matching the government officials overseeing infrastructure improvements with Dow’s internal scientists and engineers who are able to identify the right solutions.

One challenge is that the infrastructure transformation is occurring under the direction of the local municipal government, with some support and funding from the state and federal levels.

The Olympic Public Authority (APO), which is still in the formation stages, will have more direct oversight of Olympics infrastructure projects.

Because of the range of future opportunities in Brazil, Dow hired a full-time government affairs professional, Cristiane Elisa Foja, who is devoted exclusively to



Wei Zheng/Colorchin/AP

For the next four years, Dow says its primary government affairs focus in Brazil will be on the World Cup and the Olympics.

Brazil, says Wells. She and a small staff are working across the company to better acquaint the government with the many ways in which Dow technologies can assist in the sustainable growth of Brazil.

The strategy for Dow’s Olympic engagement group is straightforward. “We’re identifying where all the needs are, both known and unknown, and then pairing the right Dow expert with the right government and Olympic committee people,” says Wells. He continues: “In this case, our government affairs people have to have a little marketing ability in them.”

Dow believes that as an Olympics partner, its intent to help “serve the transformation of Brazil” has been noted, says Wells. He emphasizes that Rio’s government is “open to discussions with the private sector” but that to get beyond opening doors, a company needs common interests and the right expertise to succeed.

Wells emphasizes that the Olympics are a defining moment for Brazil: “It’s a country that has historically gotten bogged down in bureaucracy. So this is going to be a test of whether Brazil is truly a global player.”

Establishing (and Finding a Location For) a Government Affairs Team

In 2009, when Fabiano Lima was hired from Gerdau, a Brazilian steel company, to head Philips' São Paulo-based government affairs function as corporate affairs director, he knew that finding talent for his new team would pose a challenge. Hiring Brazilians was a must, he maintains, because "Brazilians are more familiar with local situations." Beyond that, Lima wanted individuals who negotiate well, possess strong management skills and ethical values, and have the emotional resources to establish successful relationships.

A willingness to travel was another job requirement. Lima takes the one-hour flight to Brasília almost every week to attend a meeting or conference. Although his colleagues travel less, they are still frequently needed at meetings or legislative sessions in the capital.

Lima recommends using a headhunter to identify talent, because the number of experienced government affairs professionals in Brazil is still quite small. He eventually hired one individual to focus on federal issues and another to focus on municipalities and state governments. Among the top issues the government affairs team tackles are taxation, product regulation and the social imperative to make Brazil ever more energy efficient.

Where to base one's government affairs team is the first question many companies face. Most multinationals establish their government affairs teams in São Paulo or Rio, but many need to cobble together ways to have an adequate presence in all three of Brazil's major cities (Brasília, São Paulo and Rio).

Capitalizing on Brasília

Although all three cities are important, companies are increasingly recognizing the benefits of a presence in the capital. Patri's Ricardo points out that more companies "are realizing that, like Washington, D.C., or Brussels, it is important to have a government affairs firm or office in Brasília, where all the action happens." He continues: "It is important to live and breathe the environment if you want to really understand what is going on."

While it's clear that companies benefit from having a presence in all three of Brazil's capitals, the location question has no easy answers. Helga Franco, who heads government affairs for Cargill in Brazil, is based in Brasília. She acknowledges that being far from São Paulo and most of Cargill's business operations can be "an obstacle." However, her home base proves an enormous asset when it comes to the main focus of her role: understanding what's happening in the executive and legislative branches of the Brazilian government. For government affairs professionals in Brazil operating outside their main corporate hubs, Franco advocates regular communication; every Monday, Cargill's entire corporate affairs department meets by phone to discuss priorities.

The influence of Mercosur, also known as the Southern Common Market, is spurring some companies to view South America as a single trading entity with many interrelationships. Established in 1991 by Argentina, Brazil, Paraguay and Uruguay, Mercosur has been likened to the European Union even though the area it encompasses is four times as large. Since the creation of Mercosur, Bolivia, Chile, Colombia, Ecuador, Peru and Venezuela have been granted associate member status.

Government Affairs: An Emerging Profession in Brazil

Increasingly, multinationals are viewing their South American government affairs programs holistically — and some have chosen to run their entire South American government affairs programs from Brazil. That's what Dow does, and so does Novozymes, which combines its longstanding local presence in Curitiba, Paraná state, with an office in Brasília. "Brazil is a cornerstone for us in terms of South America and in terms of understanding regional dynamics," says Perrettson.

Signs are everywhere that the fledgling government affairs profession in Brazil is becoming better appreciated. As of the spring of 2011, Franco had spent one year working at Cargill; before that, she performed government affairs

A Country With Three Capitals

Brazil has three major cities, each of which dominates within its own important sphere:

Brasília

Brasília is the seat of all three branches of the Brazilian government, but the city simply did not exist before the 1950s. That's when President Juscelino Kubitschek ordered Brasília to be built, fulfilling an article in the constitution stating that the capital should be moved from Rio to a place near the center of the country. On April 22, 1960, Brasília formally became Brazil's national capital. Brasília is a planned city, so the neighborhoods adhere to a pattern. "The various sectors of commerce and business were planned to be in unique areas. That's the way they do things in Brasília," says MWV's Masee.

"Brasília is interesting because it started from nothing on the plateau in the middle of Brazil," says author Bethell. "And for a long time, it was the center of government and not much else." Today, the city has more than 2 million residents. "Whereas in the past politicians would never live in Brasília — they'd go to Congress for two or three days and leave — now, people rather like living in Brasília. It's safe, and it's taken off and been transformed," he says.

Rio de Janeiro

Brazil's leading cultural city, Rio was the capital of the entire nation from Brazil's late colonial period (the late 18th century) until 1960. "When the capital was transferred to Brasília, Rio lost its sense of being the political center of Brazil," says Bethell. "On the other hand, many of Brazil's

cultural institutions — the National Library, the National Historical Museum and the National Museum of Fine Arts — are in Rio."

Rio is also the seat of Brazil's oil and gas industry. Not only is Petrobras, the national oil company, headquartered in Rio, but most oil and gas companies that partner with Petrobras are based there, too. Coincidentally, the recently discovered oil reserves are also located off the shores of Rio.

Bethell points out that the presence of the oil and gas industry has helped the city grow economically, and Rio has begun to improve its state and city governments, which were until recently not very effective.

"The *favelas* and the violence are now being dealt with," says Bethell. "There's a sense that economically, socially, culturally, and in terms of tourism, Rio is going through a good phase."

São Paulo

The state of São Paulo is Brazil's industrial center, and the city is the nation's financial capital as well as the heart of the agribusiness industry.

São Paulo state is large and heavily populated. Within the northeast region is Reibeirão Preto, a city of more than 600,000 that is virtually unknown to those who are not familiar with the region.

Multiethnic and multicultural, São Paulo has large Japanese and Middle Eastern populations, and it is one of the three or four largest metropolitan centers in the world. It's also earned a reputation for its gastronomic diversity and might be deemed the culinary capital of Brazil.



for four and a half years at 3M. “Government affairs is becoming more recognized as an important role in the Brazilian political scene,” says Franco. “If you’re dedicated, there are great opportunities [for employment]. Many companies are developing their government affairs units now.”



