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Sandvik celebrates 60 years in Brazil

**Sandvik do Brasil
CEO Luiz Manetti**

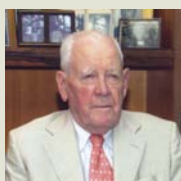
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Cover photo: Alexandre Socci



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Sandvik do Brasil CEO Luiz Manetti

gy, the increasing number of highly trained professionals and abundance of human and natural resources will allow the nation to come out of the present crisis with solid solutions for economic difficulties and provide for continued sustainability. We have the conditions to grow and solidify in all areas of endeavor, this is one of the strengths of Brazil and we here at Sandvik will continue to invest in that future."

History in Brazil

This year Sandvik is commemorating its 60-year presence in Brazil, arriving in the country when there was almost no industrial complex. It was a time when the country was beginning to implement the initial planning for what was to become its automotive industry and construct the refineries that would provide the oil and gas and alternative fuels that became the driving energy for industrial expansion and development.

In 1949, the Swedish directors of Sandvik took a visionary decision to begin business activities in Latin America and specifically Brazil, importing products they manufactured in their Swedish installations. Sandvik Brazil was established as Aços Sandvik Ltda. and was situated in São Paulo, rapidly expanding from simple imports to the manufacturing of drilling bits which were a vital item in the expanding

Photos: Alexandre Socci



Warehouse and drills and conveyors plant at Rua Borges de Figueiredo in the Mooca district in 1954.

Despite the worldwide economic crisis and the uncertainty that has affected not only banking and financial systems as well as businesses whose operations depend on the ever widening network of world trade, there is an underlying stability to many international firms that will allow them to not only continue base operations but proceed with their strategic plans for expansion and excellence. Sandvik is one of these firms that have made a solid commitment to not only the nations and communities in which they operate. Sandvik continues to invest in the wellbeing of its employees, environmental sustainability and the development of new products and services that have become a

hallmark of the industry sector in which it operates, thus clearly taking a determined and positive position during a time of crisis and cutbacks.

"Sandvik will continue much as it has done during all of the years of its existence, bringing networking capital to provide a larger return to its stockholders and a crisis like we are currently experiencing is best seen as an opportunity rather than an impediment," said Luiz Manetti, the Chief Executive Officer of Sandvik Brazil in an interview with this magazine.

"Brazil has always been considered the land of the future, but I prefer to see it as the land of the present. Brazil is not only taking a leading presence in the world today but its continued application of advanced technolo-



Sandvik's former headquarters at Rua Senador Queiroz in São Paulo in the 1960s.

areas of mining and civil engineering.

Following a clear policy of expansion, the company built a factory in the Jurubatuba industrial district in Santo Amaro and began operations in 1962. This location became the company's headquarters and in 1965 the name was officially changed to Sandvik do Brasil S/A – Indústria e Comércio. Some of the additional highlights of Sandvik's operations in Brazil have been the inauguration of the stainless steel wire plant at Mogi Guaçu in 1976, the acquisition of CTT that included Dormer in 1983, the implementation of a joint venture with Aços Villares for a wire drawing facility in the same year and a year later the incorporation of Tamrock activities in Sandvik's sphere of operations. In 1997, Sandvik acquired Kanthal and that round of acquisitions continued to include Rotary Tools in 2001, the Rock Processing Division of Svedala in 2002, Alpen in 2004 and MGS in the same year.

Sandvik itself began in Sweden in 1858, with its founder Goran Frederik Goransson who constructed a steel mill named Sandvik that helped to pioneer the Bessemer steel process. This steel milling process became the principal method in the manufacturing of products for the tool industry due to its exceptional hardness. The early company manufactured lamination and wire products beginning in 1876 and progressing to more

sophisticated stainless steels in 1920. In 1942, Sandvik initiated the manufacture of synthesized carburets.

The Sandvik Group

The Sandvik Group is a specialized engineering conglomerate that produces advanced products and services for specific applications. The firm currently operates in 130 countries worldwide with some 50,000 employees and sales amounting to approximately SEK 93 billion. The firm is a public company with its largest shareholders with voting rights being AB Industrivarden (11.5%), J.P. Morgan Chase Bank (10.5%) and Svenska Handelsbaken's Pension Foundation with 4%. The Group's executive management is currently chaired by board director Clas Hedstrom and Lars Pettersson as President and Chief Executive Officer of Sandvik AB.

The group's invoicing by market area demonstrates that just under 50% is invoiced to the European market, with Asia and Australia representing almost 25% followed by NAFTA, Africa and the Middle East and the remainder South America. Sales in the Brazilian market in 2008 amounted to some SEK 3,567 million.

The Sandvik Group places prime importance on research and development and the firm invested SEK 2,811 million (some 3% of invoiced sales) in R&D and quality assurance. This area of responsibility employs more than 2,300 people.

Sandvik – An operational overview

Sandvik operates in three distinct business areas in Brazil: Sandvik Tooling, Sandvik Mining and Construction and Sandvik Materials Technology. Sandvik Tooling supplies the global market with products like carbide cutting tools and toolholding systems for metal cuttings such as inserts, milling cutters, toolholder systems for innumerable cutting applications that include drills, reamers and countersinks, rolls punches and dies, rotary tools and metal forming cutters.

The Mining and Construction activities provide a wide variety of products for mining, geological prospection, tunnel boring and industrial construction. At the São Paulo plant, the firm produces rock drilling tools which are currently used in Brazilian

mining operations as well as being sold throughout the world. Another plant produces crushing equipment for mining and civil construction while drilling equipment is imported from Sweden and Finland.

Sandvik MGS, an acquisition of the Surface Mining segment in Brazil, designs, supplies and installs long-distance Conveyor Systems for mining, foundries and port terminals and over the last 10 years the firm has supplied more than 100 kilometers of belt conveyors. Last year MGS was awarded for the second time the prize of "Best Company of the Year" in the mechanical segment by *Gazeta Mercantil* magazine.

Sandvik Materials Technology (SMT) began production in Brazil in 1976 with the wire plant in Mogi Guaçu in the state of São Paulo. SMT supplies products such as wires, strips, belts, tubes, medical products and heating elements. These products allow for a wide application base in the automotive and aircraft industries, as well as the pulp and paper and the oil and gas sectors.

Kanthal, a product area within SMT, manufactures ready-made metallic elements designed on customer specifications for industrial furnaces in its plant located in the city of Vinhedo, some 75 kilometers from São Paulo. This plant also produces the Global heating elements made of silicon carbide grains (SiC) for industrial use.

CEO Luiz Manetti

In 2008 Luiz Manetti assumed the position of Sandvik's Brazilian operation as Chief Executive Officer, moving up from a post as Brazilian Chief Financial Officer. Manetti began his career with Sandvik in 1997 in the Sales and Marketing Department of the firm's Saws and Tools division and subsequently held positions as the controller for Kanthal, corporate controller for Brazil, Financial Director for SdB and Dormer.

Manetti graduated as a chemical engineer from the Escola Politécnica at the University of São Paulo and has a master's degree in Business Administration from the Fundação Getúlio Vargas and also did post-graduate work at FGV.

"We clearly have expanded considerably since the first warehouse was built in →



Aerial view of the Nações Unidas plant in 1963.



Luiz Manetti talks with Rodrigo Andrade, Technical Instructor of Sandvik Coromant, leading supplier of high quality cutting tools.

São Paulo to manufacture drilling bits. We are active in the automotive industry, becoming valuable partners in providing quality products and services and also in the oil and gas industry we perform an important role," said Manetti.

"Our 60-year presence in Brazil not only reflects Sandvik's continuing confidence in the Brazilian market, the growing responsibility of the nation's leaders to not only create a positive growth climate for industry and services but also its growing commitment to making the nation a viable and respected member of the international community. This means that Sandvik will continue to choose a growth path with regard to Brazil. By that I mean that there is a lot of optimism here at Sandvik and we will con-

tinue to be optimistic about the nation and its people. Here we have all of the proper conditions to solidify in all areas and grow along with the country.

"Of course," continued Manetti, clearly demonstrating his enthusiasm for Sandvik and his post as the company's CEO, "this means that corporate responsibility goes hand-in-hand with profit and growth. We have a motto that determines our attitudes and has been very successful over the years – health, safety and environment. These are some of the keys to sustainability, and a position of the company worldwide. That is why we have always paid close attention to the impact of our activities and that means contributing to sustainable development through a policy of honoring our social and environmental obligations. This is of course good business ethics and the focusing on customer value is always profitable.

"In Brazil, Sandvik has been awarded the ISO 14000 certification and the OHSAS 18000 for its plants and most recently the company has been selected as a member of the Dow Jones Sustainability World Index (DJSI World) and it is also a member in the Pan European

Dow Jones STOXX Sustainability Index. To explain a little, this means that Sandvik has been classified among the top 10% of the world's best companies in terms of combining financial profitability with environmental care and concern for social aspects. For example, one of our global sustainability programs and a goal for the company is to reduce carbon dioxide emission from internal use of fossil fuels and electricity by 10% in relation to sales volume before year-end 2012 (base year: 2008)."

Manetti concluded his interview at the Sandvik headquarters in São Paulo turning to a more personal note that undoubtedly reflected his attitudes and vision that has been one of the premises of both his personal and business life. "While I have been speaking about Sandvik, I suppose that I have also been talking a bit about myself and my view of life and work. I think that it is very important to maintain a sense of serenity. I suppose that I am not only speaking of myself but the company, about business. One has to maintain a steady course based on not only ethics and standards but one has to maintain a presence and I tend to describe this as serenity, obtaining an equilibrium between work and one's private life. By private life I am referring to relaxation and family, that brings serenity. All that I have accomplished in this life of course comes from not only dedication but the support of my family."

Peter Larson visits Brazil

Sandvik's Executive Vice President and Head of Human Resources, Peter Larson, was in Brazil on May 21 for a meeting of the Board of Directors at the Sandvik headquarters and this magazine spoke with him briefly over the phone in between meetings.

We talked with Larson about the 60-year presence of Sandvik in Brazil and the future activities of the company in this period that reflects the economic crisis which has been in the forefront of financial and economic activity for the last year.

"Well, I'm here in Brazil for what I might

call a governance meeting and we will be talking about some of the projects that the company is involved in and their implementation in the future."

"Regarding the 60th anniversary of Sandvik in Brazil, I suppose that it is best to speak with Luiz Manetti but I am sure that there will be some special event or other to commemorate this milestone.

"On the crisis, well while this has had some effect on almost everyone I think it is safe to say that Sandvik will continue to move forward with the plans and policies that were implemented before the difficulties

began. It might mean that things will move a little more slowly until things are back to normal but we will certainly continue with our research and development activities.

"We will continue to create new products and services and one of the driving forces of our company policy is that Sandvik has always been bolder when dealing with customers and that policy has always resulted in profitability and allowed us to take a leading role in our field of activities."

Peter Larson



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Editorials



Jonas Lindström | Kjetil Solbraekke

Believe it or not, but the first semester of 2009 is near its end. Financial experts and politicians still disagree on whereabouts we are in the crisis, but I'm very pleased to say that Swedcham stands strong. We have received many new members, so far: 18 new Corporate Members and 21 Individuals. Welcome, all of you! However, our main objective is not to get as many new members as possible, but to offer excellent member services to those who already are. It has been a semester with more events than ever, all being very well attended.

The survey we sent out earlier this year showed that our members are very satisfied with our services, including this magazine, our website, our workshops, Business Luncheons and Happy Hours. Please, have a look at our website to see statistics displaying the results. More than one person wrote as a reason for being a member that Swedcham offers excellent networking opportunities at a very reasonable price. That is very encouraging for us all at the Chamber and inspiring to continue working hard for all of you.

We are now putting together our Yearbook 2009. All sponsors have advertising rights included in the package but to all other members I would like to inform that you have a unique opportunity to promote your company at reasonable advertising costs. Please contact us if you are interested. Apart from the ads the book will contain a lot of useful information about Sweden in Brazil and Brazil in Sweden.

By now, I think all of you have heard the sad news that the Chamber's co-founder Erik Svedelius passed away on April 23 (please see page 10). We published a special magazine for his 100th Birthday which he himself received in his home. He had a long and fascinating life and his *Carpe Diem* motto should serve as a guiding principle to us all.

Finally, I would like to thank you, all loyal members and sponsors, for continuing with us and supporting our work. Many companies have had to reduce their budgets this year but apparently most of you still put value on your membership at Swedcham, since very few have left us. Our Chamber has for 56 years now been the pillar of the Swedish-Brazilian business community and a natural forum for professional business networking in Brazil in general and in São Paulo in particular. With continued support from you, I am confident that it will remain so for yet a very long time!

