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An analysis of the obstacles and the entry modes of European firms to the Brazilian market.

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ABSTRACT

This paper aims at discovering how European firms live their internationalisation processes towards Brazil, the reasons of their interests for this country, the opportunities they have access to when entering the market, as well as the challenges they face during and after their internationalisation process. To that end, we first remind what the literature has to say about foreign direct investments, from the Transaction Costs theory's point of view. After that, we present the results of our theoretical research about the business context in Brazil, the reasons why the South American giant is approached by many foreign investors, but also the contingent difficulties this country displays. In order to support these elements, we decided to study the cases of three European companies who succeeded in their expansion to Brazil. We analysed the context in which they entered the country, the entry mode they used, the opportunities and challenges they met as well as the strategies they put in place to counter these challenges. In order to collect these results, we led three semi-directive interviews, one for each analysed company, with the executives who were in charge of opening the foreign subsidiary or running the Brazilian office.

In addition to showing if companies going through an internationalisation process follow the Transaction Costs theory's prescriptions over which entry mode to choose according to certain factors, this paper also exposes the three firms' plans of action to resist to the difficulties posed by the Brazilian market. Moreover three main points appear as a conclusion to this thesis:

- It is necessary to surround oneself with knowledgeable people, who know their way through the Brazilian administration and huge internal market. It is also strongly recommended not to enter Brazil without a local partner.
- Entering Brazil takes time and dedication, and one should not expect financial results to flow in rapidly. A few years are sometimes necessary before being profitable in Brazil.
- Doing business in Brazil is not easy. It requires international experience, know-how, maturity, financial means and time.

Keywords: Brazil, internationalisation, foreign direct investments, transaction cost theory, European firms

I

Because of a specific familial context, I have always been interested in Brazil, its culture, its language, its music and its lifestyle. A year ago, I undertook a 6-month internship in São Paulo, which allowed me to live the Brazilian life and discover this country through my own experience. Today, by writing this thesis, I can say that I have had the opportunity to gain a thorough vision over what investing in Brazil can be like for a European company. I know more about Brazil's economical, social and cultural context and have heard real-life experiences of internationalisation processes towards the South American giant.

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II. Introduction

In the past few years, Brazil has become increasingly important on the international business stage. Many European firms have shown interest towards this vast potential market, which still presents a gigantic number of opportunities, while already having been approached by numerous Western investors.
But the Brazilian challenge is not accessible to all, and Brazil proves to be fairly out the reach of unseasoned professionals, because of a complicated political, economical, social and legal context, and a somewhat different culture than in Europe.

As a first step, this thesis aims at analysing, in a purely theoretical way, which foreign entry modes would be adequate to target this market, according to the sector of the internationalizing company. To this end, I will focus on factors explaining the choice of an entry mode over another by reviewing the available literature. Then I will deeply analyse the Brazilian case and expose the opportunities offered by this market as well as the challenges foreign firms will face when trying to enter Brazil.

In a second stage, I will concentrate on the case of three European companies, which dabbled in the internationalisation process, with or without success. I will explore the reasons that pushed them to enter the Brazilian market, I will go over all the steps of their internationalisation process, from the moment they first found interest in Brazil to the establishment of a running activity there. I will also expose the difficulties they faced as well as the strategies they put in place in order to overcome these challenges.

Brazil is currently going through a deep and serious crisis that could potentially affect the country's economy for several years. However, the first semester of 2015 has been marked by an increase of activity in the field of mergers and acquisitions. Moreover, despite current troubles, a study by KPMG International (2015) shows that Brazil stays amongst the three most attractive destinations for foreign investors. This rather surprising situation could be explained by the size of the Brazilian market, the opportunities generated by the crisis, with numerous assets being put up for sale at attractive prices, and the European presence that is already a reality in Brazil and which attracts other potential investors.

Part I: Theoretical perspectives on Foreign Direct Investments and Specificities of the Brazilian market

III. Entering a foreign market: literature review

For numerous decades, the world economy and the business world has been internationalizing at an ever quicker pace. Companies seek new markets in which they can develop their products or services in order to increase their customer base and improve their performance. Preceding this, firms need to take one of the most important decisions that will be facing them in the internationalisation process: the choice regarding the mode of entry they will use in order to penetrate their new target market. This choice also has significant, and sometimes, irreversible consequences as far as human and financial resources are concerned. The different options available to the disposition of expanding firms range from the less committing solutions of exporting or franchising to equity-based modes of entry such as joint ventures, when the expanding firm only owns a fraction of the new project, or acquisitions and greenfield investments, when the company decides to enter the new country through a wholly owned subsidiary. Considerable differences prevail between these solutions, especially when it comes to the level of control and equity ownership correlated with each.

Because the choice of entry mode is so important, it comes as no surprise that a very important amount of academic research has been pursued on the subject. Using multiple theoretical perspectives, research has been focusing on which factors force the choice between these entry options, which risks each of them implies, and their consequences. In this paper, I will review the literature in order to present the different results that have been found so far, focusing on the transaction costs theory perspective on the choice between the various possible modes of entry.

3.1. Motivations for international expansion

Before anything else, I will go through the available research in order to understand why firms have tended to internationalize so frequently for many decades. Theory (Hitt, Hoskisson, & Ireland, 1994) and evidence (Hitt, Hoskisson, & Kim, 1997) have shown that there is a direct relationship between international expansion and performance, and this is for two main reasons. First, expanding abroad allows for profits and growth that were unreachable when playing only in the firm's home market (Root, 1994). It presents new opportunities and enables the firm to leverage its competitive advantage, skills and know-how over a larger customer base (Kim, Hwang, & Burgers, 1993). A broader expansion also

allows to diversify the earnings and profits sources (Caves, 1982), securing the firm's market position.

Second, the motivation for international expansion can also be explained through a competitive argument. When entering a new country, companies may also be after a position that would threaten their foreign competitors on their own home markets (C. M. Watson, 1982).

3.2. Transaction costs theory

Since this paper is based on the theoretical perspective of transaction costs, I will now go over this theory and its implications. The theory is built on an efficiency rationale (Datta, Herrmann, & Rasheed, 2002) and suggests that the suitable governance framework for a certain transaction (and, accordingly, the suitable entry mode) is one that minimizes total transaction and operational costs (Hennart, 1991). In order to better understand the theory, Williamson (1989) compares the transaction cost to friction in mechanical systems. They are the misunderstandings, the conflicts that lead to breakdowns or delays in an economic partnership. Firms will therefore incorporate activities they can internalize cheaply, and work with providers through the market for activities in which these partners have an advantage (Klein, Frazier, & Roth, 1990). The reason for being of an enterprise is therefore relying on its capacity to undertake an activity cheaper than an external provider and companies are always balancing the transaction costs of buying resources with the external market, against the bureaucratic and operational costs of performing the production activity of this resource internally (Coase, 1937). The management control method selected for the new venture will also be determined by the transaction costs of operating it: it will be chosen to minimize opportunism and enhance co-operative activity. The ownership mode decision will be based on the minimization of the sum of transaction and production costs, the former being related to activities necessary to undertake an exchange (costs of negotiation, logistics, lawyers for example) and the latter coming from operating activities in-house such as organising and managing production (Glaister, 2004).

3.3. Foreign entry modes

Companies planning on expanding in international markets have different entry modes to their disposition. They are usually presented as a continuum (Datta et al., 2002) according to the level of control, risk or resource requirement they entail. They range from small or no equity investments such as export, franchising or joint ventures to equity-based wholly owned

subsidiaries such as acquisitions or greenfield investments (Ahsan & Musteen, 2011). The first options would likely be cheaper to implement but involve greater risks such as moral hazard, lack of quality controls, intellectual property theft, which could all lead to damaging the brand image. The last options are likely to represent the most expensive ones, with costs involving instalment of the physical facilities but also the development of relationships and networks with local partners such as the authorities, suppliers and customers (Andersson, Johanson, & Vahlne, 1997).The next section will succinctly present each of these modes of entry, define them and describe their major stakes.

The entry mode that implies the largest level of control and usually the biggest investment amount is the establishment of wholly owned subsidiaries. They are also seen as the most complex and advanced illustration of foreign expansion (Szalucka, 2010). They can take two forms, the set up of a new venture through a greenfield investment or the acquisition of an existing company.

A greenfield investment consists in setting up its own new subsidiary in a foreign country. The foreign enlargement is here based on resources located inside the company and is therefore an internal growth strategy. It allows the company to set up a tailor-made solution for their expansion and to adapt to the parent company's structure, projects and technical characteristics. It also enables the selection and training of a new workforce and the easier transfer of firm-specific advantage from the parent company. It helps avoiding problems of integration of two existing companies as well as asset duplication. It is also usually operationally more risky since it encounters the liability of newness (Slagen & Hennart, 2008).

A cross-border acquisition on the other hand associates an acquirer and a target firm whose headquarters are based in two different countries (Shimizu, Hitt, Vaidyanath, & Pisano, 2004). An acquisition is an external growth strategy since the expansion is based on assets that are external to the company. The acquirer gains control of a previously developed framework that has knowledge of the local market, trained employees, existing technology and a firm's or brand's image (Barney, 1991). The target company also usually already has a customer and supplier base and a well-established situation in the local market. This solution is normally faster to set up than a greenfield investment and has the advantage to reduce the competition on the target market. In addition it involves less operational risk (Szalucka,

2010). However, an acquisition also implicates other types of risk such as cultural and behavioural uncertainties. Difficulties can arise for expanding MNEs because of the differences in business practices, work ethics, values or language (Brouthers, Brouthers, & Nakos, 1998).

When going down the ladder of control, the next level is joint ventures. Joint ventures are still an equity entry mode but the ownership of the new project is shared with a partner. In order to reduce or dilute the risk put on the company when considering a foreign expansion, especially if they are exploring a market for the first time, managers sometimes put a premium on flexibility by forming collaborative structures with a local player (Lukas, 2007). Using the definition of Lukas (2007), a joint venture is '*an agreement between two or more legally independent companies, which pool their capabilities and resources together to a shared business*." If one or more foreign company is concerned, then we talk about an international joint venture. This structure allows to share the ownership, and therefore the risk while still benefiting from knowledge and resource pooling (Buckley & Casson, 1996). Another advantage of joint ventures is that it provides the opportunity to invest larger equity in this venture if it becomes successful after some time. This sharing of control can potentially create a difficult situation with regard to partners and to overcome this issue, partners have to lean on specific features such as long-term contracts or '*the offering of mutual hostages such as assets specific to the collaboration*' (Glaister, 2004). Some authors have argued that the intermediate position of joint ventures, between equity-based and non equity-based expansion modes, makes them unstable.

Continuing to go down on the equity and control scale I will now define the system of franchising. A franchise is a contract in which a franchisor gives a franchisee authorization to use its intellectual property and its operating system. The franchisee therefore uses the franchisor's trademark, as well as its distribution system and marketing campaigns to market the franchisor's service or product. In exchange, the franchisee often pays the franchisor an upfront, monthly or annual fee or a royalty (Guzman, n.d.). The franchising system is mostly used in service industries like retailing, tourism, catering and hospitality (Harrison, 2011). Therefore, the performance of the franchising agreement depends on the joint actions of two distinct firms, the franchisor and the franchisee and coordination is of utter importance (Grewal, Iyer, Javalgi, & Radulovich, 2011) since one's success depends on the other's (Crawford Spencer, 2013). Each party undertakes certain risks when entering in a franchising

contract. Franchisors risk financial resources when developing their concept and the operating system supporting it. They also take further risk when transferring this concept to the franchisee. On the other hand, franchisees take a risk on their own financial resources when investing in tangible and intangible assets in order to exploit the trademark they bought. In addition, by investing equity in the franchised brand, a franchisee risks its devaluation (Grewal et al., 2011). When expanding internationally, partnerships are often created between the franchisor and an established firm in the target country. This firm will be assigned with developing the franchisor's product or service in its local market, either by itself or by selling the rights to other firms or individual entrepreneurs who are in charge or a specific area (Zwisler & Wallman, 2010).

Related to franchising is the system of licensing. Both solutions are similar in the sense that they allow the use of a company's intellectual property in exchange for the payment of royalties. Licensing however is most common in manufacturing and processing industries and involves the transfer of a technical know-how or a patent. It does not usually imply the use of the licensor's brand unlike franchising (Budak & Susbauer, 1977).

The last rung of the ladder is exporting, which involves the smaller level of control and resources monopolization. Exporting is selling products, services or knowledge in a foreign country. Exporting can be managed in two different ways. Direct exporting concerns the negotiating of a contract directly with a foreign importer, such as a local distributor or retailer. This contract will state sales agreements for the marketing of the good or service in the target country. On the other hand, using a commission agent in this country, who is charged or representing the firm's interest and look for importers in the target country is considered as indirect exporting. This agent will promote the firm's product or service and take orders but will assume no responsibility or risk on the firm's behalf ("Direct and Indirect exporting," n.d.).