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The National Congress building, Brasília. Consultant Renata Jara says many companies don’t grasp the importance of talking to members of Congress about issues that concern them.

When Patri’s Ricardo started his consulting firm 25 years ago, he had no opportunity to learn the public affairs business at university because the discipline simply didn’t exist. “In Brazil, we have media relations and lobbying but no true government affairs,” says Ricardo, noting that he opened a Washington, D.C., office to keep abreast of the latest developments in the discipline.

Although awareness of government affairs is growing in Brazilian culture, “there are a lot of companies that aren’t used to going to a public hearing in Congress and do not understand the importance of talking to congressmen about their issues,” says Renata Jara, a longtime government affairs consultant. “Not everyone knows they can go to Congress or to the executive branch and explain their issues and advocate in their favor.”

Jara notes that with the international spotlight on Brazil, foreign companies are sending more non-Brazilians to work there, and “the understanding of public affairs is growing.”

She continues: “There’s a lot more awareness of what

government affairs can really do.”

Some common strategies within American-style government affairs, such as grassroots organizing, are rarely seen in Brazil, according to Carlos Correcha, vice president of public affairs at Edelman in São Paulo. “In Brazil, interests are discussed mostly from the top down: What’s important for my state? Or for business? But the voice of the people from the bottom up doesn’t really have an enormous effect on the way government officials act.” He continues: “In the U.S., we know that if politicians don’t do a good job, they’re in the hot seat. But in Brazil, politicians are seen by the voter more as distant figures.”

Fabio Rua, director of government relations for Latin America for GE Energy, believes that multinationals are just now recognizing the strategic importance of the role. One sign? Peer practitioners are beginning to harness his expertise as a Brazil-based government relations professional.

“I’ve been getting calls from headhunting firms and companies interested in my advice on who they should approach to structure their government relations function,” he says. Rua, who joined GE’s one-person government relations team in late 2009, notes that the company now has someone performing government relations for its transportation and health care businesses, and GE Energy will soon be hiring government relations professionals to work in Mexico, Chile and Venezuela.

The fact that the discipline is new, that there are only a limited number of seasoned practitioners and that many multinationals are attempting to hire government affairs professionals for the first time means that anyone with experience is in high demand.

“We want somebody to educate Dow on how the government works, because we’re a technology company. We’re a bunch of scientists who think in black and white, and governments don’t work that way,” says Wells. “And the person has to be tenacious. We’re just developing our government affairs organization in South America. Where we need to work with the government, we have to find a way to do it.”

Although many multinationals are hiring their first-ever government affairs professionals, some have had fairly large teams in place for quite some time.

Whirlpool, for instance, has 27 people in its Brazilian government affairs, sustainability and communications group, says Valle. He notes that the home appliance leader even has an engineer within the government relations function because it’s so important for the company to provide technical expertise to regulators.

Rua points out that the majority of government relations professionals in Brazil are young (generally within the 25-to-35 age range) and were never politicians or government officials. In Brazil, he says, there are many different political parties; and so, government officials may have little or no pull once a new party comes into power. For this reason, the most sought-after government affairs professionals usually weren't elected officials.

Rua maintains that the profession itself is coming of age and is being accorded more respect. "I want to be seen as someone who has a strategic role and as someone who really matters in the company," he says. "I want to be seen as someone who can really help the company to grow."

Getting Outside Help

Many companies — even those with government affairs professionals on staff — use law firms, consultants or lobbying firms to help them.

Van der Laan notes that "lobbying itself is not subject to any rules in Brazil." Because of a lack of all mandated disclosure, it's particularly important to work with reputable firms. What's more, most multinationals quickly learn that they need to guard against running afoul of the law or the Foreign Corrupt Practices Act, because corruption has decreased in Brazil but still exists.

Companies, explains McCann, often have relationships with "fixers," or consulting firms in which "someone has a lot of relations in government and can call someone up for a favor."

Patri's Ricardo makes a similar point. He warns that consultants who are paid through "success fees" could be using underhanded means to get results. Multinationals must therefore look for legitimate government affairs consultants rather than those who use dubious practices to succeed.

Understanding Cultural Differences

Most multinationals operating in Brazil hire a native for the government affairs role simply because Brazilians understand the cultural nuances of their own country better than most foreigners.

"There's quite a big difference between how we do things in the U.S. and how things are done in Brazil," says J. Clovis Lemes, president of Candex do Brasil.

One central difference is Brazilians' attitude toward time. "In Brazil," says Lemes, "you need patience. If someone says, 'Let's do this tomorrow at 10 a.m., at 10:05 in the U.S. we're late. In Brazil, a week later we're not late; we're just



Brian A Jackson/Shutterstock.com

Punctuality is often measured quite differently in Brazil than in the U.S. "If someone says, 'Let's do this tomorrow at 10 a.m., at 10:05 in the U.S. we're late. In Brazil, a week later we're not late; we're just getting talking,'" says Candex do Brasil's J. Clovis Lemes.

getting talking. There are a lot of what we call 'mañana' attitudes. This also has 'different colors,' depending on the part of the country you are in. The south and southeast are more conservative and time sensitive when compared to the rest of the country."

Cargill's Franco agrees. "Americans are very strict with time, and we're very relaxed," she says. "If we're 10, 15 or 20 minutes late, we're not being rude to someone. But I know that Americans see it differently."

Another key distinction is how forthright individuals are in each culture. "Brazilians don't say 'no,'" observes Lemes. "They say, 'I'll think about it' or 'That's interesting.' And it means, 'I'm not all that interested,' or maybe even 'No.'" He continues: "In Brazil, it's very difficult to obtain a direct answer." Patri's Ricardo makes a similar point: "Brazilians almost never close doors forever, even when they do not have any intention of having a relationship with someone again."

Larry Rohter, author of *Brazil on the Rise*, notes that Brazil

Case Study

MWV to Hire First-Ever Brazil-Based Government Relations Professional

MeadWestvaco has operated in Brazil for over half a century, employing more than 3,500 people through a Brazilian subsidiary known as MWV Rigesa and Tilibra SA Produtos de Papelaria. Currently, MWV is investing to grow its successful corrugated packaging business with a \$480 million expansion of the company's facility in Santa Catarina state, doubling the company's overall capacity. As one result of the company's continued growth, MWV is hiring its first government relations professional devoted exclusively to Brazil.

"As we grow, we've got more of a need to make sure we're working even more closely with government officials," says Masee. Because MWV's new investment is located in Santa Catarina state, which is sparsely populated, and the company has existing operations in remote areas like Pacajús in Ceará state, the government affairs hire will need to have good familiarity with community relations.

Masee emphasizes that working with local governments and mayors in rural areas is very different than dealing with Brasília. "In the areas where our facilities are located, people have their own ways of doing things, and it isn't difficult to meet government officials, but in Brasília we are not as well known," he says. "We are very bullish on the opportunities in Brazil and want to be sure that we are providing added value through our government relations efforts."

The Ideal Candidate

MWV plans to base its first-ever government affairs professional in Campinas, where MWV has its Brazilian headquarters. Masee says that the position will involve travel to the various states where the company operates and to Brasília as needed.