Jonas Lindström

Executive Secretary, Swedish-Brazilian Chamber of Commerce

Dear friends of trade and business between Norway and Brazil,

I am very proud of being elected as the chairman of the NBCC in Rio de Janeiro. The Chamber is an active player in the business environment and counts on enthusiastic members, which is a true characteristic of Brazil. Let me first of all use this opportunity to thank Sergio Garcia for his great job as the NBCC's chairman last year. He stepped up to become chairman on a rather short notice when the Chamber lost both its chairman and vice chairman. The Chamber has developed significantly with Sergio as chairman, there has been a 30 % growth in members and 12 well organized events were held. Sergio has accepted to continue on the board which is something we all are very happy about. Sergio, on behalf of all members and the board, I wholeheartedly thank you for your excellent contribution to the Chamber last year!

We will continue to develop the NBCC in line what has been done so far. We will continue to identify good speakers for events and find relevant topics of interest for most of the companies and people in our environment. We would like to be recognized as an open Chamber where members' opinions and wishes are welcome and appreciated. We also believe that the Chamber can keep on playing an important part in the dialogue between the business and political environment both in Norway and in Brazil. We are lucky to have an excellent cooperation between both the Ambassador and the Consul General and the NBCC. In addition, there is a close cooperation with both Innovation Norway and INTSOK, two institutions that are important for Norwegian business in Brazil.

I do believe the Chamber should have as an ambition also to increase the number of Brazilian companies as members. Petrobras and Vale should be natural candidates to becoming members. And there are many others. We are a Norwegian Brazilian Chamber of Commerce, and we are very happy about the Brazilian firms we already have as members. However, we would love to have more of them as members and active participants in our events.

Traditionally, trade was based on coffee and codfish whereas today the connection is strong in many areas such as shipping, metals, fertilizers, and of course Oil & Gas. More recently, we have also seen increased interest in renewable energy. I wish all members and friends a very good year!

Kjetil Solbraekke

Chairman, Norwegian-Brazilian Chamber of Commerce



Erik Svedelius: In memoriam



Our nestor in the Swedish-Brazilian community and a founding father of the Chamber has left us. Erik Svedelius reached his 100th birthday on March 19 and died peacefully at his home on April 23. With him an era is gone.

Erik came full circle. His and his wife Lili's long life was a success story, and together they made inestimable contributions to foster Swedish-Brazilians relations. Few people lived a richer life than Erik and Lili, rich in many senses, most important the many friends they made both in Brazil and Sweden, and in whose memories they will remain.

The void is there, and we, Erik's friends, feel a deep sadness. Sadness not to be able anymore to gain from Erik's vast experiences, nor to laugh at his funny jokes, nor to hear

the incredible tales from his military service in the extreme north of Sweden four soldiering generations ago, nor to marvel at his stories from his youth in the roaring twenties in Berlin, and so it goes on.

A few weeks before Erik left us, HM King Carl XVI Gustaf bestowed Erik with the most important distinction that can be given to any citizen for long and loyal services, namely the King's Medal of the 12th Order with the Ribbon of the Order of Seraphim. The medal was handed over to Erik by Consul General Barry Bystedt on behalf of Ambassador Annika Markovic. Erik warmly pressed Barry's hand, smiled and said "It looks fantastic - thank you". ■

Christer Manhusen
Swedcham Chairman



Farewell, Erik!

A memorial service for Erik Svedelius was held at the Scandinavian Church in São Paulo on May 4, followed by interment. Many were those who assembled on this day to bid a final farewell to our dear Erik, who has meant so much to so many during his long life.

In the Church, we listened to beautiful singing by Helena Mellander, and together we sang psalm 238, "*Jag lyfter mina händer*" (I lift my hands), which expresses trust and confidence both in life and death. This particular psalm has become a

family psalm for the Svedelius family.

After the ceremony, we gathered together in the churchyard where Erik now is laid to rest next to his beloved Lili—right outside the very church, and beside that very cross that always meant so much to him, and which Erik together with some friends helped build 35 years ago.

We remember Erik with gratitude and joy, and may he rest in God's peace. ■

Olof Olsson
Parish Priest
Scandinavian Church, São Paulo



Sweden on top of the EU! – Part 2

By Annika Markovic
Swedish Ambassador



The European Union is sometimes not very well understood in Brazil. Many Brazilians are curious about what goes on in Brussels. Many also have opinions. Will it work? Is it working? Could the European Union serve as an inspiration for South America (the Union of South American Nations – UNASUR)? Is the EU building new barriers in Europe?

Very often when the European Union is mentioned in the news in Brazil it has to do with "problems". Meat ban! No more Brazilian immigration to Europe! Bad treatment of Brazilians in the EU! And very seldom is the news about all the positive things happening in our relations. The task of the Presidency of the European Union is also to

try to counter this sometimes negative impression of who we are and what we stand for.

The European Union is Brazil's largest trading partner. It is also Brazil's largest foreign investor. There are so many European companies present in Brazil that even the Embassies can't count them all. European Union universities attract numerous Brazilian students. Many Brazilians choose to live in Europe for some time – and are welcomed by the Europeans too. This broad and long-term relationship between Brazil and the member states of the European Union was formalized through the decision in July 2007 to establish a Strategic Partnership between Brazil and the EU.

This partnership has now started to flourish. We have jointly drafted an action plan that was adopted by our political leaders in Rio de Janeiro in December 2008. In the fall of this year, President Luiz Inácio Lula da Silva will travel to Stockholm for the next high-level summit between the European Union and Brazil. In Sweden the summit will be chaired by Prime Minister Fredrik Reinfeldt.

The EU-Brazil joint action plan states that we are going to construct a comprehensive strategic partnership by:

- Promoting peace and comprehensive security through an effective multilateral system;
- Enhancing the Economic, Social and

Environmental Partnership to promote sustainable development;

- Promoting regional cooperation;
- Promoting science, technology and innovation;
- Promoting people-to-people exchanges.

And in all these areas there are concrete projects, dialogue meetings as well as joint actions listed and already being elaborated. A progress report will be presented every year on the implementation of the Joint Action Plan.

In Brazil, during the Swedish Presidency of the European Union, the Swedish Embassy is going to coordinate the European Union through the following working groups: Economy and Trade, Climate, Energy and Environment, Human Rights, Consular Affairs, Science and Technology and Administration.

But our main objective will be to ensure that Brazil and the European Union move forward together in the implementation of the strategic partnership with concrete cooperation on projects. One such project is the recently signed agreement to assist small and medium-sized Brazilian companies to internationalize by helping them get access to the European market – a project with 22 million Euros in funding resources. Other similar projects will follow.

And for the Embassy, a successful top level meeting in Stockholm will of course be the main focus!



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Photos: Drasko Markovic

Swedish delegation visit to the Amazon region

By Katarina Clifford*

The Swedish Embassy in Brasília was busy preparing (at the time this article was being written) for a Swedish delegation visit to the Amazon region at the end of May. The purpose of the delegation's visit was to study ways of cooperation between Sweden and Brazil in the area of sustainable forest development.

The visit is part of the broader strategic cooperation initiated by Brazilian Minister of Strategic Affairs Roberto Mangabeira Unger, who is seeking a partnership with Sweden when it comes to sustainable development in the Amazon.

The delegation, lead jointly by Ambassador Annika Markovic and Under-Secretary for Sustainable Development at the Ministry of Strategic Affairs Daniel Vargas, consisted of representatives from the Swedish Forest Agency, Swedish Board of Agriculture, Chalmers University of Technology, Royal Institute of Technology (KTH), Swedish University of Agricultural

Sciences (SLU), and Swedish Forest Industries, including Stora Enso.

After a broad start-up meeting with interested partners in Brasília, the delegation visited the states of Mato Grosso, Amazonas and Acre, where it had scheduled to hold meetings with all three governors and local stake-holders and also make field visits.

The cooperation is intended to cover (in the words of Mangabeira Unger) "both Amazons", meaning the Amazon Forest and the Amazon Cerrado/deforested and/or degraded land. Regarding the Amazon Forest, the challenge is to find mechanisms to make the forest more valuable standing than cut down by making sustainable activities and production more economically viable and efficient. In the Amazon Cerrado, there are more than 40 million hectares of degraded land that could be made productive at a relatively low cost.

Although Sweden and Brazil have different geographies and realities, we have many shared interests and experiences in forest management. Sweden and Brazil are both committed to combat climate change and to a strong outcome in the international climate negotiations in Copenhagen in December.

The two countries have a high forest coverage and have experienced large-scale deforestation as well as, at different levels, reforestation. We are leading producers and consumers of bioenergy—Brazil with sugarcane-based ethanol and Sweden through large-scale use of rest products from the forest. We are leading countries in research and development in forest science and technology. Thus both countries have a lot to learn and to gain from this cooperation!

**Katarina Clifford is
First Secretary/Embassy of Sweden
in Brasilia*



Höganäs: world leader in developing iron powder solutions to help eliminate IDA

HÖGANÄS, A LEADING WORLD MANUFACTURER OF IRON AND METAL POWDERS, IS HELPING TO REDUCE IRON DEFICIENCY ANEMIA (IDA) BY ADVOCATING GLOBAL FLOUR ENRICHMENT AND PRODUCING AN IRON POWDER CALLED NUTRAFINE™ FOR THE WORLD FOOD INDUSTRY.

Sweden-based Höganäs is in fact the largest iron powder producer in the world. It has more than 50 years of experience researching, producing and supplying food grade elemental iron powders.

"Few industries in the world today are dedicated to what we do at Höganäs," said Claudinei Reche, Managing Director of Höganäs Brasil, noting that iron powder is an input used in thousands of production lines around the globe in different sectors such as the automotive, home appliances and food industries.

"This versatile and magical powder has revolutionized various industrial processes," Reche added, noting that the group's history dates back to 1797. Höganäs has been in Brazil since 1998, when it acquired the operations of Belgo Brasileira, and over the last three years it has reported a 56% growth in this country. Its share of the group's overall revenue doubled from 5% in 2005 to 10% last year.

In view of this growing demand, Höganäs Brasil inaugurated a new manufacturing plant at Mogi das Cruzes in Greater São Paulo in September last year in order to double its local production capacity of atomized iron powder. "The production increase was also due to some new metal powder components that are being developed with new end-users and are in different stages of development," commented Reche.

Receiving all the micronutrients we need for a healthy diet is the key to enjoying an active and productive life. The way we feel depends on our body and mind receiving regular inputs of vitamins and vital elements to fuel our activity levels even through the most hectic day. One essential element none of us can do without is iron—which plays a vital role not only in the production of red blood cells and the body's oxygen transport and delivery system, but also in the regulation of our metabolism.

Iron deficiency causes anemia, which can have widespread effects in terms of retarding growth, impairing IQ, tiredness and lowering resistance to infection. It also increases the risks for pregnant women during childbirth. There are also serious socio-economic consequences. In the worst affected countries, iron deficiency is responsible for losses of up to 2 percent of GDP.

Iron Deficiency Anemia (IDA) affects more than 1.5 billion people all over the world. The World Health Organization (WHO) estimates that one third of the global population is anemic based on hemoglobin levels



Claudinei Reche





and 75% of these cases are due to iron deficiency. No other micronutrient is as widespread.

Adding iron to flour is a simple, but highly effective and affordable way of eliminating anemia. Since flour is a staple food

product in most countries, it is an extremely efficient method of delivering the iron we all need. The Brazilian government has determined that iron must be added to flour and today Höganäs supplies the South American market with around 25 tons per month of Nutrafine™—a range that has been developed specifically to satisfy the needs and requirements of premixers, millers, bakers and, of course, people. Nutrafine™ balances all their needs in a unique way by providing high quality and bioavailability at the most competitive prices. Höganäs's share of the South American market today amounts to around 90-95%.

According to Höganäs, eliminating IDA is not just about adding iron to flour but adding the right type of iron in the correct doses. The group's elementary iron powder solutions are easily absorbed by the body and have a neutral effect on the flour in terms of storage, quality, color and taste.

Nutrafine™ represents a new generation product in food grade iron enrichment.

Using the latest enrichment technology, Höganäs has been able to refine iron powder to a morphology and surface shape that was not previously possible. The group's scientists developed Nutrafine™ to reduce trace elements to the absolute minimum. In all the critical trace elements (such as for arsenic, lead and mercury), the product is significantly lower than the Food Chemical Codex (FCC) recommendations for iron used in food fortification.