3.4. Factors influencing the entry mode choice

After reviewing the literature, I will present the impact that several different factors (firm-, industry-, and country-level factors) have on the choice of entry mode when considering international expansion. Researches based on different theoretical frameworks have analysed the consequences of these factors differently (Shimizu et al., 2004) and this is why I have decided to focus on the transaction cost theory point of view on these influences. In general, following this theory's perspective, internalization of resources, and therefore equity-based

entry modes will be chosen when the transaction costs of exchanging this resource are high. However, when this resource is easily accessible on the market, and its transaction cost being relatively low compared to its production cost, then non-equity based entry modes will be preferred. Buckley & Casson (1997) note that all the strategic options to an expanding firm's disposition imply combining technology and marketing capabilities of two or more firms, but in different ways. Each company should grade the benefits from merger, joint venture, licensing and exporting and weigh up their pros and cons (Glaister, 2004).

3.4.1. Costs

One of the factors that come back repeatedly in the literature is the costs implied by a certain entry mode. When going through the continuum of entry modes towards higher equity methods, setting up costs are clearly moving upwards. Zahra, Ireland, & Hitt (2000) notice this trend in the absence of relationship between acquisitions and start-ups and ROE. In comparison, joint ventures allow to share certain costs with the chosen partner, such as R&D, production or marketing costs (Glaister, 2004) and to avoid others related to greenfield investments or acquisitions, like adaptation and learning costs (Buckley & Casson, 1998). They also enable economies of scale or scope when joining production with the joint venture partner (Glaister, 2004). Licensing, franchising and exporting imply therefore the lowest amount of costs when entering in the new market. However, Budak & Susbauer (1977) note that licensing does involve some costs that managers tend to ignore in their strategy formulation. They for example describe costly executive wages paid on hours spent negotiating or administering the license instead of some other matters, travel expenses or cost of market researches when working on finding a partner. A lower cost implies a lower risk of discontinuation of the company's activities in case of the foreign venture's failure, as fewer resources are involved in the project.

3.4.2. Relative size of the investment

Most authors agree to declare that when the foreign venture to be set up is relatively large compared to the investing MNC, the use of a shared-control entry mode is preferred. Datta and its colleagues (2002) argue that transaction costs argument lying behind this is that managing a large foreign subsidiary incurs important administrative costs. Sharing the ownership therefore reduces the risk taken by the expanding firm and requires less financial resources. A study by Makino and Neupert (2000) also shows that the '*relative size of subsidiary over parent*' influences U.S. firms towards joint ventures instead of wholly owned

subsidiaries. Hennart and Reddy (1997) put it differently but reach the same conclusion. They attest that enlarging firms should opt for creating a joint venture instead of acquiring the desired asset when this asset is 'indigestible'. This means that when the firm is essentially interested in a portion of the target firm, they should only acquire this part, and avoid buying the entire asset. It also implies that an acquisition is the right entry mode in this scenario only if the interesting part can be detached from the less interesting ones, and this possibility depends on the organizational structure of the target. If separating the appealing assets is not possible, because they are distributed across the whole organization for example, then the firm should choose to invest in a joint venture.

3.4.3. Asset specificity

Asset specificity refers to "*the aspect or feature of an asset (such as a specialized machine) that makes it useful for one or few specific purposes*" ("What is asset specificity?," n.d.). For instance, the manufacturing of a certain product may require heavy investments in specialized equipment, the distribution of a certain good may involve special facilities or the provision of a certain service may necessitate a rare mix of professional skills and competencies ("Asset specificity," n.d.). When an MNE wanting to expand is affected by asset specificity, academics generally agree that it should opt for higher-control modes of entry. This is due to the fact that when trading a particularly specific asset, the risk of free-riding, opportunism and intellectual property theft rises, implying that the cost of market transactions increases (Ahsan & Musteen, 2011). Consequently, higher monitoring and control costs are required and therefore higher-control modes are preferable (Datta et al., 2002). The assets concerned by this assumption can be either physical or human. The specificity can also refer to the site where a company locates its premises, or a firm's brand name (Williamson, 1989).

3.4.4. Home country's culture

Several academics have focused on the impact of the national culture of the firm seeking to expand abroad on its entry mode choice. Hofstede (1980) first and Erramilli (1996) afterwards have both argued that companies originating from countries where high power distance and high uncertainty avoidance are characteristic of the national culture tend to enter new markets through entry modes implying higher levels of ownership and control. This is coherent with the fact that culture displaying a greater power distance will most probably demonstrate a preference for centralized, autocratic and hierarchical organizations, therefore choosing higher level of ownership. Likewise, in countries showing high uncertainty

avoidance, managers will be risk averse, will likely avoid delegating and prefer to lean on written and standardized rules, and again will opt for more ownership and control (Datta et al., 2002). However, Kogut & Singh (1988) have argued that cultural distance and uncertainty avoidance raise the probability of selecting joint ventures or greenfield investments over acquisitions.

3.4.5. Cultural distance between home and host countries

Academics studying the transaction cost theory argue that when the two countries are culturally different, the acquisition of local knowledge and the localisation and use of performance information becomes more costly. Most authors agree to say that when cultural distance between the two countries is large, managers of the expanding firm should opt for a collaborative entry mode such as a joint venture or a license contract (Hennart & Reddy, 1997; Hill, Hwang, & Kim, 1990) in order to gather help on understanding the business methods in this new culturally distant country (Kogut & Singh, 1988). However, other ways of thinking also exist. Hennart and Zeng (2002) suggest that difficulties caused by cultural distance and information asymmetry might also lead to opportunistic and self-seeking attitude from the target-country partners. That is why some academics also advise expanding companies to enter new markets through greenfield investments (Kogut & Singh, 1988). Brouthers and Brouthers (2000), on the other hand, claim that when the cultural gap between the home and host countries is larger, companies should rather select acquisitions to help them get a higher level of legitimacy in the new country they are playing in. Finally, a study by Hennart & Larimo (1998) comparing Japanese and Finnish firms entering the US market has confirmed the findings of Erramilli (1996) about power distance and uncertainty avoidance, but in addition has shown that the cultural distance existing between the home and the host countries has a bigger impact on the ownership preferences than the national culture of the investing firm.

3.4.6. Growth in the host market and time pressure

When the market the expanding firm is considering as a host country is experiencing high growth, every day lost setting up the new venture instead of beginning activities on that market has a high opportunity cost. As such, the time pressure on the firm is significant. Researchers have asserted that some entry modes deliver results faster than others. Setting up a start-up business in the form of a greenfield investment for example requires assiduous work to organize distribution channels and market its product or service before returning

satisfactory sales. It will be a much slower and moderate method than acquisitions or non-equity-based entry modes which, on the other hand, may derive almost immediate sales growth (Zahra et al., 2000; Shimizu et al., 2004; Grewal et al., 2011). Hennart & Park (1993) found that firms are more likely to choose a rapid entry mode such as acquisitions, franchising or exporting when the growth in the target market is either very high or very low. When the industry is growing at a "medium" pace, then Hennart and Reddy (1997) argue that firms will opt for joint ventures.

3.4.7. Host country's political and institutional risk

The discussions about the effect this factor can have on the entry mode choice have led to two opposite ways of thinking. Some academics, advocates of the real option theory, will recommend high-control entry modes for countries where political and legal risk are low (Pak & Park, 2004). Two arguments in favour of this solution are presented. Certain authors suggest that managers should opt for low-resource commitment modes when the political, legal and economic uncertainty is large in order to preserve strategic flexibility (Erramilli & Rao, 1993; Herrmann & Datta, 2002). The other argument suggested to convey this solution is that a joint venture is an adequate mode of entry when political risk is high since local partners are better armed to approach the host government's behaviour (Henisz, 2000). The other view on the impact of this factor on entry mode choice depends more upon the transaction cost theory, which interests us here. Academics then argue that institutional and political risks of a country imply that an expanding firm should enter this country using a high-control mode. Datta and his colleagues (2002) claim that when the legal system of a country is not well developed, '*creation and enforcement of contracts can be expensive and inefficient*' and thus shared-control methods are to be avoided, in favour of high-commitment entry modes. In addition, in countries displaying strong market-supporting institutions, firms may be likely to find host-country partners they can rely on to execute their activities, and therefore use market exchange, franchising or joint ventures instead of internalization (Meyer, Estrin, Bhaumik, & Peng, 2009). However when these institutions are absent, existing commercial laws tend to be weak or unclear, enforcing a contract is often difficult and dissemination of knowledge is a real risk (Teece, 1986). Therefore, when the institutional context of the target country is not well developed, expanding firms avoid shared-control entry modes.

3.4.8. Trade barriers

It is clear that the presence of trade barriers, such as tariffs or quotas, might affect the decision of a firm towards an entry mode or another. If a country claims high tariffs on certain types of goods, a firm that is willing to do business in the country's territory will be influenced towards an entry mode implying the production of such goods directly in that country. On the other hand, exports and low-control methods of entry may be facilitated if the host country does not present restraining trade barriers.

These are only some of the factors that should be taken into account when deciding on the adapted entry mode to internationalize. More on this subject can be found in Malhotra, Russow & Singh (2014), in Angelo, Eunni & Fouto (2010) or in Dyhr Ulrich, Hollensen & Boyd (2014). The next section will present Brazil as a country, its characteristics singularities. It will attempt to depict the opportunities the nation has to offer, and the challenges firms are facing when trying to enter the Brazilian market.

IV. Brazil

4.1. Brazil's opportunities

Brazil has long been a territory full of hopes and potential for European investors. This section will present some of the reasons that can explain the interest that Europeans show for this country.

4.1.1. Size and population

Brazil is immense. Its surface area reaches 8 511 965 km^2 ("Superficie des pays," n.d.), which is about 280 times as big as Belgium. Brazil is only smaller than 4 countries in the world: Russia, Canada, China and the United States.

As of August 2015, the Brazilian population amounted to about 204 million people, which makes it the 5th most populated country in the world, after only China, India, the USA and Indonesia ("Population of Brazil (2015)," n.d.). This also represents about half of the total population of South America.

4.1.2. Natural resources

Related to the geography and the size of the country, a factor that surely represents a national advantage on the global scene is the amount of natural resources the country has access to.

Brazil enjoys a tremendous amount of natural resources, present in its underground, in its forest or in the Atlantic Ocean surrounding its Eastern coast.

Mineral resources

Brazil's mineral resources are immense and economically important. The country produced more than BRL 50.000 millions-worth of minerals in 2010 and is the world's biggest producer in various types of minerals such as iron, asbestos, bauxite, tin and gemstones. However, others are missing or do not exist on its territory in adequate quantities, like copper or nickel. Still in 2010, the mining industry represented 17% of the country's exports, while only employing 0.5% of the active population (Théry, 2012).

The country's immensity implies that each new mining project requires colossal initial investments in transport infrastructure, but also allows the country to count on the promise of new discoveries in that field, which now happen every year thanks to the Brazilians' dedication and to the modern tools used in order to always detect more deposits.

Geographically, the state of Minas Gerais, whose name literally means 'General Mines', produces more than 40% of the country's total mineral output (Théry, 2012). In another Brazilian state, Pará, located in the North East of the country, sits the world's largest iron deposit, Serra dos Carajás, part of the mountain range of the same name. This deposit is home to 18.5 billion tons of iron ore and makes Brazil the third largest iron producer in the world after China and Australia ("Iron ore production by country 2014 | Statistic," 2015).

Meanwhile, the North of Brazil and the Amazonian region also enclose numerous mineral deposits, but are still largely untapped. Their exploitation will begin in the future, if the global economic context allows it and if loans and money flow in sufficiency to build roads or railway, installations and homes for the workforce in place. There is therefore much to expect from future exploration.

Water

In addition to minerals and, as we will see further, oil and gas, Brazil is very well endowed with freshwater, the territory holding about 12% of the world's water reserves. This water is unevenly distributed over the country, as 70% is located in Amazonia, which is relatively

unpopulated. But in addition to waterways, Brazil is also abundantly equipped with underground water. The Guarani aquifer, spread over 5 countries, represents only for Brazil a reserve with a surface area of about 1 million square kilometres and a volume of 55.000 cubic kilometres. Theoretically this is enough to cover two centuries of the world's water consumption. However, this aquifer's exploitation is threatened by the pollution caused by the agricultural activities taking place in the state of São Paulo (Dabène, Louault, & Boissière, 2013).

In 2010, Brazilian scientists announced the existence of an even larger aquifer, located in Amazonia. The Alter do Chão aquifer would potentially be the largest one on earth, with reserves estimated to 86.000 cubic kilometres (Dabène et al., 2013), enough to provide water for 100 times the world's population.

This seems paradoxical when we know that Brazil is currently facing one of the most serious drought of its history (Ward, 2015) and that 45% of the population does not have access to drinking water. The problem therefore does not come from the lack of water in the country but from the utterly poor state of the water infrastructure. It has been estimated that 46% of running water is lost in defective pipes (Dabène et al., 2013).

Energy resources

Even more than mineral resources, energy resources are necessary to Brazil's development, and the country has plenty at its disposal.