"Government relations includes regulatory matters and permitting issues," he says. The individual hired will report directly to MWV's general counsel in Brazil with a dotted line to Masee.

Masee is looking for a Brazilian native with government relations experience. "Our preference would be somebody who has been actively involved in a government or



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A beach in Ceará state. MeadWestvaco acknowledges that with operations in remote areas of Ceará and Santa Catarina states, it will need to focus even more on community relations.

institutional area for large companies in Brazil," he says.

What's more, the company is hoping to hire an individual with experience working with various levels of government: federal, state and local. Government experience would be nice but is not necessary, says Masee, who notes that he was hired from Capitol Hill and had no business experience prior to his current role.

The initial winnowing of candidates is taking place in Brazil, but Masee will travel to Campinas to meet with the top few prospects before a final decision is made.

Among the first projects the new hire will tackle is the major expansion in Santa Catarina, says Masee. He notes that this project revolves around several permitting and regulatory issues.

Going forward, Masee anticipates that MWV's Brazil-based government affairs expert will be able to contribute in untold ways. "Government relations positions can lead to business opportunities. As certain regulations are put together, we might find some good opportunities for our current products or ways to produce even more innovative products for the future," he says. "We look at government relations as not only defensive in nature. You need to be on the offense, too."

is an extremely family-oriented culture. This manifests itself by Brazilians prizing personal connections and referrals. “Introductions are often essential to doing business in Brazil,” agrees Ricardo. “Showing that you know people your interlocutor also knows — and, better yet, likes and respects — is a very good start to any negotiation.”

Finally, Brazilians frequently rely upon creative ways of reaching a solution to an impasse.

“One of the basic organizing features of daily life,” writes Rohter, “is the *jeito*, perhaps even more commonly known by its diminutive, the *jeitinho*. ... [It] can mean to fix things, but it’s usually used figuratively to describe the skill required to maneuver around the laws or social conventions that prevent you from achieving an objective.” The terms *jeito* and *jeitinho* also refer to the ability to develop personal relationships that can smooth over adverse events.

Lemes makes a similar point: “The *jeitinho* is a cultural way of doing business. For example, in Brazil, if you go to São Paulo, a Brazilian businessman will take you to

his home and introduce you to his wife and kids. It’s very personal.” He continues: “If you go along, then Brazilians think you’re OK. Brazilians will want to do business with you because you’re friendly.”

“The key thing to working in Brazil is your relationship with the stakeholders you’re approaching,” agrees Novozymes’ Perrettson. “They’re very keen on the personal relationship you build and getting to know you first rather than launching straight into a very direct business conversation.”

He also notes that the tenor of discussions is different in both cultures: “The way a conversation would be structured in Brazil, it’s very much about dialogue and interaction.”

Many Brazilian stakeholders are keen to position themselves globally; they welcome international partnerships as long as both sides are accorded equal respect. “As an outsider coming to Brazil,” says Perrettson, “being humble and respectful on the one hand and confident and engaging on the other often pays dividends many times over.”



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Overcoming Government Affairs Challenges

A desire to protect Brazil's natural resources by safeguarding the Amazon has led to a new interpretation of existing legislation. In early 2011, Brazil's attorney general determined that foreign companies could buy land in Brazil only after receiving authorization from the Ministry of Rural Development or the Ministry of Development and Foreign Trade — a requirement that Brazilian companies do not face.



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Under a new interpretation of existing legislation aimed at protecting natural resources — for example, preventing deforestation in the Amazon (above) — foreign companies now face a longer road to buying land in Brazil.

Foreign companies are not forbidden from buying land in Brazil, but doing so is now a more cumbersome and labor-intensive process. A new development like this inevitably sparks controversy. The Brazilian minister of agriculture, Wagner Rossi, has expressed concern because Brazil doesn't want to block foreign companies from buying land in Brazil. However, many Brazilians would like to preserve their country's resources for their own citizens. Multinationals in Brazil are naturally monitoring debates such as these.

Regulatory Hurdles

On the surface, the regulatory environment in Brazil closely mirrors that of the U.S. or Europe. Companies petition officials to grant permission for new products to enter the market, and these officials respond through transparent channels.

In Brazil, however, business does not always unfold according to plan. Multinationals often find themselves frustrated with Brazilian regulators, who are overworked and not always as sophisticated as hoped. Candex do Brasil's Lemes, a former U.S. Department of Commerce officer in São Paulo, worked extensively on the formation of the Brazilian regulatory agency ANVISA. Lemes says he knows of companies that have encountered problems with regulatory issues at the agency, often caused by regulators with insufficient technical expertise.

"Regulators [in Brazil] might look at a document and say, 'I don't understand it, so I think it might cause problems to the public.' You have to be patient and explain things very well, so that you are not caught in translation problems," emphasizes Lemes. Another problem is the constant introduction of new RDCs (regulatory norms) that companies have to follow. These norms need to be well interpreted, he says, which can cost money and time. That said, as the forthcoming case studies demonstrate, working with local trade associations can help non-Brazilian companies gain credibility with the Brazilian government and with potential in-country corporate partners.

According to Lemes, ANVISA is known for having an immense backlog of petitions, while wait times for getting the proper licenses from INPI — the Brazilian Patent and Trademark Office — are also quite long. "Government in Brazil," he emphasizes, "is very slow."

Gabriela Onofre Editore, director of corporate affairs for Procter & Gamble Brasil in São Paulo, notes that

companies exporting into Brazil have few opportunities to negotiate favorable tax or duty situations. “It’s very difficult to reduce taxes at this moment, but we’re working to reduce the bureaucracy of importation,” she says. Onofre Editore emphasizes that the cost of getting approvals from the proper ministries can be high and that delays often prove expensive.

“Bureaucracy is really something that can delay business development,” she says. Consequently, P&G is re-examining its entire import process, mapping out the various stages involved. “We wanted to see how different things are if I bring products through a different port,” she explains. “And we’re finding that there are some less bureaucratic ports. Concentrating our products in these ports really helps.” Companies reported using similar government affairs strategies in China, where the import rules also apparently differ by port.

Because P&G has been in Brazil for only 23 years and is growing so rapidly, Onofre Editore notes that there are real benefits to be reaped from a thoughtfully planned expansion. Before deciding where to locate a new plant, for instance, her company carefully analyzes each potential locale from a tax standpoint. This, too, she says, has helped P&G work around the prevailing bureaucracy.

Ensuring Fairness

Many of the most pressing government affairs challenges in Brazil today revolve around the issue of how level a

playing field foreign companies face.

The country’s new Buy Brazil laws for government procurement can create a serious barrier for multinationals based elsewhere in the world. The measure, MP 495, passed both houses of the Brazilian Congress in December 2010.

While the individual government ministries have considerable latitude in determining how the Buy Brazil laws are implemented, these laws can provide qualified domestic manufacturers as much as a 25 percent margin of preference. In other words, if a Brazilian company bids 124 real and a U.S. company bids 100 real, then the 124-real offer would be deemed the low-cost offer.

Ralph Ives, executive vice president, global strategy and analysis, for AdvaMed, the U.S. trade association for medical device manufacturers, notes that his association and others have approached the Brazilian government and the Ministry of Health about this issue. They’ve made the case that a Buy Brazil policy might drive up the price of health care — something no government can afford.