Höganäs products are also in compliance with the Hazard Analysis and Critical Control Points (HACCP)—an internationally recognized systematic preventive approach to food and pharmaceutical safety that addresses physical, chemical and biological hazards as a means of prevention rather than finished product inspection. HACCP is used in the food industry to identify potential food hazards so that key actions, known as Critical Control Points (CCPs) can be taken to reduce or eliminate the risk of the hazards occurring. ■



Dr. Laércio Vasconcelos



The Brånemark Osseointegration Center in São Paulo

Brånemark osseointegration celebrates 20 years in Brazil

The Brånemark Osseointegration Center in São Paulo was inaugurated in 1995 and is led by Dr. Laércio Wonhrath Vasconcelos—who was handpicked by the father of osseointegration himself, Sweden's Per-Ingvar Brånemark, and has performed more than 15,000 dental implants. Dr. Vasconcelos was among some of the first professionals who traveled abroad to become better acquainted with Prof. Brånemark's work and disseminate the osseointegration technique in Brazil—where it started gaining space at events and courses in 1988. Today, there are nine Brånemark Osseointegration Centers located in Asia, Europe and Latin America.

"I personally met Dr. Brånemark more than 17 years ago. He wanted to come to Brazil

and he contacted me because of my work in the city of Bauru [São Paulo state], where I did voluntary work at the Hospital of Rehabilitation of Craniofacial Anomalies (better known as the 'Centrinho de Bauru')," said Vasconcelos.

Osseointegration is the direct structural and functional connection between living bone and the surface of a load-bearing artificial implant, typically made of titanium. In 1952, Prof. Brånemark conducted an experiment in which he used a titanium implant chamber to study blood flow in rabbit bone. At the conclusion of the experiment, when it came time to remove the titanium chamber from the bone, he discovered that the bone had integrated so completely with the implant that the chamber could not be removed. Brånemark called the discovery "osseointegration" and saw the possibilities for human use. The procedure was first implemented in dentistry for teeth fixation and is now also used for cranial and maxillofacial reconstruction. Applications include dental implants, retention of a craniofacial prosthesis such as an artificial ear, eye or nose; and bone anchored hearing conduction amplification (bone anchored hearing aid).

Vasconcelos noted that Prof. Brånemark spent some 10 to 12 years working with an international clinical team treating maxillofacial defects at the Centrinho de Bauru. The Brånemark Osseointegration Center (BOC) in

Gothenburg was founded in 1989 and years ago the Swedish professor decided to extend the Center in Gothenburg to new geographical locations with challenging clinical applications. The clinical activities in Bauru warranted the establishment of an institute there for global connections. Thus, the P-I Brånemark Foundation in Gothenburg was allowed to transfer financial resources for research and clinical building in Brazil. Since September 2005, the P-I Brånemark Institute in Bauru is the international base into which BOC Gothenburg has merged.

The Bauru Institute, which occupies an area of 200,000 square meters, works only with poor and needy people (teams selected from all over the world operate there), whereas the Brånemark Osseointegration Center in São Paulo (located on Avenida Brasil) is a private clinic—although Vasconcelos does treat needy patients there as well. The Center has a team of eight specialists and includes operating units, fully equipped patient rooms and a training & educational center.

In 2005, Prof. Brånemark brought together renowned specialists at a Congress entitled the World Celebration of the 40 Years of Osseointegration, which was held from September 22 to 24 at the Anhembi Convention Palace in São Paulo. The event was a resounding success, with the participation of some 3,500 doctors and dental surgeons.

Continued on page 45

One of the Center's five dental offices



New member Törngren Magnell sponsors event on sustainability

By J. F. Thrall



(Left to right): Peter Törngren, Géraldine Kutas, Swedcham Executive Secretary Jonas Lindström, and Otávio Lucchese.

Swedcham held an event on May 13 at its facilities in São Paulo where a new member, Swedish law firm Törngren Magnell, introduced itself to Chamber associates and gave two seminar presentations of interest on the ever important issue of sustainability. The event, sponsored by Törngren Magnell and divided into three segments, began with a presentation of the Swedish law firm, which has opened a Brazil Desk, followed by presentations by Géraldine Kutas, International Advisor of UNICA (the Brazilian Sugarcane Industry Association) and Vinício Stancati Jr., Renewable Feedstocks Director of The Dow Chemical Company in Latin America.

The Brazil Desk of Törngren Magnell was launched in March of this year when it opened an office in São Paulo. Its headquarters are in Stockholm, where 20 lawyers work mainly on services for mergers and acquisitions, banking and finance and capital markets. They also provide complementary practice in the areas of financial regulation, real estate, reconstruction and regulation as well as general corporate and commercial services.

Sten Hedbäck, one of the partners of the Swedish law firm, opened the presentation after being introduced by Brazilian lawyer Otávio Lucchese, head of the São Paulo office. Hedbäck, formerly chief legal counsel for the Electrolux Group's operations in Latin America from 2003 to 2005, joined Törngren Magnell when it was formed in Sweden. Due to his continuing interest in Brazil, he contacted Lucchese (who was also chief legal counsel at Electrolux from 2005 to 2008) with the intention of opening a Brazil Desk. Also present at the event was Peter Törngren, another major partner in the Swedish law firm.

Hedbäck went on to present the firm and to provide an overview of some of the interesting aspects of the relationship between the two countries, citing the fact that Sweden is one of the 10 largest investors in Brazil and that the two countries signed a cooperation agreement in September of 2007 that defined the field of interest of both countries in the area of biofuels, ethanol and sustainability. This agreement was ratified by the Brazilian Senate in April of 2009 and also included provisions for investment in projects dealing with the environment as well as trade.

Lucchese spoke on the relations between Brazil and Sweden and noted that the current crisis is not only a warning about what the world may face in the future but also that the crisis was an opportunity and that the planet is entering a new era based on sustainability, which is being recognized by all aspects of society.

Biofuels and Energy

The material on biofuels and energy was presented by Géraldine Kutas and focused primarily on the area of ethanol, bio-electricity and the cooperation between Brazil and Sweden in these areas. As a representative of UNICA—the leading trade association for the sugarcane industry in Brazil, representing 127 mills and responsible for 60% of all ethanol and sugar production—Kutas provided some important statistics on the industry.

She stated that one of the presentation's objectives was to eliminate some of the misconceptions concerning ethanol and to provide more information on these products, adding that one of UNICA's goals was to make ethanol and biofuels a major commodity in the fuel market – a position that is not

currently a fact. Kutas also said that UNICA was actively involved in the promotion of ethanol as a viable clean fuel and in expanding that market to include vehicles other than passenger cars.

The association has also implemented a program to foster the production and use of bio-electricity in Brazil, thus promoting social and environmental sustainability. "The gross earnings of the sector last year amounted to US\$ 20 billion," said Kutas, "and we have replaced 50% of our gasoline in Brazil with ethanol using only 1% of the arable land in the country. With the use of ethanol in flex vehicles only, we have been able to reduce our emissions by 43 million tons of Co₂ between 2004 and 2008. This is equivalent to planting 150 million trees and does not include the 25% of ethanol that is mixed with gasoline in Brazil.

"Brazil produced 560 million tons of sugarcane during the last harvest, with 85% of ethanol production being consumed in Brazil and the remaining 15% exported. Some 3% of the electricity consumed in this country is produced from renewable sources. More important, we predict that cane output will more than double in the next 10 years.

"In conclusion, let me say that there is another area in which we can all do better and that is communication. This not only means promoting ethanol and biofuels but we also need to dispel some of the myths that exist about sugarcane and ethanol in regard to Brazil. Many people believe that we are destroying the Amazon forest to grow sugarcane. That we are not reducing emissions by using ethanol fuels and that we are using slave labor to grow and harvest cane, so this is also an important part of the job – getting the facts right."



Sten Hedbäck

Renewable Chemical Products

Stancati opened his presentation by providing an overview of Dow Chemical, and quickly moving on to the subject of the seminar which was sustainability. The theme was to communicate that the company was actively involved in studying investment possibilities with the objective of reducing greenhouse gases and producing the same chemical products Dow produces nowadays using Naphta and LPG. Renewable resources, especially ethanol, can replace the petroleum-based raw material in a lot of different products in the future.

"Because of the present instability of the petroleum market and the rapidly rising and falling of prices," said Stancati, "Dow has gone back to the source of renewable products and this means that we have begun to study investments in the production of ethanol, beginning with the growing of sugarcane. Our main objective is not to compete in the fuel market but to produce the raw material that will allow us to manufacture our chemical products with the same quality

as those that are produced from petroleum-based sources. But we are not just developing products from sugarcane. Many other resources are being studied to develop bio-products, all designed to be transformed into not only chemical by-products but also into renewable energy sources.

"More important is that we must consider the availability of land for all of these renewable energy sources. Brazil has a lot of land and that makes these projects viable, which is not always the case in countries where land is at a premium. This is one of the reasons why Dow is willing to explore the renewable options and becoming an active partner in developing sustainable measures that will ensure not only profitability in the future but also protect the environment. We will continue to participate with the communities in which we work, to provide jobs, health and safety as well as ensure that everyone can live and work in a sustainable way to better the lives of all peoples."

See related story on page 40



Vinício Stancati Jr.

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Swedcham delegation with Mrs. Silvia Castanheira Oddone.

Swedcham members visit Brasília

Swedcham's yearly visit to Brasilia in order to better understand the works of the federal institutions took place April 16-17. This time a small but jolly good group of Swedcham members visited the Congress and the Supreme Court of Justice.

The first day was spent in Congress, where we were received by the former chairman of the Senate, Senator Garibaldi Alves Filho (PMDB), newly elected chairman of the powerful Economic Affairs Commission.

Senator Garibaldi spent more than an hour with our group, and we had a good discussion of the economic outlook for 2009. For the group interesting topics such as the Brazil cost, taxes, investment opportunities, and education were addressed.

This meeting was followed by a round table discussion with high officials from the Economic Affairs Commission, so-called consultants who are responsible for all the preparatory work for the debates in the Commission. Topics like inflation, the exchange rate, the fiscal situation, and interest rates were discussed in depth.

After lunch, we met with former president Fernando Collor de Mello (PTB), today

senator and chairman of the Commission for Infrastructure. The senator gave a broad exposé of PAC and its intricacies. In this context, it is worth remembering that, in a study of the competitiveness among 134 countries, Brazil ranks number 98 in infrastructure.

The discussion with the former president naturally also touched on reforms: political, labor, tax, education and health.

This meeting was also followed by a round table discussion with the consultants attached to this commission. The PAC was addressed more in detail and also the topic of Corporate Governance, of special interest to our group.

Mrs. Silvia Castanheira Oddone, the Senate's Institutional Communication Coordinator, accompanied us during the whole visit. Mrs Castanheira Oddone had, also this year, kindly assisted us in making the program.

In the evening, the Swedish Ambassador Annika Markovic and her husband kindly offered a dinner. We were given special insights from Brasilia's political scenario not least in relation to the broadening and deepening of Swedish-Brazilian relations.

The visit to the Supreme Court of Justice the next day was more a courtesy visit. The Court was not in session, but we were given both an extensive tour of the premises and an explanation of the Court's functioning. It was suggested that Swedcham would visit the Court in session another year. ■

Christer Manhusen
Swedcham Chairman

Renato Pacheco Neto
Swedcham Legal Director

(Left to right)
Leonardo Viegas, Bengt Hallqvist,
José Vicente Cera Jr., Elin Kronqvist
(Swedish Embassy), Christer Manhusen,
Senator Garibaldi Alves, Renato
Pacheco Neto, and Cassio Namur.



Swedish Match's Peter Hedlund: concern with quality and the environment

By Laura Reid

Peter Hedlund, President of Swedish Match for Latin America and the Caribbean Region, granted the following interview to "Brazil & Sweden/Norway":

B&S/N: First of all, how long have you been at Swedish Match in Brazil and where were you posted previously?

PH: I joined Swedish Match back in 1981, 28 years ago at the head office in Stockholm. The last 18 years I have been located in Brazil, and I am currently in charge of the businesses in Latin America and the Caribbean Region. Prior to coming to Brazil, I was based at the international head office in Switzerland, in Nyon just outside Geneva.

B & S/N: In Brazil, SM is market leader in the match market with the Fiat Lux brand and also holds a prominent position in the market for disposable lighters with the Cricket brand. In Sweden, the firm is regarded as a tobacco company with emphasis on sales of cigars, chewing tobacco, pipe tobacco, snuff and snus. How are these products doing in Brazil in particular and Latin America as a whole?

PH: The Brazilian tobacco tradition is very much linked to cigarettes. When it comes to

cigars or other types of tobacco products, the consumption is not very strong compared to other markets around the world. There are local manufacturers of cigars of good quality in Brazil, so our market participation in cigars is fairly modest with a selected range of our representative brands like Macanudo, La Paz and Robert Burns.