For years the public oil giant Petrobras has been investing a third of its total budget in prospection, which allowed to discover off-shore gas and oil deposits off the coast of the states of São Paulo and Rio de Janeiro. But what completely changed the oil industry in Brazil is the recent finding of gigantic deeper off shore wells that made Brazil self-sufficient in its oil consumption. In 2007 was uncovered the "*pré-sal*" oil reserve, under 7000 meters of water and sediments and which could, if it ends up giving the expected results, make Brazil the world's 6th oil reserve.

Besides oil, the country also possesses other types of fossil fuels such as coal, which production is diminishing and is of poor quality, or oil shale. Oil shale, although currently

under-exploited, could represent a major potential source, but is waiting for valorisation techniques that are presently non-existent. Brazil's territory contains 25% of the world's reserve for this oil derivative and this could improve further the country's energy situation when its valuation takes off (Théry, 2012).

But what the country should base its growth on is arguably renewable energy sources, of which the country is filled.

A source that plays a big role in the Brazilian economy is wood, especially in the countryside or in small towns where it is still used for cooking, or in Minas Gerais, where charcoal is burn to fuel the blast furnaces of the mining industry. Although most of the Atlantic forest has already been destroyed, all along the Eastern coast of the country, the Amazon forest represents a huge wood reserve, which sometimes seems inexhaustible (Théry, 2012). However, more and more pressure towards its preservation is coming from environmental lobbies, and it seems like the population's awareness of deforestation issues is rising.

The main energy source in Brazil however is rather classical, but is also related to the country's enormous territory. Brazil possesses an astounding hydroelectric potential, estimated between 100.000 and 250.000 MW, even though it is currently only partially used with the present state of techniques and unevenly distributed over the territory. The Amazonian region contains most of the country's waterways, but in most cases they are unusable to produce electricity. However, the Paraná basin, located in the country's southeast region, holds a more important place in the production of electricity than the Amazon, in spite of having a much smaller flow. This is fortunate, since the distribution of population and economic activity implies that most of electric needs come from the south and the southeast regions. The Itaipú dam, located on the Paraná river is the world's second largest hydro electrical plant, with a nominal power of 14.000 MW ("Nuclear Power in Brazil," 2015).

Finally, another key energetic resource in Brazil comes in the form of biofuels made principally from sugar cane. In the 70's, when oil was still imported and paid for in dollars, the Brazilian government instituted the Proalcool plan in order to promote the use of adapted cars, able to ride on sugar cane alcohol. Today, the *flex-fuel* cars, which are able to indifferently use alcohol or oil or a mix of both, represent 70% of new cars sales around the

country. This allows the reduction of pollution and represents a smaller cost for commuters. But it also caused the expulsion of thousands of local farmers and shrank the space devoted to food-producing cultures. This is why new researches are oriented towards other species that could be used to produce alcohol, such as ricin, soy, palm tree or groundnut and that would be better included in the peasant agriculture. However, the Proalcool plan has long been supported by powerful agricultural lobbies, which promote modern, more agri-industrial structures within agriculture (Kaup, 2015). This can explain that, despite its devastating effect on the peasant population, the plan is still living glory hours.

4.1.3. Place in the world's economy

Despite the economic crisis it is currently facing, Brazil's economic figures are impressive. Its GDP in 2014 reached USD 2346 trillion ("Brazil - Data," n.d.), which makes it the 7th largest economy in the world. Between 2002 and 2013, the Brazilian economy showed 10 years of positive growth, only interrupted in 2009 by the global financial crisis. In the same period, the country managed to keep its inflation rate below 6% on average and unemployment decreased steadily from over 10% to below 5%. However, since January 2015, the country has displayed important signs of weaknesses, and its economy is expected to contract by 2.44% in 2015. Its inflation and unemployment rates are booming, and on September 9th 2015, Standard & Poor's, a credit rating agency, cut the country's credit rating from investment grade to junk, from BBB- to BB+ with a negative outlook (Ogier, 2015). This comes as the economy is entering a recession, with the 2nd quarter's GDP decreasing by 1.9% compared with the 1st quarter's.

But because the Brazilian economy is based on exports and commodities, many consider it as cyclical. This could partially explain the current state of the country's economy, but would also imply its recovery on a relatively short term. Because Brazil depends highly on the export of commodities or minimally processed goods, it is also contingent on the state of the world's economy, especially countries with which it has strong trade relationships like China, the United States, South American countries or EU countries. The Brazilian economy, besides being cyclical, also often reacts more heavily than other nations, with periods of high growth followed by times of deep declines. For an illustration of this phenomenon, see appendix 1.

Since 2012, Brazil is most definitely going through a decline period, but, if one refers to history, there is evidence that growth could come back in relatively little time.

Its fast-growing economy and the significant influence it has on regional and global affairs make it a part of the BRICS countries, along with Russia, India, China and South Africa. Together, these 5 nations had a 2014 GDP of almost USD 17 trillion, and Brazil held the second place in the ranking, after China ("Trading Economics," n.d.).

Another argument that stands in favour of investments towards Brazil and more generally all emergent nations, is the fact that, being still considered as a developing country, and being relatively new at globalization, there are still many opportunities of development for companies, that do not exist in the developed world anymore. Brazil is continuously building, creating and improving, and needs entrepreneurs and sometimes foreign skills and knowledge to support its development and its walk towards a first class economy.

4.1.4. Strong business sectors

Brazil's economic activities are diverse and varied, but most of them developed thanks to the presence of colossal reserves of natural resources in the country and to the government's support put in place to protect them from more competitive foreign industries. The next section will present which are the strong sectors in the Brazilian economy.

Primary sector

The primary sector, gathering agriculture and the extraction and exploitation of raw materials, represents today 5.6% of the country's GDP and 15.3% of the total employed population (The World Bank, 2014). Brazil has always been able to count on the resources contained in its underground to promote its development. Since the country was discovered by Europeans in the 16th century, its residents progressively realized that it was filled with a very large amount of resources: minerals such as iron ore, bauxite, manganese or gold, oil products, wood. The country can also rely on its extensive hydrography to produce 79% of its energy ("Hydro Electricity in Brazil," n.d.) and on its fertile land to cultivate a wide range of agricultural products. This allows Brazil to sit amongst the world's top producers of agricultural goods such as sugar cane, oranges, coffee, tobacco, soy or chicken and beef meat (Gaulard, 2011). Brazil uses a wide share of its land to cultivate sugar cane, which it then exploits to manufacture ethanol, a biofuel broadly used in the country's *flex-fuel* cars. Brazil is the world's second biggest ethanol producer behind the USA, with close to 300 hectolitres a year produced ("Ethanol," 2015). Finally, the country owns important uranium reserves and claims that its enrichment technique is 25 times less costly than the one used by the United States.

However, Brazil's nuclear industry only produces 3% of the country's electricity ("Nuclear Power in Brazil," 2015).

Although these sectors are generally well provided for by the local industry players, or still protected by the government, Brazil could still be of great interest for international businesses acting in these markets. Indeed, there is still much to be done regarding energetic efficiency and processes automation (Solano, 2013b) and Brazil lacks notable providers of equipment goods in these industries.

Table 1: Major Brazilian players in the Brazilian primary sector

Company	Sector	Sales ($billion)
Petrobrás	Oil and Gas	144.1
Vale	Mining and Metallurgy	45.7
Gerdau	Steel	18.5
Eletrobrás	Utilities and Infrastructure	17.5
Braskem	Energy and Petrochemicals	17.3
CSN	Steel	8.9

Source: Forbes, 2015

Secondary sector

The secondary sector of an economy is the one that produces or constructs manufactured goods. In Brazil, this part of the economy represents 23.4% of the GDP and 21.9% of the total employed population (The World Bank, 2014). The country is undoubtedly the industrial leader in South America ("Encyclopédie Larousse en ligne - Brésil," n.d.) and, just as for the primary sector, international players have a role to play to further develop this part of the Brazilian economy.

Because of the past and future major international events that are taking place currently in Brazil, the country needs to equip its cities with more hotels, sport edifices and other big buildings such as hospitals and prisons. Traditionally, the construction market was dominated by a handful of local powerful groups such as Odebrecht, Camargo Correa or Andrade Gutierrez. But the amount of projects is such that it creates opportunities for new actors, local and foreign. Real estate programs should generate between €100 and €140 billion of

investments over the 2010-2030 period. The realty developers in Brazil are creating ever greener and more technical projects which require levels of expertise that currently cannot be supplied by Brazilian companies. Therefore, opportunities are rising in public works sector, but also when it comes to supplying equipment and services (audit, consulting, engineering, etc.) (Solano, 2013d)

A large part of the Brazilian industrial sector is linked to the extensive presence of natural resources on its territory. Because Brazil has always been a major food producer, and more recently exporter, the food-processing industry is one the oldest of the country. However, it is going through a major modernization phase in order to adapt to globalization and sociological evolutions. Brazil counts therefore very small establishments, most of which are doomed on a relatively short term, and modern factories specialized in freezing, freeze-drying, canning or coffee-processing (Théry, 2012a). The food-processing industry is thus developing at a rapid pace and is increasingly appealing global groups. Some of them such as Danone, Bonduelle or Callebaut have already taken the plunge. Because the traditional scheme of the Brazilian family is changing, with women working, single households increasing and domestic employees decreasing, the market for frozen food and ready-made meals is starting to develop. With more than 140 millions consumers, the potential for expansion is real (Solano, 2013a). The food-processing industry's international players have a role to play when it comes to technically advanced processes and equipment.

The Brazilian steel industry, associated to the iron ore that can be found in the country's underground, is highly competitive on the international level and well distributed geographically according to mineral deposits. Because it can count on important reserves and on a very modern technology, the Brazilian steel industry provides 3.5% of the world's production and is expected to thrive in the coming years ("Encyclopédie Larousse en ligne - Brésil," n.d.).

Other heavy industries depending on the country's natural resources such as the paper, the cement or the chemicals industries are also very well established and insure the country of a comfortable self-sufficiency. Because they were installed relatively recently, the Brazilian industries in these sectors are more modern than in Europe, and the profusion of national resources in raw materials ensures the country a more serene future than in developed countries (Théry, 2012a).

Industries linked to transports in Brazil also represent a high potential for investors and international players. The car manufacturing industry has been the driving force of the Brazilian industrial development in the last 30 years, but will also be important in the future because it has kept an innovative capacity, which makes it a cutting-edge industry. In 2010, Brazil produced more than 3 million cars (world's 7th biggest producer). It exports all over South America and provides engines and spare parts to parent companies in Europe or in the US. The industry is dominated by the major international players such as Volkswagen (31% of the market), Fiat (24%), General Motors (19%) and Ford (8%). To illustrate this, Volkswagen *do Brasil* is the biggest foreign investor in Brazil (Théry, 2012a).

Because the authorities have long focused on developing the road transport sector, other modes of transportation are not as effective as what would be expected from a sizable country such as Brazil, which has been and will be organizing major international events in the coming years (Renard, n.d.). Because of that, and as explained in section 4.2.1. of this paper, the government recently set up an extensive infrastructure plan in order to answer the vast needs of public transports, railways, airports and sea ports. This is where foreign industry players have a role to play, even if, so far, the government's infrastructure plan failed to attract many investors.

Until the 1960's, Brazil had nearly no national aeronautics constructor, even though its size and the malfunction of any other kind of transportation made it an important market for every kind of air transport. The country only produced a few dozen light aircraft every year and imported 90% of the ones it used. In 1969, the company Embraer (for *Empresa Brasileira de Aeronautica*, Brazilian Aeronautics Company) was founded thanks to a mix of public and private investors (Théry, 2012a). It is today almost completely privatized, it is the world's third aircraft manufacturer and its revenue for 2014 exceeded USD 6 billion ("Embraer in Numbers," 2015).

Brazil is also one of the leading nations in the pharmaceutical industry, in particular when it comes to generic drugs. By 2016, Brazil should be the world's fourth biggest pharmaceutical market in the world, with the sector's sales reaching BRL 87 billion by 2017. The generic drugs industry is expected to continue growing at a fast pace, representing 30% of sales in the short term, and 35% to 45% in the long run (EMIS, 2013).

Table 2: Major Brazilian players in the Brazilian secondary sector

Company	Sector	Sales ($billion)
JBS	Food	38.9
Pão de Açucar	Retail	24.9
Brasil Food	Food	13.9
Lojas Americanas	Retail	5.5
Embraer	Aerospace and Defense	6.2
CCR	Transportation	3.0

Source: Forbes, 2015

Tertiary sector

The tertiary sector consists of the services and "soft" parts of an economy. In Brazil, the service sector represented 71% of the GDP produced in 2014 (The World Bank, 2014).

For a few years, this sector has faced a rapid expansion in the framework of the new liberal economy due to the quick penetration by big international groups of sectors such as hospitality, fast food, large retail outlets or amusement parks. The growth of the tertiary sector partly compensates the job losses in industrial parts of the economy. Numerous services have been privatized, namely in sectors such as telecommunications, which was in a serious state of decay due to a chronic lack of investments, but now beneficiates of the government's infrastructure plan.

The banking system has recently been through a crisis period and numerous banks, which were capitalizing on the inflationist economy, suffered bankruptcy: many of them, including the country's two main banks, the Banespa and the Banerje, have been placed under the administration of the Central Bank.