Another important government affairs challenge companies faced was the proposed World Trade Organization (WTO) cotton sanctions on U.S. products. In August 2009, the WTO ruled that the Brazilian government could slap \$300 million in annual sanctions on American goods as a result of the U.S.’s failure to eliminate its illegal subsidies to American cotton growers. Brazil published a list of 100 different U.S. goods that could be subject to import tariffs because of the WTO



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Case Study

U.S. Medical Device Makers Jointly Address New Health Care Regulations

Until recently, medical device companies operating in Brazil were subject to a regulatory regime that largely recognized the approval processes of the U.S. and the European Union. In general, an approved medical device could be registered in Brazil after it had been proven safe by those systems.

In May 2010, ANVISA — the Brazilian Ministry of Health’s regulatory agency — instituted some new policies that are proving very burdensome to medical device companies, says AdvaMed’s Ives.

Under the new policies, ANVISA is no longer accepting the data that American companies submit to the FDA as proof that a medical device is safe, explains Ives. And every three years, companies have to register their products, an action not required by the FDA. “This,” says Ives, “is a process that is unnecessary and burdensome for products that have been on the market. It could potentially prevent products from remaining on the [Brazilian] market.”

In addition, notes Ives, ANVISA now requires that all manufacturing facilities be inspected before a device can be initially approved and later re-registered. “In principle, we have no problem with any regulatory agency coming and inspecting our facilities. Other countries do it, and it’s perfectly legitimate,” says Ives. “Our problem is that ANVISA does not have a sufficient number of inspectors, and our concern is that if remaining on the market is contingent on an inspection, products could be taken off the market.”

Michelle DeMoor, senior director, international policy, at Philips Electronics, also finds the inspections problematic: “The administrative time and costs of scheduling inspections at foreign facilities could be a significant burden for some companies, especially small and medium-sized enterprises.”

Ives applauds ANVISA’s recent flexibility and the fact that no products had been taken off the market as of early 2011. He also praises ANVISA

for “not walling themselves off but arranging meetings” (e.g., with AdvaMed and its members).

That said, even without these new policies, multinationals complained that ANVISA’s registration practices were unnecessarily protracted. According to a 2011 report by SICE, the foreign trade information system for OAS member states, ANVISA typically spends from three to six months registering new versions of existing products but can take more than six months to register products new to the market.

Making the Case

Beyond direct communication with ANVISA, Ives also works closely with the U.S. government. “ANVISA’s new rules have been raised in the World Trade Organization as a potential barrier to trade,” notes Ives. Whenever a foreign government imposes a measure that restricts trade, other governments’ trade representatives may weigh in to address the issue. Governments can also seek bilateral consultations. In this instance, the U.S. Department of Commerce held a conference in Brasília in late 2009 to discuss trade issues with ANVISA and to work through some of these problems.

Finally, AdvaMed and three Brazilian associations have formed a coalition to monitor and address ANVISA’s new requirements. “AdvaMed tries to work primarily through the associations and companies in any country so it’s not an American face, it’s a Brazilian face,” says Ives.

Although Ives is pleased that ANVISA has “at least been willing to hear out the private sector,” he is concerned that the problem of inspecting manufacturing facilities outside Brazil has still not been resolved and the registration process remains too lengthy and uncertain. Going forward, AdvaMed will continue making its arguments to ANVISA and other relevant entities.

“It’s Advocacy 101,” he concludes. “You try to identify the problem, and you try to identify solutions.”

ruling, sparking a lengthy negotiation over precisely which goods would be included and which would be spared.

Philips Electronics and Mary Kay are two companies that worked hard to remove their products from the lists of goods to be sanctioned by the Brazilian government. Philips' DeMoor praises Brazil for having a transparent comment period so that local manufacturers could officially note which imports they rely upon to conduct business effectively.

Philips was active through its industry organizations in explaining why its medical products and component parts are necessary for local manufacturers and beneficial to Brazilian society at large. DeMoor notes that this type of avenue for advocacy with the government can be quite effective.

"On the final sanctions list, much of the medical imaging and other medical devices were removed," she says. "It wouldn't look good for the Brazilian government to deny medical devices to its citizens."

Anne Crews, vice president, government relations, at Mary Kay Inc., and the Mary Kay team worked closely with the Personal Care Products Council in Washington, D.C., and supported an official petition of the Brazilian Commerce Department.

In November 2009, the Personal Care Products Council made the case to the Brazilian government that retaliatory duties imposed on personal care products would have dire economic consequences for Brazilian workers, many of whom are women earning income through selling Mary Kay skin care and color cosmetics as well as other Brazilians involved in direct selling. These individuals use direct selling as an entry point into the formal economy and as an important supplement to their household's income.

Working Through Associations

The AdvaMed case illustrates how companies can take a broad-based approach to advocacy in Brazil, including developing association relationships. Associations have often been the vehicle for industry and the Brazilian government to forge creative solutions to pressing problems.

Whirlpool's Valle maintains that one of the best ways to accomplish a government relations objective is to approach the associations, which have a "tendency to drive changes."

On June 1, 2011, Whirlpool helped launch the National Brazil Association of Recycling along with its main home-

appliance competitors.

Working so closely with one's competitors may seem counterintuitive, but it allows the home-appliance manufacturers to create a single process to meet all stakeholders' goals.

"The government likes this idea because it's a way to ensure that the home appliances industry has coordinated its actions," says Valle. "It ensures that the recycling process will follow the regulation on how to recycle home appliances in Brazil."

Whirlpool also works closely with Eletros, the Brazilian association for the electronics industry, to ensure that the industry's energy-efficiency standards are acceptable for the National Institute of Metrology, Quality and Technology (Inmetro), which is linked to the Ministry of Development, Industry and Foreign Commerce.

Valle notes that Whirlpool's relationship with government tends to be very close and cooperative. The company meets with Inmetro, often through Eletros, at least once a month.

"Whirlpool is a leader of home appliances in Brazil, and so there's a lot of weight when our engineers talk," says Valle.

He points out that government representatives often visit the company's technology labs. "Normally, it's a very friendly negotiation. The government tries to push us, and the associations try to push the government, and we reach some agreement after a lot of discussion."

Philips has had similar experiences. "You need to work with associations in Brazil as a U.S. manufacturer exporting there," says DeMoor. "Local associations have the best contacts with government agencies."

In addition, she is convinced that Brazilian associations carry clout that American associations can't replicate. "It's not always useful for the U.S. association to try to go charging in," she says. "You need to let the local association take the lead."

Although the Brazilian government seems to be particularly attentive to local associations, that doesn't mean that American associations and even the U.S. government have no role to play.

"U.S. associations will weigh in with the U.S. government about trade barriers they are facing, and the U.S. will then raise those issues with the Brazilian government. If the local Brazilian associations are saying the same thing, then the effects are magnified," says DeMoor. "You want a multipronged approach."

Case Study

Mary Kay: Making Up New Formulas For Doing Business In Brazil

Mary Kay Inc., one of the world's largest direct-selling companies, has achieved wild success attracting Brazilian women to become Mary Kay independent beauty consultants. The independent Mary Kay sales force in Brazil had increased more than fourfold in less than four years to over 50,000 consultants by early 2011, according to Crews. The Brazilian Mary Kay business model is a replica of the U.S. model: independent beauty consultants sell Mary Kay skin care and color cosmetics to friends, family and other customers, therefore developing and honing their own entrepreneurial skills.