Our pipe tobacco brand Borkum Riff, though, is the market leader in Brazil. In other Latin American countries, with Spanish influence, the cigar consumption habit is stronger and our market participation is higher. We also sell quite a lot of snuff and chewing tobacco in countries like Panama, Puerto Rico, Venezuela and Mexico where you find a genuine American baseball interest.

B&S/N: What is the difference between snuff and snus? Being born in Britain I have heard of snuff but not snus. I don't suppose there is a large market here in Brazil?

PH: Snus differs from traditional American moist snuff in a number of ways. The production processes for American moist snuff, like our Timber Wolf and Longhorn brands, and Swedish Snus, like our General, Ettan and Catch brands, differ in that moist snuff is fermented while Swedish-style snus is pasteurized. Another difference is

that the American moist snuff is placed behind the lower lip while Swedish Snus is spitless, placed behind the upper lip. The Swedish Snus is today mostly pouch-packed whereas the US snuff still is to a major extent consumed as traditional loose snuff. In various countries in Europe and Africa you may also find a dry nasal snuff, like our Singleton's brand, which you

might have come across in Britain.

The US is the world's largest moist snuff market, with an estimated annual consumption of 1.2 billion cans. In Scandinavia the annual snus market amounts to some 240 million cans. The Swedish market has more than one million snus consumers (out of a population of 9 million)!

Within the European Union, with the exception of Sweden, sales of snus have strangely enough been banned since 1992. The European Commission recently published the scientific report Health Effects of Smokeless Tobacco Products that among other things stated that Swedish Snus poses significantly fewer and less severe health risks than cigarettes and other currently legal tobacco products within the EU. The ban in the EU has also been publicly challenged by the Swedish Government which views the ban as discriminatory and disproportionate. Let's hope that good sense prevails and that the EU removes the ban within a not too distant future.

Having said this, I have to admit that Brazil, as you rightly say, is not, yet, a major player in the snus and snuff world. But who knows, with increasing smoking bans also in Brazil, this can change. Even though there is no established snus habit here, Brazilians are very open to try new products. Snus is an excellent aid to quit or at least substantially reduce smoking and every cigarette consumer that changes to snus will enjoy the benefit. I look forward to the day when we have the same per capita snus penetration in Brazil as we have in Sweden!

B&S/N: SM has two factories in Brazil, one in Curitiba (matches) and the other in Manaus (Cricket lighters). I heard that the Curitiba factory has been called the biggest single match factory in the world, is this correct?

PH: We actually have three factories in

Swedish Match factory in Curitiba, Paraná state.





Peter Hedlund

Brazil. In addition to the ones you mention we also have a factory in Pirai, in the state of Paraná, which manufactures the match splint. The Curitiba factory is probably the biggest single match factory in the world in terms of production. What I can say is, to give you an idea of the volumes, that if you put one match stick after another, the output of the Curitiba factory will go around the Earth two times a week, all the year around!

B&S/N: What about the Manaus factory, could you talk a bit about this unit?

PH: Our factory in Manaus, which produces the Cricket brand disposable lighter, was installed in 1985 in view of tax incentives given by the federal government to develop the distant Amazon region. The lighter production, which is highly automated, is sold mainly in Brazil but also exported to countries in the region such as Argentina, Bolivia, Chile, etc. The factory has ISO 9001 certification and is close to receiving the environmental certification, ISO 14001. Last year was a very good year, and the factory set a new production record.

B&S/N: Could you tell us a bit about SM's reforestation program in Brazil?

PH: The wood consumption of Swedish Match do Brasil is sustained by self-owned forests composed of Pine and Poplar species. This means that all our matches are made out of planted trees and no exotic wood is used. In all, we have more than 6.000 hectares of planted trees, in the states of Paraná and Santa Catarina. Swedish Match was a pioneer in planting poplar for industrial purposes in Brazil, which dates back to the early 90s. Poplar cultivation in Brazilian soil became possible since high technologies started to be

developed. Irrigation, drainage, soil preparation, fertilization, pest and disease control, weed control and clone selection are some of the technical refinements which allowed a substantial forest increment in the last few years. Concerning our environmental commitment, we have developed a biological control against the defoliating poplar caterpillar and weed control by means of winter intercropping, both methods very environmentally friendly and of course within the strict Brazilian forestry legislation.

B&S/N: What about projects in the areas of technology, quality and safety?

PH: Technology improvements in the poplar plantations have been our major effort in the last few years. This wood is, second to Aspen wood, the world's best specie for match production. Aspen wood, however, only grows in colder climates like Russia, Scandinavia, Canada and the US so with matches made out of poplar we are able to produce the best matches available in Brazil. Matches sold in Brazil are also rigorously tested by the governmental quality institute Inmetro. The Cricket lighter body is made of nylon, which probably makes it the world's safest lighter. As I previously mentioned, the Manaus lighter factory has the ISO 9001 certification. Lighters, likewise matches, are also subject to rigorous quality criteria and tested and approved by Inmetro.

B&S/N: What are the company's main clients in Brazil?

PH: All the big supermarket chains, distributors and wholesalers. Due to the characteristics of the products, the distribution is very widespread. There are more than 75.000 big and small supermarkets in Brazil, plus hundreds of thousands of small shops and bars etc. that sell our type of products.

B&S/N: What are SM's main challenges here?

PH: To keep the market leadership, producing and distributing products of great quality. To reach all the hundreds of thousands of points of sale of course also requires a major effort in terms of sales and distribution.

B&S/N: What is the outlook in

Brazil for this year and the next? Any planned investments? Has SM felt any effects of the crisis locally?

PH: Our kinds of products are not so exposed to changes in the economic climate. We have, though, felt a certain retraction in sales, which we believe is more the result of trade reduction of inventory levels due to the present credit situation, rather than any major change in consumer off-take. Investment levels are fairly stable and much geared towards the forestry sector.

B&S/N: On a personal note, what do you like to do in your spare time and what are your favorite destinations when traveling in Brazil and abroad?

PH: I have traveled so much for business purposes throughout Brazil and abroad that today my preferred vacation destination is our house in Búzios. In my opinion, it does not matter where you travel, there are few places like Búzios. It's a two-hour drive from Rio and has everything, beaches, clear skies and waters, plenty of good restaurants, a relaxed atmosphere and an increasingly international public. The Swedish archipelagos are of course also something special in the summertime.

B&S/N: Is there anything you would like to add?

PH: Those in the Scandinavian community that are fond of snus can buy it through the internet, it is easy and quick:

<http://www.swedishsnus.com>

For those in Brazil who are desperate for a General snus, call our office (021-2227 9605) and we will do our utmost to help you out! ■

The company's unit in Manaus in the state of Amazonas.



Annual General Meeting 2009 elects new Chairman and Board

By Ana Luisa Leite
Executive Secretary

On April 30 this year, the Norwegian Brazilian Chamber of Commerce (NBCC) held its Annual General Meeting (AGM), where many topics about the operation of the Chamber in the past two years were analyzed and new ideas were launched.

The chairman at that time, Sergio Garcia, started the day by thanking everyone for the opportunity of collaborating towards the development of the Chamber, and all members for their support during the period he was in office. Founded in 1995, the NBCC has since then conquered 17 Gold Members, 19 Corporate and 7 Individual Members. Only in the past few months, three new companies have joined the Chamber: Marintek do Brasil, Aker Oilfield and CAS Oléo e Visas.

The marketing affairs were the most emphasized. The creation of banners with the Gold Members' names, personal cards for all associated, informative brochures, also the increase of circulation of information through the newsletter and the magazine, were facts mentioned by Garcia to demonstrate the development in this area.

The new elected Chairman, Kjetil Solbraekke (CEO of Norse Energy do Brasil), finished the meeting with a presentation on his new ideas for the Chamber's continuous progress, such as the establishment of sponsors for each event, and to formalize social meetings outside the professional environment. These and other suggestions will be discussed in the next Board meetings, which have already been scheduled. The next one was set for June 19 (after this magazine went to press). ■



Kjetil Solbraekke, Chairman



Johnar Olsen, Vice Chairman



Halvard Idland, Treasurer



Jorge Camargo



Sergio Garcia



Erik Hannisdal



Tor-Ove Horstad



Odd Isaksen



Jon Kilde



Tom Ringseth



Anders Tellefsen



Camila Mendes Vianna



Norwegian Ambassador to
Brazil Turid Eusébio,
Honorary Member



Brazilian Ambassador to
Norway Sergio Moreira Lima,
Honorary Member



Erling Lorentzen,
Honorary Member

Interview with Kjetil Solbraekke

By Ana Luisa Leite



New NBCC Chairman Kjetil Solbraekke (right) with his predecessor Sergio Garcia.

I had a meeting with Kjetil Solbraekke at his office by Praia de Botafogo, where Norse Energy has been established on the eighth floor. Through his window I could see the amazing view of Guanabara Bay. This is probably one of the reasons why Kjetil enjoys so much his life in Rio de Janeiro. Born in Oslo, Norway, on May 3 of 1962, Kjetil has an extensive background in the energy field, and by enriching the individual and team work, it is no coincidence that he has gotten this far.

Ana Luisa: How long have you been living in Rio?

Kjetil: Almost three years now.

Ana: Do you like it?

Kjetil: I love to live in Rio. This is the most fascinating city in the world – fantastic nature and exciting culture, and a warm hospitable population.

Ana: How do you feel about the danger, especially involving tourists in Rio?

Kjetil: There is a snake in every paradise! The violence and insecurity are of course bad and something we have to live with here in Rio. That means taking precautions and always being a bit alert. When receiving guests here it is important to tell them how to behave and what to do and not to do. As far as I understand the number of instances is going down and I hope that the economy will get back into a growth mode. I believe the city can only grow out of these problems. To offer people education, jobs and opportunities is in the long run what I believe will change Rio. But this will take time.

Ana: You have a son living here with you. How do you feel about him growing up in a developing country?

Kjetil: I feel great about having my son here. He is studying economics at PUC and is very

satisfied with the quality of the classes and the knowledge of the staff. His decision to study in Brazil makes me very proud. To study economics in one of the world's most interesting emerging markets does sound good to me!

Ana: How did you get this far? Tell us a bit about your professional background.

Kjetil: Well I have done a lot of different things. I started my career in the Ministry of Petroleum and Energy where I learned to respect political processes and admire very effective public servants. Later I worked 10 fantastic years for Norsk Hydro where I held positions such as CFO for Oil and Energy, responsible for International Business Development and lastly president for Hydro's operation here in Rio. I have always enjoyed working with professional people and huge challenges. It is amazing what you can achieve by getting people with diversified backgrounds to cooperate. All my success has been a result of team work with different but always very professional individuals.

Ana: Do you have any hobbies?

Kjetil: I like sports and play volleyball and golf. I also enjoy music and try to play the guitar once in a while.

Ana: What are your ambitions?

Kjetil: My ambition for the NBCC is to continue to strengthen the Chamber as a meeting place for the industry and the Norwegian community in Brazil. I would also like to see more Brazilian companies as members. Lastly, my ambition is also to better distribute the work in the NBCC Board between its different members in order to utilize all the competence gathered in our excellent Board. I am looking forward to an inspiring year!

And so are we all. Good luck to the new Chairman and all the Board Members!

Working breakfast on economic scenario

By Ana Luisa Leite and Katrine Gundersen

The NBCC, before the global economic scenario changed, invited Sérgio Portugal, from the Inter-American Development Bank, to hold a presentation on the theme at a working breakfast at the Enoteca Uno Restaurant, in downtown Rio. Portugal spoke about the expectations of the development of the Latin American economy for 2009.

Among the topics raised were the expectations that the growth index for the Latin American countries in 2009 will fall 0.9% from last year. Also the projections for the future of the banking industry were sober, with Portugal suspecting that several banks will have to close and that future mergers between banks and nationalization of these institutions should be expected.

Portugal is the alternate executive director for Brazil and Suriname at the Inter-American Development Bank in Washington. He also represents Brazil and other Latin American countries on many Boards and Committees: BIRD, IDA, IFC, BID, IIC. He worked in the World Bank for more than eight years and occupied relevant positions in the Brazilian Government in the Ministry of Finance and Ministry of Planning. The breakfast, followed by the presentation, was well received by the NBCC members and friends, who questioned and debated on this controversial topic. The NBCC wishes to thank Sérgio Portugal for a very good and detailed presentation and all those present for joining this event.

Sérgio Portugal (left) and Sergio Garcia



Elise Vikingstad and Consul General Vibeke Lilloe.