Finally, the importance of the tourism sector in the Brazilian economy remains minor, despite the country's numerous assets. The number of visitors reached about 6 millions in 2013 ("Encyclopédie Larousse en ligne - Brésil," n.d.).

Table 3: Major players in the Brazilian tertiary sector

Company	Sector	Sales ($billion)
Bradesco	Banking	78.3
Itaú	Banking	70.5

Banco do Brasil	Banking	69.0
Itaúsa	Conglomerates	27.8
Oi	Telecommunication services	12.3
Cielo	Business and Personal Services	2.6

Source: Forbes, 2015

In conclusion, Brazil shows numerous opportunities in several sectors of its economy. It is a huge agricultural power and a big producer and exporter of raw materials. However, the country also presents some handicaps. First, Brazil frequently receives critics regarding the dynamism of its innovation and the lack of skilled workforce, which will be the subject of section 4.2.4 in this paper.

Moreover, Brazil shows weaknesses in terms of its industries' competitiveness. Only a small part of the transformation happens inside the country and the importation of manufactured goods increases constantly, in spite of an apparent and reinforced protectionism through different taxes on imported products as well as non-tariff barriers.

Business opportunities are however important and diverse, from equipment goods for a large variety of sectors to consumer goods. In this context, the big sectors in need of equipment goods are the oil & gas, the medical equipment, the pharmaceutical, the environmental and the renewable energies sectors.

To counter this situation, the government is investing in several key-sectors, applies different tax measures and created innovation support programmes, namely through the BNDES (national bank for development). The goal is to foster technology transfers, boost R&D which remains quite weak in Brazil and, finally, to make the Brazilian industries competitive.

In all of the pre-mentioned sectors, Brazilian companies are looking for foreign partners and the support programmes aim at facilitating the creation of these partnerships through the introduction of particularly interesting credit lines (AWEX, 2013).

4.1.5. Proximity of European and Brazilian cultures

The social context also shows opportunities and recent improvements. First, Brazilian and European cultures are very similar since the country was first impacted by the Portuguese colonisation, then by strong German (South) and Italian (South-East, Sao Paulo) immigrations. The cultural contributions of Africa, due to the massive immigration of slaves

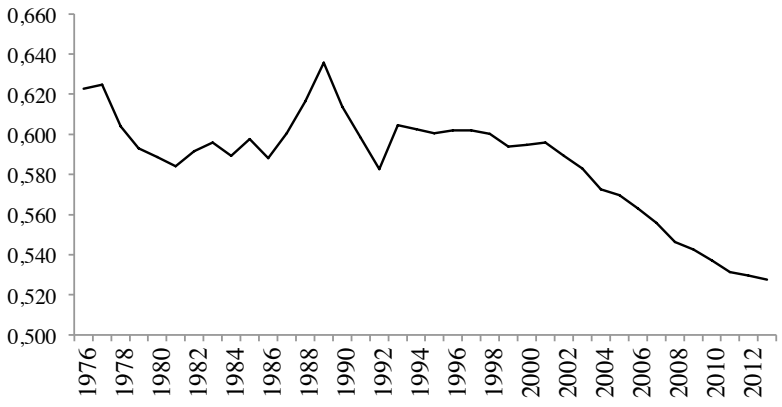
between the 16th and the 19th centuries, and most recently of Asia, added to European and native cultures to form a pluralist and multicultural society, with a relatively important open-mindedness. Most European investors will therefore avoid the "cultural chock" that is more likely to happen in other parts of the world, particularly the other BRICS countries, and will be able to integrate smoothly. In addition, because the national language is Portuguese, the language barrier will be easily overcome by Latin natives (Ubifrance, 2005). However, as will be explained in a further section, the Brazilian corporate culture might appear more challenging, as differences exist with Europe or Belgium.

4.1.6. Reduction of social inequalities

Another element that can improve Brazil's image in the mind of investors is the reduction of social inequalities. Decreases in poverty and social inequalities are a condition to create an internal mass consumption market, with a booming middle class that consumes more and more durable goods like kitchen appliances or telecommunication tools. According to Barrientos & Amann (2014), in 2014, 60% of the Brazilian population were part of the so-called "Middle-class", whereas this number only amounted to 37,8% in 2003.

Income inequalities are measured through the Gini index, which range from 0 (perfect income equality) to 1 (one person has all the income of the country). Figure 2 shows the evolution of Brazil's Gini coefficient from 1976 to 2013.

Figure 2: Gini coefficient in Brazil from 1976 to 2013



Source: Ipeadata

In 2013, Brazil's Gini index amounted to 0.53, which ranks the country 79th out of 187 countries, according to the United Nations Development Programme (2013b). Since 1994,

when the coefficient equalled 0,61, the country has undertaken economic measures that caused a constant decrease of this index. Despite this relatively low position in the ranking, such a reduction in inequalities has not been seen in any other country. This reduction is mainly due to 3 factors: first, the inflation rate's decline, that went from over 900% in 1994 to less than 10% in 1996. The second reason is the stress on social policies that were put in place or developed by Lula's successive governments, like the upgrading of minimal wages or the *Bolsa Familia*. Finally, the deindustrialisation that has occurred since the beginning of the years 2000's emphasizes sectors that are labour-intensive and are employing unskilled labour force. Therefore the unemployment rate has been steadily decreasing and inequalities between skilled and unskilled workers have been dropping since then (Gaulard, 2011).

Along with the reduction in inequalities, it is also important to bring to light a strong reduction of poverty in Brazil since the beginning of the 1990s. The poverty rate, corresponding to people earning less than 50% of the minimal wage has dropped from 43% in 1993 to 22.5% in 2008, whereas the extreme poverty rate, recording people earning less than 25% of the minimal wage decreased from 20 to 7.5% between 1993 and 2008 (Gaulard, 2011).

4.1.7. Peace and relative political stability

Additionally, it is clear that a country's political stability is a significant condition to leveraging foreign investments. Despite the political crisis that the country is currently experiencing, compared to other BRIC countries, Brazil proves to be in a relatively peaceful and politically stable situation. Since the end of the 20-year dictatorship in 1985, Brazil's democracy has been gradually improving, becoming strong and well established. This is also true concerning its external security, since Brazil maintains peaceful relations with all bordering countries. According to Chun (2013), "*the lack of external and internal threat is one reason why Brazil has made better economic, political and social progress than other countries in the region, and is what also gives it a competitive advantage over the BRICs countries*". Moreover, Brazil was a founding member and initiator of the MERCOSUL (Common Market of the South, 1991), the UNASUR (Union of South American Nations, 2008) and the CELAC (Community of Latin American and Caribbean States, 2011).

Mercosul

The first one, Mercosul, probably the most influential one, is an economic community grouping several South American countries. It was first formed by Brazil, Argentina, Uruguay

and Paraguay, which were later joined by Venezuela and Bolivia. Today, it represents more than 298 millions people. It was created in 1991 by the Asunción treaty that plans the free circulation for goods, services and production factors between the member states, the creation of a common external tariff, the alignment of economic policies and the harmonization of members' trade legislations. A lot of hope was put in the elaboration of this economic community regarding the facilitation of international trade with Latin American countries. Unfortunately, Mercosul does not seem to be truly open to international trade and investments, as appendix 2 shows, and two types of barriers to trade facing EU investors remain: external barriers to entering Mercosul and internal barriers within Mercosul countries. First, tariffs and non-tariff measures (NTMs) remain very high and unharmonised in Mercosul countries. The community applies a Common External Tariff, which is especially burdensome for agricultural (dairy products, sugar, tobacco, …) and manufacturing (transport equipment, footwear, textiles, …) products. In addition, a phenomenon of double taxation sometimes happens when an importer pays tariffs both when the merchandise arrives in one Mercosul country and when they re-export it to another country of the community. This is due to the fact that Mercosul is not yet completely consolidated as a custom union and disparities remain among national trade regulations. Also, importing goods to Mercosul seems to be very expensive, as the average cost for importing a container is USD 1.520. This is the consequence of high port costs, strikes, corruption and bureaucratic barriers. In comparison, it costs USD 960 in India and USD 545 in China for importing the same container. The fact that Mercosul is deficient in domestic competition, due to an incomplete liberalisation and privatisation process, arbitrarily fixed high minimum import prices and a biased competition in public procurement, does not help. Furthermore, Mercosul countries regulations on technical standards are complex vary amongst countries and also diverge from international standards. Since these regulations frequently change, it creates an additional uncertain environment for international investors (Thelle & Sunesen, 2011). Finally, one has to keep in mind that the Mercosul is not a monetary union, and currency risk still exists amongst member countries. This represents another internal barrier to trade, and intensifies the complexity faced by foreign investors.

The state of Brazil's internal security is not as advanced as the external stability. Social inequalities and rapid urbanization result in a high crime rate. The intentional homicide rate is 25.2 per 100 000 inhabitants in 2012, which makes Brazil the 18th country on the murder ranking relatively to the population and the 1st in absolute numbers, with more than 50 000

people being "killed intentionally" over the course of one year. But, even though these numbers are deplorable, investors can cheer up. Brazilian criminality is mostly linked to drug cartels and usually take place in favelas and in the country's poorest states. In the two major business cities, São Paulo and Rio de Janeiro, the homicide rate more than halved over the last decade, reaching less than 14 homicides over 100.000 inhabitants in São Paulo in 2012 (UNODC, 2013). However, when contemplating investing in the country, additional costs linked to the staff's personal security must be taken into account.

4.1.8. Cheap unskilled workforce

With a population exceeding 200 millions individuals, half of which is in age of working, the workforce base in Brazil is extensive. In addition, the monthly minimal wage is Brazil reaches BRL 788, which equated to about €175 in September 2015 (Trading Economics, 2015). Because the education system in the country is inefficient, there is a massive supply of unskilled labour, which allows it to stay very cheap compared to developed countries. It therefore represents an opportunity for foreign firms acting in the industrial sector. It also allows members of the middle- and upper-classes to afford all kind of domestic services, which would be much more expensive in Europe or in the United States. However, it is also a handicap for companies needing skilled staff, since this is not widely available and therefore very expensive. This issue will be addressed in a further chapter.

4.1.9. European presence in Brazil

Many European companies have decided to take the plunge, and they are coming from all kinds of sectors: Chemicals (BASF, Bayer, GlaxoSmith Kline, …), Food & Beverages (Nestlé, Danone, Unilever, …), the Automotive industry (Volkswagen, Citroën, Renault, …), Electricity (Tractebel, EDF, …), Financial institution (Santander, BBVA, Assicurazioni Generali, …), Supermarket distribution (Carrefour, Casino, …), and more (UN. ECLAC, 2002).

In 2014, the European Union was Brazil's first trading partner, accounting for 19.5% of its total trade and Brazil was the EU's tenth partner, accounting for 2.0% of total EU trade. EU mainly imports raw materials and agricultural products from Brazil, which represents close to 73% of its total imports from the country whereas manufactured goods like machinery or transport equipment represent 25%. Brazil is the world's most important exporter of agricultural products to the EU. On the other hand Brazil's imports from the EU are mainly

made up from manufactured products such as machinery, transport equipment and chemicals. The European Union also accounts for the most part of foreign investments in Brazil, with investments in several sectors of the Brazilian economy. Close to 50% of all the FDI's received by Brazil between 2008 and 2012 came from the EU (European Commission, 2014).

4.2. Brazil's challenges

After presenting the opportunities that Brazil has to offer to foreign firms, this section will pose the challenges that these companies will face when attempting to enter the market. I will go over various topics including the poor state of the country's infrastructure, the Brazilian corruption problems, the unease of doing business in the country, due to bureaucracy, long procedures or heavy tax system, the bad state of the education system implying an acute shortage of qualified workers or the differences in corporate culture that the country has with Europe.

4.2.1. Infrastructures

With a more and more globalized world, it has become increasingly important to facilitate trade between different economies. According to the World Bank Group, Brazil is currently ranking 123th out of 189 countries for the ease of trading across borders. One of the reasons for this bad position is the poor state of Brazil's infrastructure. Another ranking, by the World Economic Forum (2015), positions the country's infrastructure 120th out of 144 countries for overall quality (see appendix 3 for more information about this ranking). According to Clemens Nunes, an economics professor at Fundação Getúlio Vargas college in São Paulo, "*Infrastructure is the big bottleneck to improve Brazil's productivity*" (Trevisani, 2015). Indeed, it has been evaluated that the country needs to invest as much as BRL 1 trillion in infrastructure to be competitive on an international level (Frontier Strategy Group, 2015).