For Mary Kay, a large challenge associated with doing business in Brazil has been importing products successfully into the country. Since Mary Kay entered Brazil in June 1998, it has wrestled with Brazilian customs practices and ever-changing rules from ANVISA.

Crews explains that the roadblocks to bringing Mary Kay skincare products and color cosmetics into Brazil keep changing, and the overall difficulty seems to “ebb and flow” with time. Often, a port official will question the contents of a shipment and may then delay delivery pending clarification. “Through the years, products have been held up for days, weeks, months,” says Crews. “When the import shipments hit various ports, they’re given a red, green or yellow light as they go through the process. Too often, our shipments have been held up.”

One problem, says Crews, is that Brazilian officials are not familiar enough with Mary Kay's business model. Similar to regulatory officials who are reluctant to approve technical applications or arrangements they do not understand, port and customs authorities frequently question the value that the cosmetics giant has placed on its goods. Mary Kay has tried to educate Brazilian customs officials on the mechanics of its beauty-consultant-based business model; specifically, that the company can specify a wholesale value for products shipped but it cannot furnish a retail value because Mary Kay beauty consultants are free to price the items as they please. “We can't tell any official the retail value because we don't know it,” explains Crews.



Mary Kay has tried to resolve its import/export problems by working on many different fronts at once. First, the company has attempted to educate officials, at all levels, about its business model. “We’ve continued to try and work with the individual ports, with ANVISA, with the customs executives through the years,” says Crews.

Because the challenges Mary Kay has encountered are similar to those experienced by other multinationals importing products into Brazil, Crews has sought help from industry associations.

She advises government affairs professionals working in Brazil to get acquainted with the U.S.-Brazil Business Council. Mary Kay Brazil has also forged relationships with the Brazil Direct Selling Association and the Brazilian Association of the Cosmetics, Toiletries and Fragrance Industry. She prizes those two groups for their invaluable relationships with mayors in Brasília and beyond.

Although getting to know the Brazilian associations is critical, Crews recognizes that “most in-country associations are still in their formative years.” For this reason, she also works closely with the Direct Selling Association and the Personal Care Products Council, both based in Washington, D.C. “Sometimes,” she says, “they can make headway simply because they’ve been around light years longer than many other business industry groups.”

Finally, Mary Kay has also used its own brand of *jeitinho* — or creative work-around — to ease its trade challenges. Increasingly, the company has identified and partnered with in-country cosmetics manufacturers that can produce lipstick, eyeliners and other Mary Kay staples in Brazil.

“We want to focus on our core skin-care and color cosmetics, so we’ll partner with an eyebrow pencil manufacturer or someone like that in Brazil, rather than manufacturing some of the items in Dallas,” says Crews. “And when we partner with in-country sourcing, we don’t have [an import] problem.” Her hunch is that Brazil is energetically trying to promote its own production and manufacturing sector, so partnering with local manufacturers is received favorably by local authorities.

Associations Are Key to P&G's New Recycling Policy

As Brazil's new National Policy on Solid Waste wended its way through the legislative process over the past two decades, Procter & Gamble Brasil took an active role, contributing information and real-world success stories through CEMPRE, an industry association for recycling that P&G helped found 15 years ago, says Onofre Editore. "Our solid waste policy is our top priority right now."

A strong recycling law, she says, assumes "shared responsibility" and engages numerous parties — from the consumers who are being asked to separate their trash to manufacturers, municipalities and recyclers.

In August 2010, the Brazilian Congress finally passed its national waste policy law for the consumer goods sector. Instead of mandating targets, the Brazilian government asked industry to be "part of the solution" and establish targets for the coming years through a sector agreement.

A Collective Solution

Because P&G's product line spans so many categories, the company is working with the Brazilian Association of Cosmetics, the Brazilian Industry Association of Cleaning Products, the Brazilian Electrical and Electronics Industry Association and CEMPRE (Compromissa Empresarial para Reciclagem).

"Today, CEMPRE is our main link with the Environmental Ministry," says Onofre Editore. "CEMPRE produces a lot of the data about garbage and recycling, and so it has won the trust of the government on this issue."

Onofre Editore praises the Brazilian government for its willingness to engage with industry. "The government could have set the targets, but they didn't. They're open to dialogue. This is a complex issue. You need to educate the consumers, and you need to involve the municipalities. It's not something that's going to happen from one day to another."

She also is pleased that the federal government created a national policy rather than letting local officials enact their own programs. "Our fear was

that the 5,300 municipalities would all have very specific recycling laws," she says.

Given that some municipalities already had tried and true approaches to recycling, CEMPRE can use these programs as models of what industry hopes to achieve through the sector agreement. Onofre Editore says that the model CEMPRE is proposing hinges on educating the consumer to separate garbage and bring separated trash to recycling points at supermarkets, as well as convincing suppliers to buy and use recycled materials. "We've told the media this is the backbone [of our program], and it's working already. And we have benefits we can show," she says.

Onofre Editore maintains that industry and the legislature have worked together so productively because of the associations. "I think [government likes that] we're trying to do this collectively, rather than industry by industry," she concludes.



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Understanding the Communications Landscape

To do business in Brazil, it's important to speak Brazilian Portuguese. "If someone assumes we all speak Spanish, we may find it offensive," says Candex do Brasil's Lemes. "However, since most of us understand Spanish easily, if the visitor asks first if he can communicate in Spanish, that will be done and he will receive a smile."

"A lot of Brazilians speak English, but in general in Brazil, you need to learn the language," says the University of Pittsburgh's Ames. "Most businesspeople do speak Portuguese."

GE Energy's Rua emphasizes that knowing the language and culture helps multinationals like General Electric be treated exactly the same as their Brazilian counterparts. "Our president and the top executives are local," says Rua. "They speak Brazilian Portuguese, they live here, they know people, and so they're treated as locals."

The Court of Public Opinion

The Brazilian media are known for being very open and active. "The newspapers are on top of everything," says Ames. "There's a very free press in Brazil. Things like corruption do get exposed."

Author McCann, a Georgetown University professor, agrees, noting that the media in Brazil have many parallels with the media in the U.S. Although the Brazilian press has a reputation for being oligarchic, he argues that this is really no different from the U.S., where a few families and companies also tend to dominate the industry. What's more, he says, the fact that major media corporations have sprung up means that the press in Brazil has "tremendous leverage."

McCann also points out that smaller news operations, some driven by social media, have arisen to present alternative viewpoints. "If you look at total production," he says, "there's a wide diversity of opinion and of sources and content. Brazil has an open and extremely sophisticated media market."



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Knowing Brazilian Portuguese and being able to navigate in the language are crucial for multinationals operating in Brazil.

Patri's Ricardo maintains that American business is treated quite well in the mainstream media in Brazil. He notes that, in general, the most important and prestigious newspapers, magazines and TV and radio stations are "very receptive to foreign investment, particularly when it's American." He says that the mainstream media consider "the American business framework as a model for Brazil, and American business leaders as stars."