Norway Day Celebration

Festivities at Porcão Rio's

By Anne Netland

On May 17, more than 300 Norwegians and friends of Norway gathered to celebrate the Norwegian National Day at Porcão Rio's restaurant. The event started outdoors with games for the children, a parade and a greeting from the Norwegian Chaplain in South America, Anne Netland. A brass band from the Salvation Army in Rio accompanied all the national hymns.

Inside the restaurant the dinner was served, but first there was a greeting from the Royal Family of Norway, presented by Consul General Vibeke Lilloe. Afterwards, the Norwegian Ambassador, Turid Eusébio, gave the main speech. She reminded all the Norwegians present of their history and of those who made it possible to celebrate the 17th of May: the men who created the con-

stitution of Norway at Eidsvoll on May 17, 1814.

On the National Day in Norway, children are very important. Princess Ragnhild knows that for sure, so she had prepared 78 surprises, one for each of the children who were at Porcão. The adults could continue with the dinner and the children sat down watching the Norwegian film "Flåklypa Grand Prix" while eating "royal chocolate".

Bjarte Vikingstad from the Sjømannskirken - Norwegian Church Abroad - was the toastmaster of the party. He entertained everyone with several songs. He started with the winning Norwegian song from the Eurovision Song Contest that took place on May 16 in Moscow, "Fairytale". The party ended with Bjarte singing a Norwegian blessing: "Den dag du gav oss".

To arrange a celebration like the one on May 17, there is a need for both volunteers and money. A special thanks goes to the committee that organized the celebration: Anne Lefdal, Marta Andrade, Patricia Barulla, Anita Opsvik, Silje Arianson and Anne Netland; the leader of the fundraising, Vibeke Lilloe, and all the sponsors: Solstad Offshore Ltda., Marintec, Jotun, DNV, StatoilHydro, Aker Solutions, Farstad Shipping, Innovation Norway, Lorentzen Empreendimentos, Brazilship Scanbrasil, STX Europe, Hydro Aluminum, Subsea 7, Norwegian Seafood Export Council, Norse Energy and Norskan Offshore. ■

Presentation and Cocktail

By Ana Luisa Leite and Halvard Idland

On May 18, the NBCC and Norse Energy had the pleasure of hosting an event with a specialist in the energy field, Adriano Pires, founder and director of CBIE (Brazilian Institute of Infrastructure). The new chairman of the Chamber, Kjetil Solbraekke, opened the seminar by telling a little bit of

Continued on page 33

Analysis of the power industry in Brazil

By Adriano Pires and Rafael Schechtman*



Pre-salt was the issue in vogue in 2008 and promises to continue to be so in 2009. People talked about nothing else but pre-salt in 2008 – everybody had the solution of how to fund and harness this rich energy source God had seen fit to bestow on Brazil. However, when the crisis hit and the price of the barrel of oil plummeted, pre-salt appeared to be out of the picture in 2009. Now the government has announced the proposal of a draft law, altering Law 9478 (the Oil Law), based on the new reality of the oil sector following the pre-salt discovery.

The government apparently intends to create a new national oil company to manage the reserves, the production and the revenues from sales of the pre-salt oil. Another change which may be implemented is the adoption of shared production agreements along with the concession agreements currently in place. Before proposing changes in the current legislation, we ought to use this moment of crisis to debate pre-salt production in different stages. First of all, we should invest in technological know-how, in the construction of models capable of funding the huge investments required, and to that end, we must have legal and regulatory safety. Then we can discuss the criteria and best system whereby these enormous riches may be distributed in the Brazilian society. And finally, if this indeed becomes necessary, we may change the law. With less emphasis on politics and ideology, pre-salt oil could surely be transformed into a great asset for Brazil.

The negative growth in the US and European economies in the two last quarters of 2008 and in the following year indicated an average price of between US\$ 50 and US\$ 60 per barrel of oil in 2009. We do not believe that any attempt to reduce the production by OPEC will have any effect on this price scenario. The OPEC cartel works well when prices are high; however, when prices start to fall, the cartel fails to reduce the production due to the extremely diversified economic and social situation of the member countries.

Based on this scenario, Petrobras will face three major challenges in 2009. First of all, it needs to adjust to a price per barrel of around US\$ 50-US\$ 60. Second, it needs to tackle an

international market with expensive and scarce credit. And third, it must cut costs and expenses.

In the natural gas sector there are two major obstacles: First, both the supply and the distribution network will have to increase. The current level of supply and the existing distribution network, provided the other segments do not increase their consumption, is not able to meet the demands of the thermal energy market and others such as industrial and automotive. In the northeastern region of Brazil, the situation is even more serious due to a general lack of natural gas. In the remaining regions these imbalances are harder to spot because of excess power generation capacity caused by a suppressed demand, due to low economic growth and increased levels in the hydroelectric water reservoirs.

The second obstacle is of a legal nature. The current legal framework, in the federal sphere, has not been capable of motivating the presence of other players than Petrobras in the transportation sector. Besides, there are not enough gas producers to challenge the monopoly of the state-owned company.

The Brazilian natural gas industry's structure is widely different from that of other countries. Although the sector was opened up in 1997, Petrobras continues to be the de facto monopolist in production, transportation and sale of natural gas.

Petrobras dominates the transport and owns an interest in 20 of the 26 distributors working under a concession agreement in the various states of the country, in addition to being an important player in the market for thermal power generation and petrochemical commodities. Petrobras also dominates the refining industry and import of oil by-products competing with natural gas. This clear dominance by Petrobras is virtually unparalleled in other countries. Even in countries such as France, the United Kingdom and Argentina whose natural gas industry was led by state-owned companies, the market power of such companies was no way nearly as great, and did not span over

that many segments, as is the case with Petrobras.

It was based on this analysis that a new law specifically tailored to natural gas was created. The Brazilian National Congress approved the law in March this year and it is currently being regulated. No doubt this law should be considered a progress in the natural gas industry, provided it in fact brings about more legal and regulatory safety, thereby stimulating the entry of new players in the production and transportation of natural gas in Brazil. Meanwhile, as the wording of the law establishes different transition phases, the changes provoked by this new set of regulations will require between 5 and 10 years to produce the desired impact.

There are three big questions to be addressed in the electricity sector in 2009: the renewal of existing Energy Trade Agreements in a Regulated Market (CCEAR); the end of the concessions held by many hydroelectric power plants by 2015, and last, but not least, the well-known problem concerning the granting of environmental permits for the hydroelectric power plants. The Energy Trade Agreements in a Regulated

Market (CCEAR) executed as of the first auction of power generation plants in 2004, intended to supply power over an eight-year period starting in 2005, will end on December 31, 2011. This auction, as many others that took place in that year and also in 2005, was held with a view to allowing a transition phase between the power industry model in effect during the Fernando Henrique Cardoso administration and the new model implemented by the Lula administration whereby energy not tied to any agreement can be sold. It should be stressed that, according to Law 10.848, of March 15, 2004, after 2005, auctions of power generation from existing plants contemplate delivery in the subsequent year to that of the agreement, and the period in which the delivery should take place is between 3 and 15 years.

The termination of these agreements has been a motive of concern for the distributors because, according to Decree Law 5.163/2004, the distributors must replace electric power generation stipulated in the extinct agreements with that of power purchased in auctions of existing power plants. In the event this does not happen, the distributors will be

forced to purchase power on the short-term market, and to pass on the resulting costs thereof to the end consumers. This concern is even bigger when considering that the power generation under such agreements for supply to begin in 2012 and 2013 corresponds to 20% and 15%, respectively, of the current electric power consumption.

The power generators, on the other hand, are faced with the dilemma of deciding whether or not to close deals with free consumers prior to the auctions that sell power to the distributors. Some generators have chosen to execute agreements with free consumers. Examples hereof are Light Esco and Copel, which sold more than half the existing power to free consumers. However, the federal generators, accountable for nearly 70% of the energy sold at the auctions in 2004 and 2005, were not allowed by the government to sell energy on the free market.

One of the reasons that prevented the generators from selling the energy on the free market was the uncertainty regarding the maximum price set by the government in future power generation auctions of existing

Continued on page 46

DNV Offshore Class Department in Rio informs:

Petrobras and DNV in Rio have signed a classification contract for P-58 – Petrobras' first owned FPSO classed by DNV

P-58 will be the first Petrobras owned FPSO to be classed by DNV. It has now signed a contract with Petrobras for classification services for a VLCC tanker conversion into a FPSO. P-58 will operate in the Baleia Azul field, north of the Campos Basin, located offshore on the southern coast of Espírito Santo state, and will be spread moored in a maximum water depth of 1,400 meters. The unit will be designed for at least 25 years of uninterrupted operation, without the need of dry-docking. The Process Plant will have capacity to produce 28,620 m³/day of crude oil and 6,000,000 m³/day of gas compression. Oil production will come from 19 satellite wells connected individually to the unit. The classification contract for the conversion phase will last 56 months, and includes review of the basic design, FEED, detailed design, hull conversion survey, modules fabrication survey, integration and offshore commissioning. Classification services will be carried out mainly by DNV in Brazil, since design and most of the conversion work will be performed locally.

First FPSO ramps up in Tupi field – the DNV classed BW Cidade de São Vicente became the first FPSO unit to start production on Brazil's giant Tupi field

The modification of the BW Cidade de São Vicente was a fast-track project, in that work began on the vessel in June 2008, and it left the Keppel Benoi Yard in Singapore on February 6 this year. The owner, BW Offshore, chose DNV to class the FPSO and named it after the first official city in Brazil. The operator, Petrobras, started production on the Tupi field on May 1, with the presence of Brazil's President Luiz Inácio Lula da Silva to mark the occasion. Upon completion in Singapore, the vessel sailed to the Tupi field in Brazil, where it was met by the Brazilian DNV team that has been assisting BW Offshore since the start of the project in Singapore. The installation was a challenging operation which required pull in of the mooring lines, risers and umbilicals. This process occurred in parallel with carrying out the commissioning and testing before start-up of the well. The operation took place in water depths of about 2,200 meters. ■



Seven Oceans & Seven Seas: two vessels in operation for BC-10 project from Shell.



Seven Oceans vessel spooling rigid line in Ubu base, from Shell.

Subsea 7 Brasil - Investing in People and Process

Subsea 7 is one of the major deep and ultra-deep water subsea engineering and construction companies worldwide, developing projects and new technology for the offshore oil and gas industry. With an international workforce of approximately 5,500 employees (onshore and offshore) and a fleet of 23 pipe-lay, construction and support vessels, fitted with state-of-the-art equipment, the company—with headquarters in Aberdeen—operates all over the world through operational bases in the UK, Norway, Asia, Africa, Brazil and USA.

Subsea 7 has proven experience in Brazil, with more than 15 years in the country and having participated in the majority of the subsea field installation projects during this time, providing services ranging from underwater survey services and subsea engine fabrication to the installation of rigid and flexible pipelines & risers including the SCR (steel catenary risers) and SLWR (steel lazy wave risers), for clients such as Petrobras, Shell and Statoil.

The Subsea 7 operations in Brazil last year meant:

- 737 km of flexible and rigid lines laid
- 9 vessels in operation along the year
- 19 ROV systems operating
- 201 employees hired

The successful achievement is a result of the efforts of our people and the focus on further strengthening the local team, supported by excellent integration and team-

work between the Brazilian organization and global business improvement initiatives.

Subsea 7's main offices are situated in Niteroi, Rio de Janeiro state. To the north of Niteroi lies the Ubu Spoolbase that is strategically positioned to serve projects in the Campos Basin, which has traditionally been the most active of the oil and gas basins offshore Brazil. Further north again, the Vila Velha site is used for Subsea structure fabrication.

By developing safe, sustainable and high-performance solutions, Subsea 7 is your Subsea Partner of Choice anywhere in the world.

Tambaú-Uruguá and P-56: New projects consolidate Subsea 7 leadership

Subsea 7 is getting ready to execute a new contract entered into with Petrobras in February to install rigid lines in the Tambaú-Uruguá and P-56 fields, in the Santos and Campos Basins respectively.

The Tambaú-Uruguá scope comprises the engineering, installation and commissioning of two gas lines of approximately 15 km of extension and 12 inches of diameter at a water depth of approximately 1,300 m.

The P-56 project is an EPCI Project including the execution of engineering, procurement, manufacturing and installation of two oil pipelines – approximately 13 km of extension and 12 inches of diameter – at a water depth of 1,600 m, and one gas pipeline – diameter of 10 inches and 9 km of length

– at a depth of 1,300 m.