In addition to growing globalization and Brazil's major role in the world economy, other factors push towards better groundwork support in the country: between 2000 and 2014, production of grains doubled, airport passengers were multiplied by 2.5 and the number of vehicles on the roads nearly tripled (Leahy, 2015). All of this keeps increasing the pressure on the country's ageing infrastructure. Indeed, for decades the government under-invested in this field, with around 1.5% of GDP spent on infrastructure, while the global average is more than twice that amount (K. Watson, 2014). And the consequences today are rather incommodious. Ports are deeply congested: for example, still according to Nunes, in Santos seaport, Brazil's

most important harbour, hundreds of ships and trucks are constantly waiting in line to be loaded or unloaded, because the port can't handle them fast enough. Roads suffer heavy trucks transit transporting much of the commodities produced by the country's agriculture, which creates huge traffic jams and product's spillage along the route. Airports are decrepit too but most of all, railways are completely inadequate, measuring barely one-eighth of the United States' network, a country of comparable size ("Not many aboard," 2015). Brazil cannot afford to neglect its infrastructure's modernization if progress is to continue. "Brazil has fallen decades behind in infrastructure" said in 2013 Guido Mantega, the former finance minister. "The logistics we have today represent a huge cost to the country, and we have got to reduce this cost to be competitive" (Leahy, 2013). Unfortunately in the last few years, all the expenses dedicated to improving the country's infrastructure went to projects related to the major sporting events Brazil hosted, like the FIFA World Cup or the 2016 Rio Olympic Games.

The biggest challenge to improving the state of Brazil's infrastructure today is the extremely poor state of its economy. With rocketing budget deficit and high borrowing costs, the government cannot afford to invest its own money ("Delays ahead," 2015). It is now putting aside its leftist instincts and is calling private investors for help through a major plan for infrastructure projects. However, investors, both foreign and domestics seem sceptic about the appeal of the Brazilian market: foreign direct investments this year barely reached $25.5 billion in the first five months of 2015, when it amounted to 39.3 billion for the same period in 2014, despite a weakening real which lost half of its value to the dollar between January and September 2015. The expectations do not look any better. For the whole of 2015, Alberto Ramos from Goldman Sachs expects only $55 billion in FDI, barely exceeding half of 2014's figure. Furthermore, overall investment in Brazil declined for seven quarters in a row between July 2013 and June 2015, and the decrease is probably not stopping any soon. In June 2015, it amounted to just 19.7% of GDP, well below the level in other big developing economies ("Not many aboard," 2015). As this wasn't enough, another issue that the Brazilian needy infrastructure is facing is the fact that most of the country's major construction firms are mired into the huge corruption scandal surrounding Petrobras. The case is on-going but the accused firms might be denied the bidding on new projects (Trevisani, 2015). Finally, Petrobras, who usually is the biggest investor in the Brazilian economy, representing nearly 10% of the country's total investments, announced budget cuts of up to USD 20 billion. This would symbolize a serious decrease from an average yearly investment of USD 44 billion in recent years (Frontier Strategy Group, 2015).

The transport infrastructure plan was announced on June 9th, 2015 by the President Rousseff with the aim of "investing to revive economic growth" said Rousseff. The president hoped it would attract a total of BRL 198.4 billion (USD 64.1 billion) in private investment, including BRL 69 billion before 2018, when she will leave her Presidential office. The remaining BRL 129 billion will not be raised until after 2019 and will involve supplementary feasibility studies, which causes some reservations from the opposition (Frontier Strategy Group, 2015). Of this plan, more than half the money the government expects to raise will be dedicated to railways, with an amount of BRL 86 billion. The rest will be shared between roads (BRL 66 billion), ports (BRL 37 billion) and airports (BRL 9 billion). The whole plan represents 3.5% of the country's GDP (Leahy, 2015).

The government should easily find acquirers for the four airports concessions appearing in the plan: they are based in Fortaleza, Porto Alegre, Salvador and Florianópolis, all mid-sized cities (Leahy, 2015), they already exist and all already generate cash. The same goes for the 4,400km of motorways the government is offering concessions on, even though its plan of selling such a big amount of roadway by 2016 looks a little ambitious ("Delays ahead," 2015).

But the major challenge for Rousseff's administration is to find investors willing to put money into its huge railway project. Out of the BRL 86 billion dedicated to this mode of transport, BRL 25 billion will go to existing projects and another $R40 billion will help finance a monumental plan to link the Atlantic to the Pacific ocean by a railway crossing Brazil and Peru. China has already agreed to take part in this investment, even though the business case looks weak, partly because the widening of the Panama canal is imminent ("Delays ahead," 2015).

But Dilma has tried launching such plan in the past, and success never came. In 2012, the government tried to release 210-billion-reais worth of concessions in the transport infrastructure sector aimed at private investors. It ended up attracting only one fifth of that amount. Even worse, the most attractive opportunities such as managing the two international airports in São Paulo and Rio de Janeiro, ultimately found investors but the 14 railways and the 160 public port terminals on offer did not meet any demand ("Not many aboard," 2015). The problem is, some parts of the freshly disclosed concessions were also carried by the 2012 plan, but never came to fruition (Frontier Strategy Group, 2015).

Planning minister, Nelson Barbosa announced that this infrastructure plan could help the country go back to a 3% annual growth rate and that the aim of the plan is to reach an investment rate of 21% of GDP by 2018.

However, what M. Barbosa seems to overlook is that a better infrastructure is not the ultimate solution to Brazil's complicated economic situation. As a country where more than 70% of GDP is produced through the services sectors, it should not rely as much on better transports to improve its performances as other more industrialized countries. What the country really needs in order to promote future growth is better healthcare and education, simpler tax and less bureaucracy, not just more trains. And Ms. Rousseff still hasn't taken care of any of those ("Not many aboard," 2015).

4.2.2. Corruption

A survey by the World Bank (2009) indicates that nearly 70% of Brazilian firms identify corruption as a major constraint to doing business in the country. In Brazil, corruption is present in nearly every aspects of the society, from national to local governments, from public to private sectors, from medias to education. According to Transparency International (2014), an NGO aiming at informing and ending corruption worldwide, Brazil ranks 69th out of 175 surveyed country on the corruption perception index, which measures how corrupt a country's public sector is perceived to be by the public. Appendix 4 gives more information and comparable countries in this index. Still according to the same organisation, it is the public sector that is perceived as being the most corrupt amongst the society, with the political parties, the parliament and the police all being rated as "very" to "extremely corrupt". All in all, corruption is estimated to represent a cost equalling 2.3% of the country's GDP (Dabène et al., 2013).

One factor that can explain why the country is subject to so much corruption is the slow and heavy bureaucracy that Brazilian local and national authorities display. Several public officials have for example been charged with accepting bribes from public or private companies in exchange for hurrying red tape processes. Also, the country's federal political system allows local politicians a certain amount of power over the use of public funding. According to a 2011 report the U.S. Department of State, corruption is incidentally particularly present when dealing with governments on the local level. The public opinion in Brazil has long been abhorred by the level of corruption in their country and 54% of Brazilians find that the government's efforts to fight the phenomenon are ineffective (Transparency International, 2010). But corruption also seems to be part of the Brazilian society itself, and some argue that the interchange between the public and private worlds dates back to the young years of Brazil, when the country was still a Portuguese colony. Besides, despite loathing the problem, polls say that 70% of Brazilians would accept illegal

benefits if they were in a public job and had the opportunity to take advantage of it (Segal, 2015).

The Petrobras corruption scandal

It is impossible to evoke corruption without approaching the multi-billion-corruption scandal that is currently tormenting the state-owned oil giant Petrobras. Revealed in March 2014, this scandal implies numerous politicians and major national companies active in the oil (Petrobras) and construction sectors (Odebrecht, Camargo Correia, Galvão, …). Working together on large-scale infrastructure projects, such as ones involving newly discovered oil reserves in deep water off Santos coast, a few Petrobras executives colluded with a cartel, formed of 16 construction companies, to overcharge the oil firm for construction and service work. The cartel would then choose which of its members would win the contract offered by Petrobras and this make-believe competition was supervised by Petrobras' abettors who were then rewarded with bribes and shared some of their earnings with political figures. These politicians would use the money to finance electoral campaigns or simply increase their personal wealth (Segal, 2015). The political parties involved in the scandals are parts of the governing coalition, the PT (Workers' Party) and the PMDB (Brazilian Democratic Movement Party), and also include the right-wing PP (Progress Party) (Paranagua, 2015). The investigation found that between 1% and 5% of the value of contracts were diverted and the estimated total of all bribes amounts to nearly USD 3 billion. Up to now, 117 accusations have been released, 5 politicians have been arrested and 13 companies have been charged with criminal cases.

To better understand the scope that this scandal has on the Brazilian economy, one needs to discern how big an influence Petrobras has on it. Petrobras was once the sixth largest company worldwide by market capitalisation and accounted for about 10% of Brazil's GDP. Because of this scandal and the fall in oil prices on international markets, Petrobras has lost about USD 70 billion in market capitalisation in the last 12 months, more than half its previous total value (Segal, 2015).

The scandal has therefore played a major role in the country's current recession since Petrobras is the country's largest investor in the economy. Moreover, arrested projects or recently opened power plants have caused mass layoffs amongst the population. Four of the implicated construction firms have already filed for bankruptcy. Finally, because the scandal

involved many politicians from the governing parties, it destabilized the political scene in the country, and is partly responsible for the President's current unpopularity.

However, there is a good side to this scandal: it revealed that the judiciary system in Brazil is well robust and independent from the executive and legislate forms of power, which is not the case in other corrupt developing economies. The judge in charge of the case, Sérgio Moro, shows courage and impartiality in pursuing even the most eminent and influential personalities. Moreover, President Rousseff declared a zero tolerance against accusations of corruption and has shown no leniency towards the defendants, even when they are members of her own party. Because the public opinion has recently actively protested against the system, and particularly the corruption practiced by members of the government, fighting this phenomenon is now at the centre of the authorities' agenda.

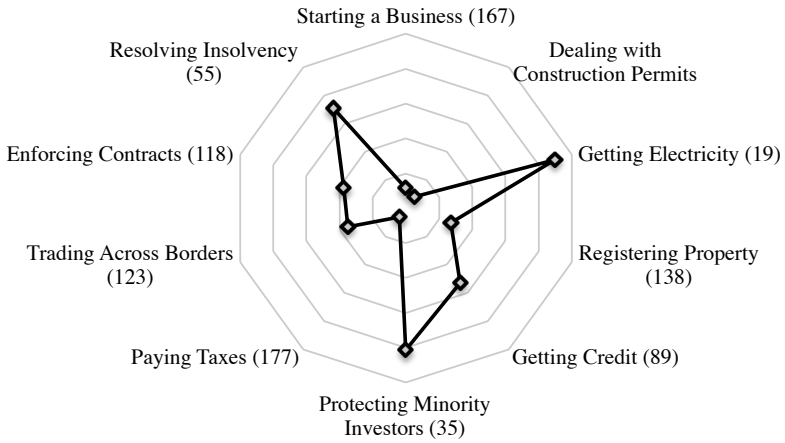
4.2.3. Unease of doing business

It is fair to say that Brazil is not for amateurs. It is not accessible to all. It is a market for battle-hardened companies, with experience of international business, and ready to bear entrepreneurial risk. This is evidenced by the World Bank (2014) ranking Brazil 120th out of 189 on the ease of doing business, when neighbouring Colombia or Mexico respectively rank 34 and 39, and when fellow BRIC country China ranks 90. To compute this ranking, the World Bank's economists individually analyse regulations affecting diverse topics related to the ease of doing business: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and labour market regulations. The next graph shows how Brazil ranks for each of the previously mentioned topics.

The following sections will deeper examine these topics. Appendix 5 displays a table summing up the World Bank's findings on each topic and comparing Brazil to neighbouring and other BRICS economies.

Starting a business

Starting a business might require a lot of time and money. When the registration of businesses is made easier by a country's authorities, more entrepreneurs establish ventures in the formal



Source: The World Bank

sector, generating more good jobs and more tax revenue for the government. However, doing so in Brazil necessitates 11.6 procedures, takes 83.6 days and costs 4.3% of income per capita. This leads Brazil to rank 167th out of 189 on the ease of starting a business. Appendix 6 gives the details concerning each of the necessary procedures, as well as how much time and money is required to complete each of them.

Dealing with construction permits

The construction sector is critical to every economy and its regulation is always important to protect the population. Where building regulations imply excessive waste of time and money, some players in this sector may try to pass inspections using bribes or build illegally, which can put public safety at risk. This is why a simple, unequivocal and reasonably priced regulation of construction is preferred in any economy. Brazil ranks 174th out of 189 when it comes to dealing with construction permits. It requires 18.2 procedures, takes 462.1 days and costs 0.4% of the building value. More details on each procedure and the time and money they require can be found in Appendix 7.

Getting electricity

In countries where the economy supply is weak, many businesses need to depend on self-supply, generally at a very high cost. Gaining access to electricity, reliable or not, is vital for

businesses. Brazil stands high in the rankings concerning getting electricity, on the 19th steps out of 189. There, it takes 4 procedures and 53.3 days to be linked up to the electric system, and it costs 31.6% of income per capita. See Appendix 8 for more information on these procedures and the time and money needed to complete them.

Registering property

Easing the registration of property ensures that the transfer of formal property titles is smooth and straightforward, and therefore avoids that formal titles go informal again. In countries where property is informal or inadequately supervised, the title cannot be used as a collateral for loans, limiting the access to finance. Registering property in Brazil implies 13.6 procedures, takes 31.7 days and costs 2.5% of the property value. This poor performance makes Brazil 138th out of 189 on the ease of registering properties. Appendix 9 displays the details concerning each procedure it requires.