"A lot of media relations in Brazil works the same way it does in the U.S.," says Edelman's Correcha. "It's relationship building, it's providing journalists with timely and accurate information that relates to their beats." Getting local media coverage often depends upon the length of a company's history in Brazil and its reputation there. General Electric, which has been operating in Brazil for 91 years, is "basically considered a Brazilian company. So if GE has a significant announcement or event, it's relatively easy to get it placed in the media," he says.

Correcha also emphasizes that "the media in Brazil takes a strong posture that it is responsible for looking out for the common good of the people." He continues: "We have a strong and opinionated media that investigates and goes after corruption hard." For instance, Correcha notes that the media played a key role in investigating Chief of State

Antonio Palocci, who resigned in June 2011 following questions over lucrative consulting deals.

Many communications and PR agencies in Brazil are “very successful” in placing stories favorable to their clients in the mainstream media, says Ricardo. Judit Arenas, director, Office of the CEO, at APCO Worldwide, agrees. However, she notes that while Brazilian newspapers and magazines do sometimes publish op-ed pieces and letters to the editor, the best approach for a multinational might be supplying much-needed research. “There’s a real hunger for content,” says Arenas, “and if a company has got an interesting study, survey, analysis or experts that they can put forward, that helps the most in shaping the regulatory environment and people’s perceptions.”

Unlike in other countries in Latin America, most journalists won’t conduct interviews in English in Brazil but will expect businesspeople to speak Brazilian Portuguese, says Arenas. For that reason, when companies have their CEOs or CFOs tour Brazil, they need to be accompanied by a translator. “In Latin America, who you know and how you can be introduced matters,” she says. “The same applies to journalists and people at a more senior editorial level.”

Arenas describes Brazil as possessing a “vibrant media with a lot of different editorial lines.” For companies with strong consumer brands, television is an important media outlet, with Rede Globo the dominant player. For print business media, *Folha de São Paulo* is a highly regarded and influential newspaper, and *Veja*, which translates as *Look*, is an important analysis magazine.

The downside of Brazil’s lively media landscape is that stories often get published without much fact-checking. Jara summarizes the attitude of many Brazilian journalists this way: “After a story is printed, there’s time to find out if the facts were correct.” The problem, she says, is that by the time companies or individuals present a more accurate story, “the damage is already done.” For this reason, Jara urges multinationals to speak when contacted by the press and straighten out any misconceptions early: “The press will print anyway, so the best thing to do is be part of the story and explain your point of view.”

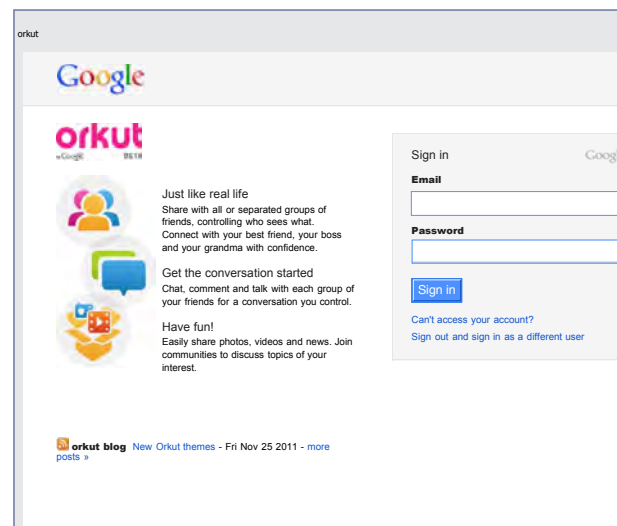
Finally, Cargill’s Franco emphasizes that the media is a central source of information for government affairs practitioners hoping to stay abreast of new laws or the latest interpretations of existing legislation. She regularly reads the *Federal Gazette*, as well as other newspapers that report on government. Franco also relies upon governmental speeches and industry associations to glean the latest information on legislative developments.

Social Media

Over the past year, a debate has raged in Brazil over whether the government should rewrite its Forest Code — a law protecting the Amazon forest and Brazil’s rivers and biodiversity — in a way that would be less restrictive and would benefit farmers and other agribusiness interests.

“There’s been a lot of debate going on,” says Patricia Byington, a consultant at Rever Consulting, a sustainability advisory firm based in São Paulo. What’s unique about this controversy is the degree to which both sides are relying upon social media to make their points, says Byington.

One of the powerful voices against the new legislation has been Fundação Grupo Boticário, the nonprofit foundation arm of a major Brazilian cosmetics company. Fundação Grupo Boticário is an organization that promotes the conservation of Brazilian biodiversity.



Byington notes that Fundação Grupo Boticário has advanced its cause with online petitions, by using Facebook and Twitter (as of July 2011, the group had over 6,101 Twitter followers) and by making a video for YouTube.

“Social media has really been a tool to mobilize society,” says Byington.

A June 2010 Nielsen study showed that Brazil is one of the top two countries in the world in terms of social media use, second only to Australia.

With a population of nearly 200 million, roughly 75 million Brazilians have Internet access. What’s more, there are an estimated 176 million mobile phones in circulation in Brazil today.

Connecting a 'Very Social' Culture

McCann attributes the explosion in social media use to a perfect cultural storm. “Brazilians are very social, and they like new technology, especially if it’s user friendly and accessible. Social media came along when there’s a new lower middle class emerging in Brazil that can buy computers and cellphones,” he says. “Everything came together to create a boom in social media.”

Arenas notes that the Brazilian government has helped promote computer literacy.

“It’s a country that’s split in terms of resources, with both rich people and those who live in poverty,” she says. She points out that through initiatives like the Brazilian government’s Popular PC Project, designed to introduce computers to underserved populations in *favelas* (below) and other disadvantaged neighborhoods, Internet usage has soared.

Brazil ranks second in the world in terms of Twitter subscribers, with more than 10 million accounts.

An October 2010 study by comScore found that Orkut, a social networking site operated by Google, had 36 million unique visitors in Brazil, while Facebook’s usage grew to nearly 9 million visitors in Brazil — a 479 percent growth rate in a single year.

“Companies need to bear in mind that Brazil is one of those textbook countries where you really need an integrated communications strategy that covers your public affairs and communications functions,” says Arenas. “You can’t just prioritize the mainstream media but must pay a lot of attention to social media, too.”

“We keep talking about social media in Brazil, and we know we’ve got to do something,” says Wells, who acknowledges that Dow hasn’t yet made a foray into online government relations. He notes that, in other places in the world, Dow “has gotten beaten up in social media” because opponents fire back quickly and it’s a battle that’s “too easy to lose.”

Helping the Government Achieve Its Goals

Brazil is in the midst of a concerted effort to develop more human capital — a goal many multinationals are poised to help officials achieve.

Not only has General Electric announced the building of a major R&D facility in Rio, but other multinationals have established R&D presences there, too.

EMC Corp., for instance, initiated its new R&D effort at the Eldorado Research Institute in Campinas in May 2008. When the project was unveiled, Sergio Machado Rezende, Brazil’s minister of technology and science, praised EMC’s announcement for enhancing “Brazil’s position as a base for high-technology engineering.”

Roberto Azevedo, executive director of the Brazilian-American Chamber of Commerce, notes that multinationals creating R&D centers in Brazil must work hand in hand with both federal and local governments.