The pipe installation will be carried out by the laying vessel Seven Oceans and the complementary and supporting activities will be performed by a support vessel.

The start of pipe manufacturing is forecast for this year and the completion of the offshore campaign for 2010.

The project team has already been mobilized and will comprise 30 people. We estimate that the two projects together will require the contracting of 80 to 100 different suppliers, between services and materials. ■

Seven Oceans vessel in Ubu base for a Petrobras project.



Continued from page 29

the history of the Norwegian Constitution Day.

Pires's presentation on "Brazil's Energy Matrix" described the potential of Brazilian fields in the way of becoming the greatest producer of energy sources in the future. Despite the optimistic vision, he also pointed out the difficulties present in the local politics that can be a limiting factor for the development of this area in Brazil. Pires ended his presentation by showing estimates of the population and consumption growth worldwide, and the need for a deep development involving not only the producers themselves, but also the governments, in order to keep up with this



Adriano Pires and Kjetil Solbraekke.

increase. It was an ending of a presentation which certainly stimulated reflection.

Solbraekke concluded the event by paying tribute to the former chairman of the Chamber, Sergio Garcia, who received a commemorative plate in appreciation for his great efforts and commitment during 2008.

Finally, Consul General Vibeke Lilloe kindly invited members of the NBCC and guests for a cocktail at her apartment. She made a touching speech that moved all present, as she described the way this date is celebrated in Norway: with the parades, the ocean of waving flags, national costumes, marching bands, the unlimited amount of ice cream and all the other traditional features of this celebration.

Besides this brief patriotic and romantic moment of the Norwegians present, surrounded by beautiful Rio de Janeiro, the guests enjoyed a pleasant evening of excellent finger food, drinks and flowing conversations. ■

GOLD MEMBERS

The Norwegian Brazilian Chamber of Commerce would like to extend a warm thank you to its Gold Members. If you have any doubts about membership in the NBCC, please contact Executive Secretary Ana Luisa Ulsig Leite at info@nbcc.com.br



MANAGING RISK



LAW OFFICES CARL KINCAID
Mendes Vianna Advogados Associados



StatoilHydro

stx Europe

subsea 7

VEIRANO ADVOGADOS

Brazilian shipyards' capacity and local content demand: is this feasible?



NTSOK, the Norwegian Oil & Gas Association, has prepared a study about the current capacity of the Brazilian shipyards and concluded that it will not be possible to fulfill the local content demand in a short to medium term.

Based on Petrobras's strategic plan, new shipyards under construction and the current capacity of existing ones, Brazilian shipyards cannot handle the volume of orders announced by Petrobras and other players.

Three areas were evaluated: hulls, topside modules and support vessels fabrication:

1. Shipyards able to build platforms/big tanker hulls

- Estaleiro Atlantico Sul: Under construction – Busy with Transpetro fleet (I and II and P55)
- Sermetal: Present proposal for Transpetro (II). Shipyard requires special attention and investment.
- Brasfels: P56, P57 (capacity available soon)
- Rio Grande: Under construction, busy with 8 FPSO hulls
- EISA – Rio: Busy for the next 4 years (Transpetro, PDVSA...)
- São Roque Paraguaçu: Busy with P59 and P60
- Mauá: Busy with Mexilhão and Transpetro fleet (I and II)
- Nuclep: Busy with P56 and the possibility to build the third Brazilian nuclear power plant
- Techint: Green land used in the past for Jacket construction
- Itajaí: Busy with Transpetro fleet I and II.
- **Others:** Jurong (construction to be confirmed); STX Quissama (construction to be confirmed); Rio Nave (former Caneco – requires special attention and investments; and OAS (upgrade to be confirmed).

Considering the Transpetro (Petrobras subsidiary) program, P55, P56, P57, P58, P59, P60, P61, P62, P63, PDVSA orders and 28 new drilling rig hulls, it will not be feasible to deliver all units before 2017.

2. Areas able to erect/build modules for offshore platforms

- GDK – Bahia: Available
- São Roque Paraguaçu: Busy with P59 and P60
- UTC Bahia: Construction to be confirmed
- OAS : Upgrade necessary
- STX – Quissama: Construction to be confirmed
- Sermetal area: Present proposal for Transpetro (II). Shipyard requires special attention and investment.
- Superpesa: Available
- Mac Laren: Available
- Renave – Enavi: Available
- Mauá: Busy with Mexilhão, Transpetro fleet (I and II) and upgrade of drilling rigs
- Keppel Fels – Rio: Available
- UTC – Rio: Busy with several "P" projects
- Nuclep: Busy with P56 and the possibility to construct the third Brazilian nuclear power plant
- Brasfels: Busy with P56, P57 (capacity available soon)
- SRD: Available – Mainly for supply boats
- Angra Port: Available – Special attention required
- Techint: Green land used in the past for Jacket construction
- Odebrecht – Paranaguá: Green field, special attention required
- Itajaí: Busy with Transpetro fleet (I and II)
- Rio Grande: Under construction and busy with 8 FPSO hulls
- QUIP – Rio Grande: Busy with P57
- Galvão Alusa: Construction to be confirmed

Considering only P55, P56, P57, P58, P59, P60, P61, P62, P63, 8 Tupi FPSOs, and 28 new drilling rigs, the topside construction is in better position than the hulls evaluation and it may be feasible if the local equipment sub-suppliers invest heavily to expand the current capacity.

3. Shipyards able to build off-shore support vessels

- STX Rio: Busy (supply vessels)
- Aliança: Busy (supply vessels)
- Wilson Sons (SP/RS): Busy (supply vessels)

- Inace: Busy (Navy)
- TWB: Busy (fishing ships)
- Detroit: Busy (tugs)
- Navship: Busy (supply vessels)
- Itajaí: Busy (gas tankers)
- EISA: Busy (Transpetro fleet I and II)
- Renave – Enavi: Investment required
- Mauá: Busy (offshore platforms and Transpetro fleet)
- Brasfels: Busy (offshore platforms)
- Cassinu: Busy (supply vessels)
- Sermetal: Special attention required
- SRD: Busy (supply vessels)
- **Others:** Rio Maguari – Superpesa – Transnave – São Miguel and Estaleiro da Bahia

The conclusion of this item is that the industry can deliver in an optimistic forecast between 15 and 20 support vessels a year (of all kinds), considering the investment announced by the shipyards. Brazilian industry is unlikely to deliver the 146 supply vessels (Petrobras investment plan) within less than 10 years.

Below you can read some conclusions of the INTSOK report:

- Petrobras's 28 new drilling rigs shall have the flexibility to be built abroad, the local industry cannot handle this volume with in the next 10 years unless there are heavy investments in extra new shipyards.
- The support vessel fabrication market is still open to new players.
- Brazil will be one of the strongest offshore and shipbuilding industries in the world in a medium to long term.
- Brazilian sub-suppliers cannot handle such volume of orders, therefore the flexibility to deliver from abroad shall be considered.
- Commissioning and integration will be the bottom neck of this industry in 3 to 5 years.
- Finally and most important, the Norwegian suppliers have a unique window of opportunity in Brazil at this moment to use their extensive offshore and shipbuilding experience/competence. ■

SEO Marketing gives presentation on “Uncovering Google Secrets”



SEO Marketing director Bernhard Schultze and Swedcham Executive Secretary Jonas Lindström.

On May 21, SEO Marketing addressed Swedcham members and guests with the presentation “Uncovering Google Secrets”. With over 40 attendees, mostly marketing professionals and business owners, the pre-

sentation covered both sponsored Links and organic search results.

During two hours, Bernhard Schultze, SEO Marketing director, grabbed the attendees’ attention providing a clear picture of the main factors that influence Google results. During the event, participants had enough time to have their questions answered by Schultze, a Google enthusiast whose company provides Google consulting services for over 100 firms, including the Swedish-Brazilian Chamber of Commerce. The presentation was divided in two parts.

Part 1 covered Google Adwords, Google’s sponsored link tool. Schultze explained how Google positions ads, and which ads are eligible to show up as the top 3 results on the results page. Not well known by the vast majority of advertisers, Google’s quality score rewards good ads and advertisers with cheaper clicks and better positioning. Schultze also pointed out the need of having efficient Landing Pages, in order to drive

visitors toward the objective of a site – either a sale or a contact form filled out.

Part 2 covered Google’s organic (non-paid) results, the 10 web pages featured in the center of Google’s results. Bernhard emphasized the need to not only have a site which is rich in content, but with a good amount of links pointed at it.

The SEO Marketing event was such a success that the Chamber is planning to offer a short-term course to members in the second half of this year. Further details will be posted on our website at a later date. ■

Swedcham Board

Name	Function
Christer Manhusen	Chairman
Donizete Santos	Vice Chairman
Borje Jerner	Vice Chairman
Sven Antonsson	Board Member
Nils Bonde	Board Member
Nils Grafström	Board Member
Peter Hultén	Board Member
Stefan Lundqvist	Treasurer
Paulo Nigro	Board Member
Therese Otterbeck	Board Member
Renato Pacheco Neto	Legal Director
Fatima Raimondi	Board Member
Tommy Svensson	Board Member
Ronaldo Veirano	Board Member

First Honorary Member:

HM Queen Silvia

Honorary Members:

Ambassador Annika Markovic

Consul-General Barry Bystedt

Swedish Trade Commissioner Jacob Wedin

Chamber holds Annual General Assembly

Swedcham’s Annual General Assembly took place at the Chamber on April 29. On behalf of the auditors, Stefan Bengtsson and Edalcio Nisiyama, the latter presented their report. The books were said to be in good order, and the auditors’ report was approved.

Executive Secretary Jonas Lindström then presented his report from 2008, which met with the Board’s approval. He also gave his view of what lies ahead for the Chamber this year.

The Assembly approved a proposal by the

Board of Directors for a donation to Queen Silvia’s World Childhood Foundation. The Board was given the authority to decide when in time this donation should be done most appropriately.

The composition of the Board of Directors was approved. New ordinary members are Sven Antonsson, CEO of Scania, and Fatima Raimondi, CEO of Ericsson. The Swedish Trade Council, represented by Trade Commissioner Jacob Wedin, was elected as honorary member. ■



May Networking Luncheon a success

Swedcham held another one of its popular networking luncheons on May 26. Like in April, the lunch took place at the interesting Teatrix restaurant on Rua Peixoto Gomide.

Some 25 Chamber members and non-members got together in what turned out to be a real business luncheon, as many fruitful contacts were made and business cards swapped. ■

IDS presentation on Strategic Prospects

IDS (the Institute for Sustainable Development) and Swedcham organized a very interesting presentation on "Strategic Prospects for Organizations" at the Chamber's facilities on May 12.

The presentation was given by Antônio Luís Aulicino, PhD and Master in Business Administration (FEA-USP). Aulicino is one of the owners of IDS, which was founded in 2005 with the objective of contributing to the development of organizations, both private and public, using the multidimensional concept and contemplating the dimensions of sustainable development. ■



Workstations available at Chamber

The Swedcham facilities, located in the swanky Jardins area, include not only meeting rooms and a social lounge but also several workstations. The latter can also be rented by members and non-members. There are presently two available at special prices. Interested parties are asked to please contact Chamber Executive Secretary Jonas Lindström, tel. 55 11 3066-2590 or jonas@swedcham.com.br



Photo: Alexandre Socci

Former Finance Minister Mailson da Nóbrega (center) is flanked by Swedcham Chairman Christer Manhusen (left) and Chamber Executive Secretary Jonas Lindström.

Mailson da Nóbrega addresses Chamber

Former Finance Minister Mailson da Nóbrega gave an exclusive and excellent presentation on Brazil's Economic and Political Environment at Swedcham on August 29, following the Chamber's Annual General Assembly.

Nóbrega, currently one of the most respected speakers in Brazil and a partner of Tendências Consultoria Integrada (an economic and political consulting firm based on São Paulo), began his presentation by stating that "President Luiz Inácio Lula da Silva has a strong commitment to democracy, he is a pragmatic leader and has nothing to do with the leftist leaders in Latin America."

The present Brazilian reality, he said, is that the country has strong institutions, lower external vulnerability, and a low political risk (lower than China and Russia in the long run), among other positive factors.

Brazil is safer from foreign shocks due to its macroeconomic stability, floating exchange rate regime, fiscal austerity, net foreign creditor status, solid financial system, highly diversified export industry and investment grade.

The presentation was a big success, attended by around 50 people, and followed by an excellent cocktail party catered once again by the highly competent Buffet Cicareli. ■

Swedish Innovation Day at FIESP

An event entitled Swedish Innovation Day, with a conference on "Brazil and Sweden, Partners in Technology", was held at the São Paulo State Federation of Industries (FIESP) on June 2 in cooperation with the Swedish Trade Council.