Getting credit

Two kinds of framework can ease the access to credit for businesses: a good credit information system, which allows to share information about lenders and borrowers and which is important to assess a loan's risk. Brazil can rely on such a system since it scores 7/8 on this index. The other framework is good applied collateral laws, which allows businesses to use their assets as security to generate capital. Brazil's score on this index is very low, 2/12. These two scores imply that the country stands at 89 in the ranking of 189 economies on the ease of getting credit. The reader can refer to Appendix 10 to find details about these two indices. In addition, according to Ter-Minassian (2012) in a report for the Inter-American Development Bank, the Brazilian financing system remains controlled by a small number of large private and public banks, despite huge progress since the mid-1990's. Because the financial sector is highly concentrated, borrowing costs are still rather high in real terms, both for the public and the private sectors and especially for SMEs.

Protecting minority investors

When minority investors are well protected, it is easier for companies to raise capital in order to grow, innovate, diversify and compete. In order to compute Brazil's score on this topic, the country was rated on 9 different indices such as the Extent of director liability index or the Extent of shareholder rights index. More information about these indices is displayed in

Appendix 11. Brazil is relatively good when it comes to the protection of minority investors, since it ranks 35th out of 189 economies.

Paying taxes

Paying taxes is an essential part of a business's life. Unnecessary complexity in tax laws should be avoided since firms located in countries ranking high on the ease of paying taxes tend to perceive tax rates and administration as less of an obstruction to business. Brazil is one of the world's worse countries when it comes to paying taxes, since it ranks 177th out of 189 economies and tax paying is probably one of the biggest obstacles to business in this country. The tax system is bloated and weighted down by unnecessary bureaucracy and is getting worse by the years (Ter-Minassian, 2012). Because this system is made of norms issued on three different governing levels (Union, States and municipalities), it is very complex and cumbersome and the government collects more than 60 types of taxes. Moreover, there are numerous different indirect taxes that are all calculated on the same tax base. On average, 2600 hours are necessary to fill, prepare and pay taxes every year, and a company has to make 9.0 payments a year. The World Bank indicates that the total tax rate amounts to 69.0% of profit. For more information on these indices, the reader can refer to Appendix 12.

Trading across borders

In today's globalized world, it is of utter importance to facilitate trade between economies. Extra costs come from document requirements, custom procedures, port operations and the state of infrastructure, and it is necessary to make them as adequate as possible. According to the World Bank indicators, exporting a standard container requires 6 documents, 13.4 days and costs USD 2322.8. This induces Brazil to stand on the 123rd position out of 189 countries when it comes to the ease of trading across borders. Appendix 13 displays the details about these indicators. Brazil went through an intensive phase of tariff reduction in the late 1980s and the early 1990s, which had an overall positive effect on the country's economy. However, Lula's government, while avoiding a tariff protection intensification, still rejected further import liberalization, intensified the protection of monopolistic domestic producers through anti-dumping procedures and showed a very defensive strategy in negotiating regional trade agreements (Ter-Minassian, 2012).

Enforcing contracts

Efficient and rapid trials, and impartial courts are essential to businesses because they allow companies to know that they can rely on the judicial system if a client fails to pay. Small businesses especially count on speedy trials, since they may lack the resources necessary to stay in business if a court dispute lasts too long. According to the World Bank's indicators, the process of resolving a commercial disagreement in Brazil is not efficient, since the country ranks 118th out of 189 on the ease of enforcing contracts. On average, contract enforcement requires 731.0 days, 16.5% of the value of the claim and 43.6 procedures. See Appendix 14 for further details about theses procedures in São Paulo and Rio de Janeiro, Brazil's two main business cities.

Resolving insolvency

A strong bankruptcy system works as a filter, allowing the durability of efficient businesses and redistributing the assets of inefficient ones. An effective insolvency system can ease access to finance for companies, maintain more viable businesses and therefore improve the state of the overall economy, by boosting growth and sustainability. According to the World Bank, resolving insolvency takes on average 4.0 years, 12.0% of the debtor's estate, with the most probable issue being the sale of the company as going concern. The average recovery rate is 25.8 cents on the dollar. With a total score on the strength of insolvency framework index amounting to 13.0/16, Brazil ranks 55th out of 189 countries on the ease of resolving insolvency. More details on this index can be found in Appendix 15.

Labour market regulations

Brazil's labour laws are strict and rigid, and do not allow much negotiations between unions and employers. Moreover, in case of individual of collective disputes, the labour-specialized justice court, which controls the compliance with the legislation, tend to overprotect employees over employers (Ter-Minassian, 2012). To illustrate this, the reader can refer to Appendix 16 to discover the related indices by the World Bank.

The minimum wage amounted to BRL 788 in September 2015 (Trading Economics, 2015), and salaries are paid over 13 months. Paid leaves count 30 days per year, and workers receive a premium amounting to a third of their usual monthly salary at the time of the yearly holidays (de l' Estoile Campi, 2013). When it comes to terminating contracts and dismissing employees, businesses have to comply with high severance and other fees, amounting to up to

a year of salary. This implies a highly inflexible labour market (Lee, 2015). Moreover, the part that the employer has to pay in social contributions is relatively high, approaching 50%. To that must be added other non-wage labour costs like FGTS, which is likened to an unemployment insurance (de l' Estoile Campi, 2013). Finally, the country's unemployment insurance system is widely accepted to be too generous and promotes high employee turnover. This, in turn, induces a disinclination amongst employers to invest in training and professional development of their staff.

Despite general agreement on the fact that the country needs serious reforms of its labour system, practically nothing has been done to improve the situation because of opposition of workers lobbies such as unions and the judiciary. Moreover, the ruling party, PT or Worker's party has no interest in taking corrective action.

During the prosperous years of the Brazilian economy, which saw an acceleration in output growth, this inadequacy of the labour system had very few consequences: the unemployment rate decreased steadily between 2005 and 2012, estimated informality rate also fell substantially and average and minimum wage increased during the same period. But with the current recession happening to the country's economy, the consequences will likely be harsher (Ter-Minassian, 2012).

This overall complexity of the Brazilian market for foreign investors makes it essential to surround oneself with skilled and knowledgeable local experts such as lawyers, consultants, certified accountants. Another very important business partner for business whishing to export towards Brazil is the *despachante*, the unavoidable intermediary for goods' entry and customs clearance (Solano, 2013e).

4.2.4. Education system

Brazil's education has long been suffering from several important weaknesses, which strongly affects the workforce's productive efficiency and creates a critical lack in skilled workforce. A ranking by the United Nations Development Programme (2013a) places Brazilian people in the 85th position when it comes to their level of education. Appendix 17 displays more information about this ranking. One of the most serious problems are the disparities in primary and secondary education that exist amongst different regions of the country, the Northern states being more negatively affected, and different social and income groups. Moreover, students coming from poorer background display high rates of classes' repetition or even school dropouts. The technical and vocational education, that could help students

facing a failure in the general education system and provide skilled workforce for the country's important industrial sector, is not developed enough and is too rarely considered as an option by students, who therefore abandon any form of education (Ter-Minassian, 2012).

This leads to another major problem in the education framework. Despite successful efforts from the government in the 1990s to broaden the coverage of primary education to virtually every child in the country, the authorities still spend on average 20 times more per student in university education than in primary schools. Public universities are therefore free for everyone who enrols, and also enjoy a very good reputation. However, the access to public universities is reserved to top-class students, which are usually the ones that could afford private primary and secondary education, meaning the high-income part of the population. The low-income layers of the society, however, are usually still denied access to advanced education. In Brazil, only 12% of the population enrols at university, which is amongst the lowest rate in emerging market countries and less than half than in neighbouring Argentina (Ter-Minassian, 2012).

This results in a substantial lack of skilled and highly qualified staff. Many of the country's leading industries, such as oil, gas, civil construction or manufacturing are suffering from an extensive lack of engineers and are turning to neighbouring countries to recruit skilled employees (Kaslow, 2014). The few good engineers formed in Brazil are also attracted to other countries such as the USA or European countries, where the living standards are better, or towards the more "noble" service sector of the economy rather than industrial companies (Renard, n.d.).
According to a survey by the Manpower Group (2013), Brazil ranks second in the world's countries suffering from acute skill shortages, after only Japan: 68% of companies are having difficulties hiring employees with needed skills.

The previously mentioned industries are also the ones that will lead the country's economy and could help it out of the current crisis it is facing. But this will not happen without the workforce to develop these industries. Improving the education system is therefore a major issue.

Another important challenge for Brazilian companies is that only 5% of the country's population is able to speak English while it is a much needed competence in today's

globalized world. Initiatives are being taken to fight this problem, such as financially encouraging students to study abroad in American or Australian universities (Kaslow, 2014).

Brazil's shortage of qualified workforce has an important negative consequence for local businesses: salaries for engineers or executives peak at very high levels. For instance, a Brazilian senior executive may be more expensive than its European counterpart and some companies prefer to resort to expatriates rather than local staff (Solano, 2013c). But the Brazilian law is relatively protectionist on that matter since it requires that two third of salaried employees be Brazilian, as well as that two third of the total payroll be affected to Brazilian staff. Moreover, the legislation relative to working visa is strict, and visas have become more difficult to obtain for Europeans in the last few years. One condition to their obtaining is a justification by the company for its choice for the expatriate over a Brazilian employee.

4.2.5. Corporate culture

When considering entering a new country in order to do business, one very important element to bear in mind is the cultural distance that can exist between the investors' home country and the target country. This is particularly true for Brazil, to which you have to show your commitment and your compliance with their way of doing business (Child & Braga Rodrigues, 2007). This section will present the main cultural traits that can be noted amongst Brazilians. Like every analysis of a country's culture, it will imply generalization. This is important to acknowledge, and this presentation should not be held as the absolute truth.

According to Tanure & Gonzalos-Duarte (2005), Brazil displays 3 main cultural characteristics: the importance of personal relationship, power concentration, and flexibility.

Importance of personal relationships

This part of the Brazilian culture is arguably the most important to take into account when it comes to doing business in the country, since it is key to the success of any kind of projects. Without the ability to surround oneself with the good people, the likelihood of failure is high. Brazilians tends to include a personal dimension in professional relations, they are renowned for being very friendly and having a strong sense of hospitality. Therefore, Brazilians have a tendency to feel uncomfortable in formal and detached situations and will usually attempt to create a certain familiarity with strangers (Lorillon, 2011). In order to close a deal with a

business partner, it is crucial to establish a relationship based on trust and individualisation (Solano, 2013e). An example to the importance given to relationships in the business world is what Brazilians call "*panelinha*", which, according to Story & Glufke Reis (2014) defines "*a group that, while friendly to outside members, does not provide the same chance or opportunities as to those in their panelinha*". It is therefore valuable to be part of a group of influence.

Power concentration

The Brazilian culture gives much importance to hierarchy. In most cases, the supervisor shows control and authority, but at the same time is gentle, generous and supportive. The manager has a role of protector and caretaker towards his or her team, (Story & Glufke Reis, 2014) and in exchange, his or her subordinates offer a strong loyalty (Lorillon, 2011). In some organization, this causes vertical differentiation and the centralization of the power of taking decisions, which may induce a certain loss of time when the person one deals with needs approval from supervisors.

Flexibility

Another major attribute of the Brazilian culture is flexibility, which is best illustrated by the concept of *jeitinho*, defined by Bartel-Radic (2013) as "*an informal problem-solving strategy in organizations that involves bending or breaking the rules in order to deal with difficult or awkward situations*". It can be viewed as a "way to get things done" in organizations, particularly in hierarchical and bureaucratic institutions (Story & Glufke Reis, 2014). It diverges from corruption for the reason that a person who participates in *jeitinho* neither collects nor delivers any financial or material benefits (Prestes Motta & Alcadipani, 1999). It is necessary to note that most of Brazilian managers regard *jeitinho* as causing more problems than benefits, but as it is deeply inherent to the country's culture, it is difficult to eradicate (Story & Glufke Reis, 2014). On the other hand, Brazilian flexibility can also be depicted as a capacity of pursuing one's professional activities in a changing environment, implying multiple situations and different conditions (Barros & Prates, 1996).

Other cultural traits are also recurrent in the Brazilian corporate culture:

Sensuality

As a business characteristic, sensuality is associated with charisma. A person who is "sensual" in the business sense will show a certain ability to build relationships implicating influence, power and reaching goals. In fact, talking well, looking good or dressing the right way might be essential to be successul in certain organizations (Freitas, 1997).

Conflict avoidance

Brazilians give much importance to maitaining good relationships between people and a cordial and peaceful atmosphere. They will usually seek to preserve harmony between people and avoid conflicts (Barros & Prates, 1996).

Immediacy

Brazilians focus on the present moment and abstain from projecting into the future. On one hand it implies that quick fixes and quick results are emphasized. However, it also commonly involves low investment and planning, and prevents sustainable decisions (Story & Glufke Reis, 2014).