“Companies really need to find out what kind of programs are already offered,” he says, “and what are the [various] incentives for what they’re trying to do.”



Case Study

GE Partners with Brazilian Government on R&D Center

The prototypical government affairs challenge revolves around a company convincing officials to support a pet strategy or project. In a reversal on this classic theme, GE's Brazilian government affairs team recently helped lay the groundwork to convince upper management to choose Brazil as the site for its fifth global R&D center.

"Recently, there have been lots of agreements signed" between the U.S. and Brazil, in areas including trade as well as defense, air transport and law enforcement, says Adriana Machado, GE's government affairs director for Brazil. "GE is in a position to foster a stronger relationship between Brazil and the U.S. and help the two governments work together."

Based in São Paulo, GE's fledgling government relations function has been up and running for two years now. "One of the first things we've done since the function was created is to talk to key ministries, try to understand what their challenges are, and then try to position GE to help them resolve these situations," Machado says, noting that GE has roughly 7,000 employees in Brazil.

"The Brazilian government cares about innovation and wants more technology to be developed in the country," says Machado. So when GE management began seeking a home for a new global R&D center to supplement its facilities in Niskayuna, N.Y.; Munich, Germany; Bangalore, India; and Shanghai, China, Machado helped approach the Brazilian government to hone her pitch for the \$100 million R&D investment to come to Brazil.

Investing in Brazil's Reputation

Not only does a new R&D center bring jobs and investment; it bolsters a country's reputation. "The Brazilian government is very happy," says Machado. "Having a company like GE choose Brazil will encourage other companies to do the same."

In refining her arguments, Machado worked with many branches of the Brazilian government, including the Ministry of Development, the Ministry of Science and Technology, the Banco Nacional de Desenvolvimento Econômico e Social (the Brazilian Development Bank, or BNDES) and Apex-Brasil, which promotes Brazilian exports and attracts foreign investment.



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GE is focusing its initial Brazilian R&D efforts on oil and gas, renewable energy, health care and transportation.

During the strategy-setting stages, the Brazilian officials realized "they had several agencies and people with the same goals and they were not as coordinated as they could be," says Machado. As a result, the government issued a decree creating the Innovation Room, where all agencies charged with attracting R&D can work together.

GE also had to satisfy itself that Brazil had a sound intellectual property protection system in place and that the government would be able to handle whatever new ideas or products arose from GE's brainstorming. Although Machado acknowledges there is a backlog for patenting new technologies in Brazil, she also sees "change happening" and applauds both the "willingness of Brazil to form partnerships" and its efforts to modernize its governmental agencies.

The technology powerhouse worked closely with Brazil's government in deciding where to house its roughly 200 R&D employees before choosing Rio de Janeiro. Initially, GE will focus its Brazilian R&D efforts on oil and gas, renewable energy, health care and transportation. GE recently opened its first health care factory in South America in Contagem, Brazil; struck a \$1 billion deal with low-cost carrier Azul Airlines; and signed a \$250 million offshore equipment contract with Petrobras.

"We know challenges will always exist," emphasizes Machado. "But we want to be able to have the right partnerships. We really want to be in a place where GE can develop meaningful projects for the country and better serve our customers."

Navigating High Expectations for CSR

Natura, a leading Brazilian cosmetics company, has made sustainability and corporate social responsibility (CSR) central to its corporate mission. Since December 2003, the company has not tested any of its products on animals. In addition, by late 2010, it had reduced carbon emissions 21 percent through its carbon-neutral program, according to Rodolfo Guttilla, head of corporate affairs.

The company is also known for its work to preserve biodiversity. “We see the Amazon region as a strategic driver for Brazil’s economic development,” says Guttilla. “Finding new opportunities for sustainable use of the Amazon resources is paramount for ensuring quality of life for future generations.”



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Sustainability — especially protecting the Amazon — is integral to the work of Natura and other Brazilian companies.

Natura is not alone among Brazilian companies in taking CSR to heart. The Bradesco Foundation, part of Bradesco Bank, builds and runs schools, educating needy students tuition free. Today, Bradesco runs 40 Brazilian schools that educate 50,000 children. A May 26, 2011, NPR story points out that Bradesco is helping to educate roughly the same number of students as Washington, D.C.’s entire school system.

Lourdes Casanova, a professor in the strategy department at INSEAD, points out that multinationals in emerging markets need to have a special commitment to help solve the social problems in their societies beyond the traditional boundaries of CSR. Brazilian companies have set the bar quite high already, she points out, as most of them demonstrate a real commitment to society.

Particularly important areas for multinationals to tackle, says Casanova, are poverty and education.

Today, there are more than 180 million poor people throughout Latin America, and more than 40 million in Brazil, according to the World Bank.

The Brazilian government has publicly stated that by 2016, it wants to reduce poverty to 5 percent — the same percentage as exists in the developed world, and down from more than 21 percent in 2009. To accomplish this ambitious goal, the government plans to establish a special fund using the tax revenues generated from recent offshore oil discoveries, including deposits in the Tupi area.

A Growing Concern

Social responsibility is a hot topic in Brazil today, says the Brazilian-American Chamber of Commerce’s Azevedo. “It’s not a new issue,” he says, “but it’s becoming of much more general interest. Most companies demonstrate at least a curiosity about these issues.”

Azevedo attributes the renewed interest to Brazil’s changing attitude toward social programs. “The private sector benefited from many policies that in the past were considered to be ‘socialist,’” says Azevedo. “Corporations now realize that they can comply with social policies in absolute harmony with most capitalist goals.”

What’s more, companies have found it beneficial to be perceived as promoting anti-poverty goals or working to improve education. “Most corporations like to be seen as part of a process where not only the government is interested in solving social issues but the private sector is interested, as well,” says Azevedo.

Case Study

Microsoft Takes Multi-Pronged Approach to CSR in Brazil

With more than 600 employees based in São Paulo, Microsoft has developed a systematic approach to corporate social responsibility in Brazil.

Rodolfo Fücher, corporate affairs director for Microsoft in Brazil, emphasizes that his company's community programs benefit business directly. "When you're talking about the information technology sector that Microsoft works in, it's hard to hire sometimes. People don't have the skills and qualifications we're looking for," he says. So, by using the company's software and expertise, Microsoft can help Brazilian society and eventually reap the benefits through a better-trained workforce.

A Comprehensive Approach

Microsoft's Brazilian CSR program rests on three pillars: education, innovation and jobs.

For the first pillar, says Fücher, the main goal is to transform education through technology. Instead of directly educating K-12 students, Microsoft has joined forces with Brazil's education secretary and with state governments to train teachers. Microsoft has partnered with two NGOs — Instituto Ayrton Senna and Instituto Crescer — to do the teaching.

"Sometimes the biggest obstacle to using computers in the schools is the teachers," says Fücher. "Teachers may not be well prepared to handle technology and may find it difficult to understand. For the kids, however, it is very simple to absorb." Microsoft gives awards for teachers who excel at using technology in their classrooms. Since 2003, Microsoft has helped educate 174,000 Brazilian teachers. Although Microsoft's education initiative is nationwide, the company focuses on areas where the need is greatest.