Saab World CEO Åke Svensson attended the conference featuring Swedish-Brazilian industrial cooperation today, future development and future areas of cooperation. The future areas of cooperation of particular interest to Brazil involve advanced technologies, where Sweden has a lot to offer.

Besides Svensson, speakers at the conference included Swedish Ambassador Annika Markovic; José Augusto Correa, Assistant Director of FIESP's Department of International Relations and Foreign Trade (DEREX); Maria Plass, Swedish Member of Parliament; Moyses Alberto Simantob, Professor at the Getúlio Vargas Foundation (FGV) and co-founder of the Forum of Innovation; Guilherme Pfisterer, Foreign Trade Manager at the Brazilian Development Bank (BNDES); Reginaldo Braga Arcuri, President of the Brazilian Industrial Development Agency (ABDI), Mikael Höglund, Executive Vice President of Saab Security; Lourenço Pinto Coelho, Vice-President of Marketing and Support at Ericsson; Jonas Lindqvist, Co-owner and Head of Business Development, Marketing and Sales at SCISS; Björn Söderberg, Sales and Market Director of Kiwok Nordica AB; and Mårten Hellberg, CEO of OrganoClick. ■

(Left to right), Björn Söderberg, Jonas Lindström and Mårten Hellberg.



New Members

Swedcham wishes to welcome the following new members:

Corporate:

Arvato Print

Activity: Printing services.

Entre Vistas Comunicação & Marketing

Activity: marketing & communication agency.

Escola Cidade Jardim/Play Pen

Activity: bilingual school (kindergarten to 9th grade).

ITT Water & Wastewater Brasil

Activity: the world's leading manufacturer and supplier of submersible pumps, mixers and fluid handling technology.

Kinnarps

Activity: Family driven Swedish company that offers workspace interior solutions.

Klein & Partners

Activity: fine arts market, strategic business consulting and integrated communication.

Meeting Assessoria Empresarial

Activity: Manufacturing of Platoo (cocktail trays).

São Paulo Convention Center

Activity: The Bureau's main objective is to promote the city as a tourism destination and, especially, as a host for Brazilian and international events of all types (culture, sports, business, fairs, congresses, conventions, etc.).

Max 2 Marketing e Promoção Ltda.

Activity: Specialized in communication solutions such as e-mail marketing, mobile marketing "SMS and Bluetooth" and market trend research.

Individual:

Anders Norinder

Fabiano Indena

Marco da Silva Carrilho Rosa

Individual Overseas:

Robert Lindblom



(Left to right) Sten Hedbäck, Sharif Pakzad, Ana Cecilia Murphy and Peter Törngren.

investment, this creates a very positive environment for further Swedish investments in Brazil in this area", said Sten Hedbäck, a partner of the Swedish law firm.

In addition, the import company Tilab is actively searching for Brazilian products to import in the food sector. A Swedish investment company has started to market investments in ecological teak farming in Brazil. A Brazilian/Argentine fashion company has asked the Chamber to investigate the possibilities of establishing their brand in Sweden. Brazilian municipalities in Bahia have contacted the Chamber to check out the possibilities of finding business partners in Sweden and the Chamber is planning to start courses on how to handle Swedish VAT (Moms) for local small Brazilian companies.

Brazilian Chamber Director and Swedcham Representative in Stockholm Hugo Oljemarm was recently on a consulting assignment in Angola and in connection with his trip he investigated the possibility of having a Chamber link with that country. An increasing part of Angola's imports and foreign investments are coming from Brazil and there is a general interest to find openings and new channels to do more business in Angola. ■

Mini-Seminar at Törngren Magnell

More than 30 people participated in the Brazilian Chamber of Commerce's Mini-Seminar held at its member Törngren Magnell's offices in Stockholm in April. The Chamber has started networking meetings in combination with a Mini-Seminar where different companies and organizations can make a short presentation. The next event is planned for the end of September.

The Chamber in Stockholm has recently witnessed a broad range of activities in Swedish-Brazilian relations.

The law firm Törngren Magnell opened a

Brazil Desk and an office in São Paulo, where it held two seminars followed by a cocktail party at Swedcham on May 13 (see related story on page 20). Prior to that, there was a seminar on May 12 at Volvo in Curitiba that was followed by a much appreciated *churrasco*. "Sweden is world leader in the development of clean technologies relating to environmental preservation. Combined with the fact that Brazil is one of the world's most important countries for environmental preservation, and that Brazil is highly ranked among Swedish companies for foreign

Westberi offers ecological investments in Brazil

Stockholm-based Westberi Fund Distributors acts as the sole promoter of the QUADRIS Environmental Fund in Scandinavia. Tomas Couch, a partner in Westberi, recently said at the Chamber event held at the offices of Törngren Magnell that "there is nothing quite like the QUADRIS Environmental Fund, its success is inextricably linked to the ethical and socially responsible approach taken by Brazil's Floresteca Agroflorestal Ltda. in its

Tomas Couch, Hugo Oljemarm, and David Nash.



management of the Mato Grosso teak plantations."

In 2001, the QUADRIS Environmental Investments Ltd., a niche market leader in socially responsible investment, launched the QUADRIS Environmental Fund which derives its value from Floresteca's activities and offers positively green investment opportunities for the socially aware green investor. The Fund is currently worth € 87 million and provides a transparent investment to achieve low-risk, well-performing returns in a sustainable, socially responsible and environmentally sound way. Investors with a social conscience are drawn to the Fund in the knowledge that QUADRIS Environmental Investments continually monitors Floresteca's plantation operations to ensure compliance with the strict ethical, social and ecological principles that QUADRIS applies to all its investment projects.

The forestry industry in Brazil is one of

the largest and most well established in the world, employing 6.5 million people and accounting for 4.5% of the nation's GDP. In 1994, Floresteca laid the foundations for what is now the world's largest commercial teak plantation operation located to the west of Brazil in the states of Mato Grosso and Pará. Floresteca's plantations, recently valued in excess of € 227 million, cover a geographic land mass comparable to twice the size of metropolitan Paris and are accessed via a 300-km network of roads.

Since launching operations, Floresteca has been recognized as an industry leader by both the forestry sector and an ever-growing group of socially-aware investors. In addition to having been certified by the Forest Stewardship Council in recognition of its commitment to ecological, technical and organizational principles, Floresteca is also seen as a socially proactive employer in the care of its forestry workforce. ■



What is the role of HR in times of crisis?

Whenever we have a crisis on the market, whether for global or local reasons, lay-offs are unavoidable in most cases. Crisis after crisis, throughout the last few decades, in almost every company the Human Resources department has emerged as the operating agent of these lay-offs. That is, it is up to HR to deal with the unpleasant part of the relationship between a company and its employees – the latter's dismissal. It is up to HR to obey the norms laid down by headquarters, or the President, CEO or Financial Director requiring a linear cutback in payroll expenditures or the number of employees.

In these difficult times, managers directly responsible for these employees, and who hired them with much enthusiasm, simply disappear. The current picture clearly shows that managers to a large extent continue unprepared to deal with human matters in a professional milieu. This occurs because they either have an inadequate academic formation for the role managers need to and must execute in current times, or because there is a lack of continuous complementary formation professionals should receive at companies from the moment they are hired and throughout their careers.

People talk so much about the strategic importance of HR departments that it is hard to believe that at each crisis we witness a simply bureaucratic operationalization that constantly repeats itself. Far from us having organizations adjusted to being "knowledge learning and teaching companies", the Human Capital of organizations continues unprepared to act in an adjusted manner in line with the respective oscillations and changes of markets. One has the impression that there a misalignment between the business model and its strategy associated with the part of the processes that directly

involve people within organizations. Much more than a psychological bias, HR departments need to inject a strong dosage of pedagogical knowledge in the organization's development. Whoever is responsible for handling people within companies needs to have sufficient knowledge of a corporate pedagogy that allows them to disseminate and develop within the organization the knowledge and competences required by business processes. This is true in times of crisis or not.

It is always time, and more than ever, to invest in the Human Capital of our organization. After all, does it make a difference in the world of heated competition in which we live or is it just a marketing ploy that is being used? It is time to seek new ideas, to take first steps, to tread new paths. And for this we need our organization to be prepared to evolve even in a year of constant uncertainties, with market oscillations and rising competition. Counting on people and tools that allow one to face the future is essential. One needs a commitment with the innovation of open cooperation, and consequently with an open style of leadership. In order to make our company special it is necessary that its performance be unforgettable, and for that we



need our human resources to be prepared.

But, after all, what is the relevant role of HR whether in times of crisis or not? It certainly shouldn't be to hire or lay off people. Each organization depending on its culture tries to find an ideal role that helps the issue of human capital management. With no defined recipe here, one is left with the following question: what is the contribution that your company's HR department gives in the Value Chain of your client? How close or far is the department from being ready to change the saying "one must take pride in one's company" to something more suitable to our times such as "one needs to take pride in one's clients"?

When we work on the client's focus, our performance goes in the direction that relations are based on collaboration. By placing ourselves in the field of business vision of a client, we are able to surprise him/her with innovative solutions that he/she needs but is somehow unable to communicate. The world has changed and competition is on the rise. The great challenge of all companies is to provoke changes and do better than their competitors. The client is a human being or a company that has the power to decree the success or failure of your business. In this mission all areas of the company must be interested parties and all collaborators, without exception, must dedicate themselves to the process of continuous innovation in the client's focus. Who knows, this could be a more strategic task for HR departments than simply laying off people in times of crisis. What is your opinion on this? ■

**Dieter Kelber is the executive director of the Advanced Institute of Intellectual Development (INSADI) and Coordinator of Swedcham's Human Capital Committee.*

2009: crisis and opportunities



Marcus V. Freitas

Brazil will go through a difficult period in 2009 and 2010, with very low growth rates. Despite the efforts of those trying to diminish the impact of the financial crisis, it will certainly affect several companies and their growth projects, which will necessarily need to be postponed or even terminated.

We see a Darwinian impact on companies, eliminating a large number of those that are uncompetitive. The secret, therefore, lies in preparing oneself with the necessary management and legal tools to survive a turbulent, difficult period. The word in order is retooling!

How will Brazil be affected? Basically in three ways: a) a reduction in our international commodity trading, since China, our largest buyer, has reduced its purchases due to lower consumption in the largest world markets; b) a credit crunch for banks that used international resources, which were available at lower rates and no longer are; and c) a major repatriation of funds from Brazilian subsidiaries to headquarters.

Thus, companies need to prepare themselves better, particularly to improve their human resources, tax and foreign trade departments. This is a good time to get rid of old, yet unresolved problems and habits.

With regard to human resources, the high cost of dismissals may become too onerous with a direct impact on profitability. The negotiation to reduce the number of

employees needs to be carefully analyzed and dealt with in a transparent manner, particularly considering that a labor relationship is difficult to terminate and courts tend to be biased for employees. However, currently there is a negotiation spirit in the labor force, and this could be favorable to a fairer negotiation between both sides.

In the fiscal arena, the government has proposed



The presentation given by Marcus Freitas attracted a large crowd.

a few benefits, either at the city, state or federal level, which may sometimes be overlooked. We have seen a few strategies applied that can reduce exposure when it comes to taxes, with a direct impact on the company bottom line. Such strategies necessarily require a review of the balance sheet and its tax status over the last three years in order to benefit from some available tax credits.

With regard to foreign trade, the opportunities are even greater. As China becomes the greatest world producer of manufactured goods, it is essential to bring Chinese products into Brazil at the lowest or most preferable taxation. Companies that have outsourced production abroad now need to pressure the federal government to reduce tariffs in order to avoid a typical crisis trend, which is the return to protectionism. If no efforts are made by the industry to reduce import taxes, a major production and distribution crunch may result particularly for those companies that have outsourced production to Asia.

We also foresee a growth in the need for the international collection of outstanding bills. The rate of default has greatly increased, and the collection of such payments truly is a challenge. Here is where a well written agreement containing an arbitration clause may save a lot of headaches. Otherwise, the use of other mechanisms may not be as expeditious as expected to recover the amount owed.

Renato Pacheco Neto, Legal Director of Swedcham and Coordinator of the Legal & Business Committee, Marcus Freitas, and Chamber Executive Secretary Jonas Lindström.



Mergers and acquisitions will also necessarily result from the crisis with a much fairer market value. The abundance of wealth of previous years led to deals that were not realistic, with pricing for several assets way overpriced. This is the time – if you have money in the bank – to make a few acquisitions and buy while there are companies for sale. As they teach in business school, it is time to buy low and sell high. A quick, yet deep due diligence should support a good deal.