In order to deal with the cultural differences that might exist between Brazil and the investor's home country, one element that consistently comes back in the litterature, as well as in the testimonies of business people who tried and sometimes failed to enter this market, is that it is fundamental to create a network of people in order to succeed in the entry process to Brazil. To have reliable Brazilian business partners is a safe way to go through this process. A study by Child & Braga Rodrigues (2007) which analyzed the success and failure factors of 32 British firms trying to enter the Brazilian market, shows that 72% of the firms that were taking part in the study highlighted the importance of networking in order to succeed. In the same study, the four analyzed companies that had been through a severe failure had neglected the connection to an appropriate network. Consequences of good networking are remarkable. First, it will help reaching valuable advanced commercial information that would elseways not be accessible because of the informality that is inherent to the Brazilian business life. Second, because of Brazil's colossal size and urban dispersion, it can be challenging for foreign firms to elaborate contacts with relevant business partners without local help. Additionally, because the English language is not well mastered by a considerable part of the population, a local employee or agent will help communicating with locals. Finally, because

an SME's reputation is usually based on a brand name or on other factors that are delicately transferable to another country, a local agent will help build trust in one's product or services amongst the potential local clients.

4.2.6. Intellectual Property protection in Brazil

In 1995, Brazil joined the World Trade Organisation and therefore had to accept international intellectual-property laws. A lot of improvement has been witnessed since then, but there is still much to be done in order to meet Western's standards when it comes to applying laws relative to patents, copyright and trademarks. The first major issue is that registration of trademarks and patents can take up to 8 years, due to a huge backlog in the processing of applications, and while a company waits for registration, it is vulnerable. Moreover, justice remains very slow in some courts and sanctions are not strong enough or applied enough to discourage potential transgressors (Office for Harmonization in the Internal Market, 2014).

V. Conclusion – Part I

Most European firms that internationalize to Brazil do it through a dealership entry mode, meaning that they import their products to sell them directly to Brazilian retailers, that they do it through a local agent or through their own subsidiary implanted in Brazil (Melotte, 2015). However, when following what the literature predicts or what experts on the matter advise, European firms should rather use a higher-commitment entry mode to access the South American superpower.

The first reason for this is that many European cultures imply high uncertainty avoidance and high power distance. Both of these characteristics will likely lead investors to preferring entry modes with higher levels of ownership and control, as explained in section 3.4.4. Despite the current political crisis happening in Brazil, the country stays relatively peaceful and stable compared to other nations. Therefore, no great flexibility risk is taken if the company prefers a high control entry mode. In addition, Brazil has erected high trade barriers, which impose significant tariffs on imported goods. It is therefore widely advised to produce as much as possible locally, or in member countries of the Mercosul (Solano, 2013c). On top of all this, because the Brazilian economy is currently slowing, it is likely that weak local competitors struggling with the economical context will be potential targets for acquirers willing to set-up their local subsidiaries (Lorillon, 2011). Also, Brazilian business people will generally better trust in what they can see locally. It is hard for foreign firms to compete with local rivals

when they only show a representative office (Griffin, 2015). Finally, it is widely accepted that trying to enter Brazil without the help of close local partners is not realistic. A partnership with a local firm can provide with the necessary support and visibility on an already strongly competitive market. Besides, the relatively small cultural distance that exists between Europe and Brazil implies that using a collaborative form of entry mode, such as a joint venture or an acquisition is facilitated compared to other developing countries.

On the other side, however, some factors are more in line with low-control entry modes. First, the fact that working visas are getting increasingly difficult to obtain do not allow much room for expatriates. It is also rather not recommended to make much use of foreign workers in Brazil since a big part of doing business relates to creating relationships. Local staff will general be more at ease with socializing in their own country. Moreover, entry modes such as licensing and franchising are tax-friendly in Brazil and these methods can be an adequate possibility to do business in that country. Finally, if the goods need to be produced outside of Brazil, and can not rely on a local fabrication, it is also possible to largely avoid tariffs on imports by using a local subsidiary and low transfer pricing. This local subsidiary can exist as a simple postal box and do not need to imply a full-scale local enterprise (Melotte, 2015).

Other factors are firm- and industry-specific. If the company is relatively small or not financially strong, a low-control entry mode such as exporting, licensing or establishing a joint venture is recommended, in order to lower the risk of activities suspension. The same goes if the size of the firm is relatively small compared to the importance of the investment, and this is calculated by a ratio between the number of employees in the investing firm and in the foreign venture. Again, low-control entry modes are recommended if the prior international experience and knowledge of the investing firm is reduced, in order to lessen costs and uncertainties. On the contrary, if the product or service sold by the investing firm implies asset-specificity or technological intensity, like in the heavy, pharmaceutical or IT industry, high-control entry modes will be preferred in order to avoid the risk of free riding or opportunism.
The second part of this thesis will be focused on the analysis of real-life cases of companies who have succeeded in their expansion towards Brazil.

Part II: Case studies of three European companies who successfully led their internationalisation process to Brazil

VI. Problematic & research questions

In the first part of this paper, I focused on presenting the theory on foreign direct investments and the factors explaining the choice of an entry mode over another. I then displayed what could be found in the literature over the Brazilian market, the opportunities that the country offers and the challenges, specific or not to the country, that Brazil poses.

In this second part, I will try to discover if the experiences lived by companies that have tried and succeeded in their internationalisation process can confirm what was found in the literature. More specifically, I will look into these firms' past experiences, the reasons and processes of their internationalisation. I will check if issues concerning infrastructures, corruption, tax and administration systems, education system and the differences between European and Brazilian corporate cultures cause the challenges suggested in the first part of this paper, or even pose other problems.

Once this is done, I will attempt to get which strategies were put in place by companies to cope with these challenges. I will also seek to understand how these European managers lived their relationships with their Brazilian colleagues and partners.

VII. Methodology

The second part of this paper will focus on the analyses of three European companies who relatively recently decided to enter the Brazilian market to expand their activities. The first firm, NLMK Clabecq is a Belgian subsidiary of a Russian group active in the steel industry. In 2013, the company chose to enlarge its activities to Brazil and needed a year to establish its subsidiary in the heart of São Paulo. NLMK Clabecq has been active in Brazil for a year and is today a flourishing business. The second company I will analyse is De Smet Engineers & Contractors, a Belgian general contractor specialized in the agribusiness. The company has been present in Brazil for nearly eight years, but went through different stages of development since 2008. Today, it is suffering from the Brazilian economic and financial crises, which was tacked onto the crisis that was already striking the sugar industry. De Smet is struggling but is still striving for success in this promising market. Finally, the last firm I will focus on is the Dutch company Randstad. Randstad is a temporary employment agency active in Brazil and 36 other countries. It decided to enter Brazil in 2007 and has, since then, gone through several

phases of an internationalisation process. It is today branded as Randstad, like in any other country and is providing the same services as everywhere else.

The methodology used in order to answer this thesis's problematic is therefore the study of three cases of European companies who have successfully entered Brazil, their internationalisation process's analysis, the reasons explaining the choice for Brazil and for their specific timing, the techniques used to tackle challenges faced when entering a developing country like Brazil, the way they created relationships with Brazilians and their perceptions over Brazilian corporate culture and ways of working. In order to collect information about these topics, three people were interviewed, one person responding for each analysed company. The interview guides that were used are presented in Appendices 18 and 19.

The choice for this methodology comes from multiple theoretical perspectives. First, according to Robert Yin (2009), case studies are preferred as research methods when (1) questions including words like "why" and "how" are asked, when (2) the searcher has few control over the events and when (3) the searcher studies a contemporary phenomenon in its real context. This choice also rests on the framework presented by Van Campenhoudt & Quivy in 2011. According to them, there are four main methods for collecting information: survey by questionnaires, interviews, direct observations and collection of existing data. For more information about these methods, the reader can refer to Van Campenhoudt and Quivy's book. In this paper, I will focus on the method I chose to collect information about European firms expanding in Brazil, interviews, explaining what this approach entails and the reasons behind my choice.

Interview methods imply the creation of fundamental communication and human interaction processes and allow the searcher to gather very rich and nuanced information, and reflexion elements. Interview methods are characterised by a direct contact between the searcher and his or her interlocutors and by a low directivity coming from him. With this method, a true exchange is established, during which the searcher's interlocutor expresses his or her perceptions of an event or a situation, his or her interpretations or experiences whereas the searcher eases this expression thanks to its open questions and reactions. He or she also avoids digressing from the subject and allows the interviewee to reach a maximum degree of sincerity and depth (Van Campenhoudt & Quivy, 2011).

The type of interview chosen in this work's framework is a semi-directive and individual interview. The interviewer had a number of guiding questions, relatively open and for which it was necessary that she received information from the interviewee, but as much as possible, she let the interviewee talk openly, with the words of his choice and with no predefined order (Van Campenhoudt & Quivy, 2011). This kind of interview is the one that is most often used in human sciences researches.

Interviewing allows bringing out the subjective vision of a small number of people (Paquet, Bawin, & Wattier, 2014). In the framework of this paper, only a relatively small target population is suitable to be interviewed. Relying on many respondents would have been really difficult and would have represented a considerable extra workload.

Still according to Quivy and Van Campenhoudt, this method is particularly suitable to reach the objective of reconstituting processes of action, experiences or events from the past. In addition, it helps in analysing a precise problem: its data, the different present points of views, its stakes, its relationships systems, the functioning of an organization, …

The advantages of this information collection method are the depth of collected analysis elements. Because the subject of this thesis is the whole internationalisation process, it touches many aspects of a company's progression in a foreign country. For this reason, it was interesting to have a deep understanding of what some companies experienced. The other advantage is the flexibility and low directivity of the dispositive, which allow the collection of interviewees' testimonies and interpretations while respecting their own referential frameworks.

Finally, because I have a personal professional background in Brazil, I found it personally interesting to have an extensive conversation with the people interviewed. This allowed sharing our experiences and our points of view. This also allowed me to better understand the interviewees' experience in Brazil without for them to have to explain everything in details.

An explanation can also be done concerning the companies selected for analysis in this paper. It seemed important to choose firms active in various sectors, as well as in firms in different phases of development. Two of the firms interviewed are active in very important industrial sectors of the Brazilian economy, the last one, Randstad is a true multinational company whose mission can be accomplished in most countries around the globe. Moreover, two of the three companies interviewed are headquartered in Belgium, which facilitated the

establishment of contact with interviewees. The last person interviewed was located in Brazil, and the conversation therefore occurred through a Skype call. Finally, there was definitely a serendipity factor that influenced the opportunities and encounters I had during my thesis's writing.

Throughout the period during which this paper was written, I kept in mind a true will and hope that this thesis would in some way be useful to management practitioners or strategy executives willing to take up an internationalisation process. This is why I tried to stay pragmatic, even in this thesis's theoretical part and avoid abstract and contingent concepts. This is also why I found interesting to ask the interviewees to give advice or recommendations for other managers inclined to expand to Brazil. I also gathered information about what the interviewees think they would do differently if they had to start this process again

After collecting the required information through interviews, I will present the results, first each company one after the other. For each firm, I will present the company and the person interviewed, and then the international path of the company previous to entering Brazil. After that, I will focus on the reasons explaining the choice for Brazil as an international expansion destination as well as the detailed sequencing of the company's expansion process in Brazil. Consequently, I will expose each firm's impressions on the Brazilian unease of doing business, by addressing the issues mentioned in the first part of this paper. I will then present the strategies put in place by each firm in order to counter the aforementioned challenges.
In order to make this analysis easier to read, I will finally present some results in the form of a table. I will first compare the Transaction cost theory to my practical research when it comes to the preferred entry modes in Brazil. I will also expose in a table what each interviewee told me about the challenges they faced in Brazil in order to ease the comparison between all the firms' experiences.

VIII. Analysis and results

8.1. NLMK Clabecq

8.1.1. Company presentation

NLMK Clabecq is a subsidiary of the Russian group NLMK. Active in the steel industry, NLMK manages the entire value chain from the excavating of raw materials to the delivery of finished steel products to consumers. NLMK sells in over 70 countries around the globe. NLMK Clabecq is located in Ittre, Belgium. The company produces thin steel plates and is specialized in a method called quenching and tempering since 2009. This method allows the plates to display characteristics such as abrasion-resistance or high elasticity limits and implies an important added value for the client. With this kind of products, NLMK Clabecq sells to customers active in sectors such as construction works, mining, transport, cranes and others. This market is therefore relatively restrained. NLMK Clabecq has always exported between 20% and 30% of its yearly production out of Europe, thanks to the proximity of the port of Antwerp. However, with quenched and tempered products, this proportion goes up to more than 50%. Because it is truly a niche market, they need to be present nearly all over the world in order to develop their sales.

The person interviewed to gather information about NLMK Clabecq's Brazilian experience is Marc Bianchi, the company's Sales and Strategy Director for quenched and tempered products. He entered NLMK Clabecq in 1998, when the company was still part of the Duferco group and was always invested of functions related to Sales and Marketing. He was the person in charge for establishing the office in São Paulo and finding the right people to work with. He therefore worked on this project directly. Mr Bianchi's interview can be found in Appendix 20.