As for higher education, Microsoft has partnerships with high schools and universities, says Fücher. Through a series of exams, Microsoft identifies the best and brightest for possible jobs within Microsoft or its "ecosystem" of 18,000 partners.

For Microsoft's second pillar, innovation, the company has established 25 innovation centers in partnership with Brazilian universities. "We want students of higher education to be able to



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O Real Gabinete Português de Leitura, the Royal Portuguese Library, Rio. Education is one of the three pillars of Microsoft's Brazilian CSR effort.

create their own companies," says Fücher. To this end, Microsoft has created Imagine Cup, a global competition in which students submit projects on a designated theme for prizes. Fücher notes that Brazil has led all other participating countries in terms of student participation, outpacing China, Japan and the U.S.

Finally, as part of a program Microsoft calls "digital inclusion," the company provides computer training to 25-to-40-year-olds, a segment of the Brazilian population that usually has already graduated from school. For this pillar, Microsoft again partners with Brazil's government and NGOs.

The Social Good

Microsoft's Brazilian CSR program is not an exercise in reputation-building, says Fücher. The people Microsoft trains may not even know the company is behind the initiative. "If you spend a lot of money on marketing campaigns, then you don't have money for training," he says.

"We're interested in the socioeconomic development of Brazil. If you have half of the population below the poverty line, it's bad for society, for the government and for the taxpayers," Fücher says. "But if you can help government by partnering with them to help people find jobs and be part of society, it's far better for everyone."

Conclusion

For government affairs practitioners, Brazil is an exciting place to work. The profession, still in its infancy there, has recently been elevated and enjoys a much higher profile than ever before. Government affairs professionals are in demand — and their role is increasingly being viewed as strategic within companies.

Although Brazil has a large number of social challenges to resolve, there's a sense that some of the "cost of Brazil" may be tackled as the nation prepares for the World Cup and the Olympics. Bureaucracy continues to hamstring multinationals, but they're finding creative ways of reducing this burden by shipping to different ports or expanding in states with favorable tax outlooks. And even though government regulators may demand endless (and seemingly irrelevant) paperwork, the regulatory process in Brazil is showing some signs of improving.

On the plus side, government officials and regulators are friendly, open and increasingly willing to engage in a productive dialogue.

Within Brazil, there's a sense of optimism, a widespread belief that even though past hopes for becoming an economic superpower have been dashed, this time things will be different. "Brazil really seems to be coming into its own," says Georgetown's McCann, "and this time change seems to be sticking."

Van der Laan believes that Brazil's current attempts to modernize and become a global player have a better chance of succeeding because the social landscape has finally begun to improve. "This time, you see that literally tens of millions of relatively poor Brazilians suddenly find themselves in the lower middle class or the middle class," he says.

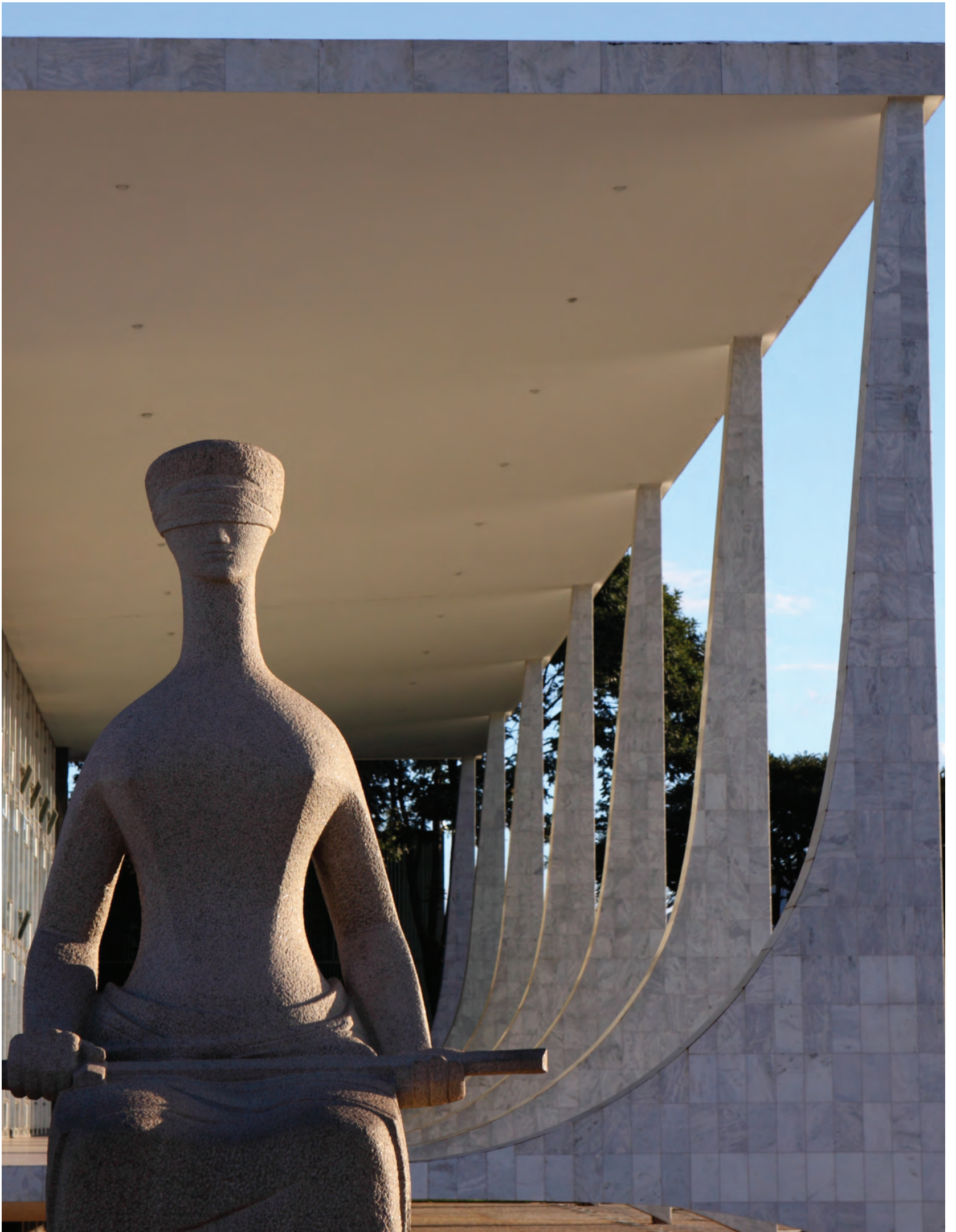
"In this sense," van der Laan continues, "the current growth cycle is very different from the past. If, in parallel to this, the country is able to make the necessary investments in infrastructure and control the size of the government as well as inflation, the development of the country will be more sustainable."

Novozymes' Perrettson also believes that this particular moment is different from Brazil's earlier attempts to leave behind the Brazil of the past and become a world leader in the 21st century. "Brazil is looking forward, as well as keeping one eye on the mistakes that were made in the past," he says.

Perrettson continues: "People have very open, passionate and sometimes quite pragmatic perspectives on issues, with a different point of departure than Europeans or Americans. It's a very interesting vibe, and it's fascinating to watch." For Perrettson and others, there's a growing sense that Brazil's magic moment may have finally arrived.



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