I believe crises are good for companies and people. It is not time to despair either at the corporate or personal level. A few years ago, I read this quote extracted from the Wall Street Journal:

"If you sometimes get discouraged, consider this fellow. He dropped out of grade school. Ran a country store. Went broke. Took 15 years to pay off his bills. Took a wife. Unhappy marriage. Ran for

House. Lost twice. Ran for Senate. Lost twice. Delivered speech that became a classic. Audience indifferent. Attacked daily by the press and despised by half the country. Despite all this, imagine how many people all over the world have been inspired by this awkward, rumped, brooding man who signed his name simply: A. Lincoln."

Brazil is a great country with a multitude of opportunities for investment. It is rising to become an even more important player on the world stage. It is greater than the crisis.

I truly believe that crises make us rethink about cost structure and more deeply analyze the benefits that we have not used for a lack of greater concern. Crises come and go, but the future is always bright. Hopefully, at the end of this crisis, Brazil will be in a much better shape. Hopefully, we all will be in better shape. ■



** Marcus V. Freitas, international partner of the law firm Cerqueira Leite Advogados Associados, gave this presentation on Brazil's political and economic environment in 2009 for Swedcham's Legal & Business Committee at the Chamber's premises on March 27. Freitas is a Professor of Law and International Relations at the Fundação Armando Álvares Penteado (FAAP) in São Paulo. A Law Graduate from the University of São Paulo (USP), he has a Master's Degree in Law from Cornell University and Economics and International Relations from the School of Advanced International Studies (SAIS) at Johns Hopkins University.*

Profit sharing plan for managers and staff of Nordic companies in Brazil



Renato Pacheco Neto

Following Nordic tradition, Sweden has always kept an eye open to render a fair distribution of income within its society. That goes also along with Swedish policy to assure a good level of remuneration for its people, regardless of their social level, thus assuring a better socio-economic model. It is known worldwide that social differences in Sweden are much smaller than in other capitalist nations. Swedish companies have thus also the chance to assign part of their subsidiary profits to their employees in Brazil.

With a view to converging the interests of both the companies and the workers, a new means of remuneration has been created so as to "reward" the worker based on the success of his work, be it the profit earned by the company or the goals achieved. This benefit is referred to as Income and/or Profit Sharing Plan [*Participação nos Lucros e/ou Resultados - PLR*].

The PLR is provided in article 7, item XI, of the 1988 Constitution. Such mechanism which generates an increase in the final pro-

duction of the employee had been provided in the former Constitution of 1946, but it was not applied. With the advent of the 1988 Constitution, the use of such mechanism began, although a specific regulation thereon was enacted in 2000 only (Law No. 10,101). Such law was introduced in the Brazilian legal system as the result of various provisional acts [*medidas provisórias*] which had practically the same content subsequently given to Law No. 10,101. The first was Provisional Act (MP) No. 194 of 1994, followed by 13 re-submissions.

Income and/or Profit Sharing Plans afford companies a means to adapt themselves to the fluctuations of the economy: if the economic times are good, the companies' income (or profit) is better and enables the payment of the PLR. By applying this model, Swedish companies established in Brazil will therefore be able to grant better working conditions for their employees.

Pursuant to law, the PLR may represent a tax reduction, mainly as regards the Social Contribution on Net Profits (CSLL) and the Income Tax (IR) when the companies have registered with a tax calculation method based on actual profit (art.3, paragraph 2, of Law No. 10,101/2000).

The main innovation of the law which created income and/or profit sharing plans, undoubtedly, is the dissociation of the income or profit sharing from the worker's regular remuneration. Accordingly, all which is paid to the worker by way of income or profit sharing does not qualify as salary or is included therein, so it is not subject to other charges such as social security contributions, severance pay fund deposits (FGTS), or the proportional payments such as vacation pay and Christmas bonus.

The main advantages for Nordic groups in adopting the Income and/or Profit Sharing Plan for their business in Brazil include:

- Exemption from social security charges,

such as the exemption from any labor charges on the PRL amount (an interpretation upheld by the Federal Court for the 1st Circuit - interlocutory appeal No. 2009.01.00.003064-4/MG);

- The payment is due only to employees who have reached individual and team targets;

- Reduction of costs and expenses in the implementation of the PLR, as the employees participate in the production increase, reaching targets and earning profits;

- Greater commitment on the part of the employees towards the company;

- Possibility of having variable expenditures with the payroll, so in times of smaller profit or production, the costs would be reduced as well;

- Companies having high-level positions occupied by executives usually offer benefits, premiums or bonuses, but they do not pay due regard to the salary character of such payments and their respective labor, tax and social security charges, which may imply administrative and legal liabilities in the future;

- The formulas and indexes to calculate the targets reached under the PRL Agreement may or may not be stipulated based on the fixed salary for such position, instead of the executive, so that solely the latter, or the human resources department, will have access to the information concerning the amount paid under the PRL program.

Nordic companies should, however, also be aware of the disadvantages in adopting the Income and/or Profit Sharing Plan, which include:

- If the Law is not strictly observed upon implementation of the PLR, the benefit may be considered, in court, as having a salary character and, as such, all labor and tax charges thereon would be due;

- If the plan does not establish clear targets and variable payments according to the fulfillment of objectives and the employee's

Cristiane Delfini Cera



position, the Social Security authorities may consider such benefits as extra salary payments, which may give rise to the imposition of penalties;

- The working hours may be increased, and this may cause additional stress on the employees.

The incentive to be set up by Nordic groups to productivity is one of the most highlighted objectives in PRL implementation. In addition to productivity, the increase in competitiveness and profitability is also pointed out. As the employee will participate in the sharing of the final earnings, he will endeavor to contribute so that the company may also increase such earnings. The employee thus motivated will be more dedicated, productive and proactive. This will occur because there will be formed a link between the company's good performance and the employee's good performance. They will envisage one and the same purpose which will benefit both. This follows the Swedish mentality and vision, as to allow fair compensation to all people involved in the economic production process.

The procedure to be adopted for the implementation of the Income and/or Profit Sharing is provided in article 2 of Law No. 10,101, to wit: "it will be subject to negotiation through a commission, collective agreements between trade and labor unions and between employers and unions". Such instrument must be chosen by the parties of common accord. In all of them, the participation of the labor union is mandatory. The PLR is considered valid only if the instrument executed is filed with the pertinent labor union office.

Nowadays, companies may choose between three types of negotiation, namely:

a) Direct negotiation between the company and its employees: similar to the previous one, but including a union representative who is also an employee of the company and who works at the headquarters thereof. This negotiation results in a collective agreement [*acordo coletivo*].

b) Direct negotiation between the company and the labor union: the employees are represented by the union, instead of the commission of representatives. This negotiation results in a collective agreement [*acordo coletivo*].

c) Indirect negotiation between the trade union and the labor union: the PRL is negotiated for the entire industry, instead

of for only one company. The result of such negotiation is a collective convention [*convenção coletiva*].

In order to evaluate the strategic advantages of the PLR for the employer, Nordic companies should establish a relationship between the strategies of remuneration according to productivity and its effects on the organization of their Brazilian business. Thus, it is important to find in the productivity itself the more commonly used assessment indicators such as profitability, sales volume, level of fulfillment of orders, productivity and cost reduction. ■

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...Brånemark

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"Mamma Mia" charity evening

This year, another International Congress, entitled "Osseointegration – 20 years of the Brazilian Experience", will be held at Anhembi, from September 3 to 5. Vasconcelos stressed that the event will include a special Swedish-Brazilian charity evening called "Mamma Mia" due to the success of the film and theater play written by members of Sweden's famous ABBA group.

Proceeds from the evening, which will feature ABBA hits performed by the band Reveillon and a delicious cocktail party, will go to the Associação Aliança de Misericórdia, which assists street dwellers and in which Vasconcelos actively participates. In its 9 years of existence, the institution has taken more than 2,000 people off the streets and helps some 300 homeless people daily (for more information check out the website www.misericordia.com.br).

The "Mamma Mia" evening will be held on September 3 from 8:30 p.m. to 12:30 a.m. at Clube Espéria, 500 meters from the Anhembi Convention Palace where the Congress will be held. As in 2005, the president of the Congress will be Vasconcelos

For more information about the Brånemark Osseointegration Center in São Paulo, click on www.branemark.com.br ■



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...Power industry

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plants. In the auctions carried out in 2004 and 2005, the prices ended up being below half the marginal cost of expansion of the electric power grid. Despite the fact that the surplus energy supply at the time of such auctions had a significant impact on their profit, the main factor that reduced the prices was the government's determination to attain moderate tariffs, achieved through a strategy of offering low-priced energy by the federal generators at the auction.

The government's strategy for the next auctions of power generation of existing plants is still not known. It is up to the Ministry of Mines and Energy to determine the maximum price at these auctions, which, according to Decree Law 5.163/04, shall be lower than the average value obtained at the auctions of power generation from existing plants carried out in year A-5, whose supply start-up date coincides with that of the auction of power generation of existing plants. In the case of the auctions of power generation of existing plants to be held in 2011 and 2012, the average value is close to R\$ 130/MWh. Although this value is far above the average prices obtained in the past auctions, there is no guarantee that the government will not make use of the power generation from existing plants once again, as a means to avoid increases in the electric utility tariffs.

Another factor that has stimulated the sale of power from existing plants on the free market is the end of the concessions of several hydroelectric power plants in 2015. Some of the generators in this category, no longer tied to any agreements when the agreements executed in the 2004 and 2005 auctions cease to exist, prefer to sell on the free market before this happens, instead of waiting for the time of expiry of the existing agreements. In an attempt to solve both these problems, the government has

been discussing the possibility of obliging such companies to sell 70% of the power to the fixed market and 30% on the free market at the time of the renewal of the concessions. This is yet to happen.

The current situation may be less serious if the demand for electric energy does not grow as much as is expected. According to new projections from the Energy Projection Company – EPE, the growth rate in electric energy consumption should drop 1 percentage point as a result of the global economic crisis. If this in fact happens, we may foresee a drop in the expected demand of around 2.4 GW on average, through 2012.

If the government fails to come up with a solution to this problem in 2009, the distributors will have to obtain energy not tied to any agreement on the short-term market, and power plants will have to be activated, meaning that the impact from the shortcomings in the current model regulating the power sector in Brazil may lead to significant increases in the utility tariffs.

We do not defend granting environmental permits for power plants in an indiscriminate manner; what we are saying is that it makes no sense to be extremely strict when it comes to hydroelectric power plants and much more lenient in the case of oil-fired thermal plants. If you look at the results from the auctions of electric energy, it is easy to see that oil-fired thermal plants have an increasingly higher share in the Brazilian energy mix. Apart from this being a giant step backward from an environmental point of view, we are also putting the consumers of electric energy at risk of a virtual explosion in the utility tariffs, should such thermal plants go into operation.

In the current moment of economic crisis, it is crucial that the government stimulates investments in infrastructure and energy. Such investments do not represent consumption; they generate jobs and prepare the country for a new growth cycle. Thus, it is not acceptable that, in this current moment of

crisis, the government is not capable of getting rid of obstacles to these necessary investments, such as the environmental permits granted to the hydroelectric power plants.

With the crisis, the alternative energy projects will be faced with new, significant challenges due to the scarce credit and fall in the prices of oil and natural gas in 2009. Stocks of the alternative energy companies have fallen more than the rest of the market since the onset of the crisis on the US stock exchange. It is feared that if the oil and natural gas prices continue their downward trend, the incentive for consumers to buy alternative energy, which will increase in price, will diminish. This happened in the 1980s with the oil crisis and the price of the barrel reached the same price as that during the first crisis. Global financing of wind energy, solar energy, biofuels and other forms of alternative energy dropped to US\$ 17.8 billion in the third quarter of 2008, in comparison with US\$ 23.3 billion in the second quarter in the US alone. In Brazil, ethanol is still better equipped to tackle this crisis scenario. Brazilian ethanol competes with the barrel of oil at US\$ 40, and faces a great challenge in terms of consolidating itself as a global commodity.

Today, Brazil is one of the strongest countries in the world in terms of the power industry. We have electric power based on huge water resources, we are big producers of ethanol and the country's specific characteristics make it the likely candidate to become the most important producer of biofuels in the world. And finally, now with the pre-salt discovery, we will be able to hold a strategic position on the oil and natural gas market. Ultimately, what we are lacking are consistent public policies that will provide the correct economic signals for investors as well as for consumers.

** Directors of CBIE – the Brazilian Institute of Infrastructure*

Article translated by Maria Ulsig

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