8.1.2. NLMK Clabecq's international path

In 2009, the company installed a brand new production line in their premises, which allowed their specialization in quenched and tempered products. As explained before, it is necessary for them to be present on a very large scale globally in order to sell their merchandise because of the small niche market it is aimed to. To illustrate the little size of the market, numbers are useful. All of the steel sold yearly globally represents 1.5 billion tons and all the plates produced in a year amount to 150 million tons. However, the quenched and tempered plates only represent 2 million tons a year. This is very little, especially when one knows that the production capacity of NLMK Clabecq is about 200 000 tons a year, 10% of the market. To be able to sell that much in such a niche market, the firm needed to be present internationally. So, at the same time as the installation of the new production line, the firm decided to develop

a sale network specific to this kind of products. This decision was justified by the high specificity of such goods and the necessity to better understand the technicality and the customers' needs. They started developing this network by opening a sale office in the United States to cover North America, and in Singapore to cover South-East Asia. NLMK Clabecq then opened numerous other commercial offices around the globe, either in direct sales or through local partnerships according to market sizes and priorities that had been fixed for each country.

In 2013, the company decided to enter the Brazilian market.

8.1.3. Reasons for the expansion of NLMK Clabecq in Brazil

Several reasons explain the interest of NLMK Clabecq for Brazil. First and most importantly, because Brazil is a major mining country, the potential customers in that sector were numerous. NLMK Clabecq mainly sells its merchandise to mine exploiters and to mining equipment manufacturers. In addition, sugar cane is heavily produced in Brazil and it is a very abrasive material. NLMK Clabecq's extremely resistant steel is able to handle this kind of goods. Other Brazilian clients include truck or construction equipment manufacturers.

Brazil has a major national player in the steel industry, Usiminas. However, this competitor displays a relatively limited product range and does not offer a quality level comparable to NLMK Clabecq.

8.1.4. NLMK Clabecq in Brazil: sequence of events

From the moment they first approached Brazil in the fall of 2013, it took a year to NLMK Clabecq to be completely operational in São Paulo. The first step for this internationalisation was to meet the local partner they were going to work with to open this subsidiary. Mr Bianchi got in contact with Paulo, one of NLMK Clabecq's competitors' Brazilian executive who had worked for NLMK in the USA previously. They had to meet 3 times to be both convinced that they were the right people to work with each other and develop the Brazilian market and finally, it was decided that Paulo was going to become NLMK South America's CEO.

After Paulo and Mr Bianchi decided to start working together to set up the Brazilian subsidiary, the next year was used to make it a reality. They first chose to hire a law firm and, together with Paulo and NLMK's head offices in Russia, they worked as a triangle to set up the subsidiary in a very structured way, from accreditations to the IT system. Mr Bianchi highlights the fact that everything in Brazil is very complex, interconnected and full of

particularities. Amongst others, he mentions the extremely complicated tax system, which has a repercussion on the daily life of a business as well as on many decisions when setting up a company, such as the location of offices or storage buildings. He also brings up the shareholder structure, that has to be adapted if one of these shareholders is non-Brazilian. In addition, Mr Bianchi touches on the fact that rules and legislation tend to change regularly, which did not facilitate his and Paulo's task. All in all, this first year represented a lot of work and energy, and a huge investment, since NLMK Clabecq had to pay for full time staff, lawyers and numerous procedures before having sold a single ton of their products in Brazil. However, all of this time and investments finally paid off and, in October 2014, the new subsidiary was fully operational and started to win contracts and sell plates on the Brazilian market. It currently employs 4 people, including Paulo, the CEO, a Sales Manager and two commercial back-office employees.

This Brazilian subsidiary acts as a commercial hub to sell NLMK Clabecq's products manufactured in Belgium and is mainly owned by NLMK International BV, a holding company located in Amsterdam. NLMK Clabecq acts as a minority shareholder. The choice for this mode of entry, exporting towards a local subsidiary, implies important tariff costs but is justified by the fact that installing a full production line in South America for the kind of products sold by NLMK Clabecq would have been extremely expensive. The sales possibilities offered by the country, or even the continent are not important enough to justify such an investment. Before creating this subsidiary, NLMK Clabecq had already occasionally sold their products on the Brazilian market, but that time through traders who then sold to Brazilian customers. However, this solution did not meet NLMK Clabecq's expectations as it offered business possibilities for certain periods of time, which were followed by longer periods without any opportunities. According to Mr Bianchi, it was not a long-term solution to NLMK Clabecq's expansion towards South America.

In addition to their office in São Paulo, the company also set up a storage building in São Francisco do Sul, in the state of Santa Catarina in the South of the country. The company chose this location for fiscal reasons as well as because it is ideally located between São Paulo and Porto Alegre, two main customers' location. Their merchandise therefore enters Brazil via São Francisco do Sul's harbour.

8.1.5. Brazil's unease of doing business seen by NLMK Clabecq

During Mr Bianchi's interview, numerous difficulties and challenges usually faced by foreign companies entering Brazil were mentioned. This section will summarize NLMK Clabecq's experience regarding these issues.

Clearly, and as said before, the first challenge that NLMK Clabecq faced when trying to enter the Brazilian market was the complexity and the large number of administrative procedures required to open a business.

The second Brazilian issue that was brought up was the complexity of the tax system and therefore companies' accounting and administrative work that result from it. As said before, it represented an additional amount of work for NLMK Clabecq and Paulo when they started to set up the new venture.

We also asked Mr Bianchi about his experience with Brazilian workforce and the cost of it. He revealed that until now he had not had any issue when it comes to recruiting staff for his São Paulo office, since Paulo is taking care of it. Moreover, back office workers are relatively cheap to hire compared to Belgian standards. However, Mr Bianchi also reported being very surprised and amazed when it came to Paulo's salary negotiations. Brazilian executives' pay packages are indeed much higher than in Belgium. All in all, NLMK South America office's wage expenses are comparable to Belgian standards.

Another issue that recurrently appeared in my research was the poor state of Brazilian infrastructures. About this, Mr Bianchi admits that being located in the well-developed South East of the country, he did not witness this shortcoming. He was even rather impressed by the condition of roads in the state of São Paulo and the port of São Francisco do Sul. However, in a few years, NLMK South America will hopefully sell its merchandise all over Brazil, and even the South American continent. The infrastructure issue could therefore appear at this moment, and solutions have to be considered.

Mr Bianchi also told us about the existing protectionism in Brazil. The local market is enormous and a large part of what is consumed in the country is also manufactured inside its territory. This is due to protectionist policies, using tariffs, quotas and regulations to protect the local industry.

Lastly, the current economic and political crisis in Brazil affects NLMK Clabecq's activities in the country. First, the exchange rate volatility greatly affects the company's competitiveness for Brazilian customers. With a real that lost 30% of its value to the Euro in a

year, European imported products are becoming extremely expensive for Brazilian purchasers, and this is not good for business. Moreover, the health of NLMK Clabecq's sector highly depends on investments and it is widely recognized that this crisis had a massive negative impact on national investments. However, because NLMK South America is a new player, they can only win market shares and do not feel the bad effects of this crisis as much as established competitors. Mr Bianchi also considers that this complicated period is a good opportunity to invest and set everything up to be ready when the market recovers. He is therefore relatively optimistic and does not suffer too much from the adverse consequences of the current critical situation.

8.1.6. Strategies of NLMK Clabecq to face these issues

The first step towards a smooth and rapid internationalisation process, according to Mr Bianchi, is to partner with a local, trustworthy associate. In order to build this relationship with his partner Paulo, Mr Bianchi and him met on three occasions before committing to anything. What was also important is that Mr Bianchi and Paulo were recommended to each other by a mutual acquaintance, which helped guaranteeing the partners' history and reliance. In addition, when Paulo visited Belgium or when Mr Bianchi travelled to Brazil, they regularly invited each other in their mutual homes to have dinner and meet each other's families. Paulo displayed numerous advantages and assets. First, as a Brazilian citizen, he was able to help with the heavy administration in the country when it comes to starting a business in Brazil. Moreover, Paulo had experience in NLMK Clabecq's sector, knew the company's products and application. And last but not least, Paulo already had a network in Brazil and he knew the right people to help making this new business flourish.

Another element that can help, in addition to a local partner, is knowing the right people in the right place, for example in administrations. It is extremely important in order to get things done in the corporate world. Again, this underlines the importance of networking and partnering with local knowledgeable people.

According to Mr Bianchi, in order to better understand the foreign market and gain more experience of the local market, it is preferred to avoid expatriating Belgian staff and to hire only Brazilian staff members. Again, this requires creating a trust-based relationships and dealing with the other culture.

Moreover, Mr Bianchi insists on not being burdened with non-fundamental tasks such as bookkeeping in order to be able to focus on the core business, at least for the first few years. Paulo and he decided to outsource this task to external accountants in order to make sure they

would stick to local standards and rules. In addition, because NLMK is an international group and the reporting had an international scope, it was necessary to hand this task down to knowledgeable people.

To counter the poor condition of Brazilian infrastructures when NLMK South America expands its activities to more remote places in Brazil, or even to other countries on the continent, Mr Bianchi is considering opening supplementary storage buildings in other parts of the country, to reduce the transportation of goods on the Brazilian territory. This would also imply exporting the Belgian merchandise towards other Brazilian ports.

Finally, in order to bypass the heavy protectionist measures in place in Brazil, setting up its own subsidiary in order to reduce tariff costs is useful. Tariffs are higher if the merchandise is sold to a trader or directly to the customer. An internal transaction, inside a company, is more interesting.

8.1.7. The relationship with Brazilian people

The character trait that most struck Mr Bianchi amongst his Brazilian colleagues was the enthusiasm they show in their work. They are very optimistic and positive people. So much that sometimes it can even create uncomfortable situations because Brazilian partners show more enthusiasm than their Belgian counterparts, who would be more conservative and careful. But Mr Bianchi admits that in a foreign market on which the Belgians had no experience, it was the right attitude to have.

Another feature of Brazilian personalities, according to Mr Bianchi, is the fact that they are very approachable, convivial and friendly, even in business relationships. Embraces, kisses and easy contact were usual when Mr Bianchi met his Brazilian colleagues.

8.1.8. Advice from Mr Bianchi to those who are tempted by the Brazilian experience

The main piece of advice that Mr Bianchi would give to other foreign investors interested towards Brazil would be to be extremely patient. One cannot create a company overnight, and there is a large possibility that a few months or even years will be necessary before having a return on investment. An investor in Brazil has to have a long-term vision or the risk will be to loose a considerable amount of money.

8.2. De Smet Engineers & Contractors

8.2.1. Company presentation

De Smet Engineers & Contractors (De Smet) is a Belgian general contractor, providing services such as Engineering, Procurement and Construction, specialized in the agribusiness, particularly in the sugar, ethanol, vegetal oil and biofuel industries. As a consequence, it is also interested by activities related to biomass energy production from sugar cane residues and is focused on energy saving and sustainability initiatives. De Smet does not manufacture equipment, but does the engineering of future sugar refineries, buys or designs equipment that will be assembled by other firms, and finally puts together this equipment to construct refineries. They offer turnkey solutions and this allows the company to also act as guarantee against construction risk for their clients, thanks to its reputation and sometimes even through financial securities. De Smet's headquarters are located in Belgium, and most projects and managed from Waterloo. However, the great majority of the company's projects are located outside of Belgium, in Europe, mainly for middle-sized jobs and also outside of Europe, especially in Africa, for larger projects. De Smet is keen on working in politically unstable or economically weak countries, such as Yemen, Algeria, Ethiopia or Nigeria. The company also works a little in Asia, but the market is much more competitive, and their turnkey solution is more adapted to countries with less economic and institutional structure. De Smet does not work on a systematic proactive prospection basis, but rather through larger one-time opportunities. The company made a name for itself amongst its industry and is generally contacted by entrepreneurs when large projects in biofuels or sugar appear. When the project on which the company is working is large enough, a temporary local subsidiary is established in order to see to the smooth progress of the plans.

The person interviewed at De Smet Engineers and Contractors is John Griffin, one of the two company's Sales Managers. Mr Griffin is also Administrator of De Smet Empral, De Smet's Brazilian subsidiary, and is therefore in charge of projects located in South America. Mr Griffin has experience when it comes to Brazil, since he lived and worked in the country for some years when he was younger. Moreover, parts of his family are Brazilian, and as such allow him to have contacts with Brazilian culture on a daily basis. Mr Griffin's interview is presented in Appendix 21.

8.2.2. Reasons for the expansion of De Smet Engineers & Contractors in Brazil

De Smet is a player in the agribusiness, and especially in the exploitation of sugar cane and its derivatives. Brazil, the world's top sugar cane producer, was therefore a natural target for the company. In addition to this, after extracting the juice from the sugar cane, De Smet is also able to valorise the residues to produce energy. Brazil has only started to use these residues in the production of energy recently and many refineries are not yet adapted for this process. Therefore, the development potential, and the industrial challenges in this country are vast.

8.2.3. De Smet Engineers & Contractors in Brazil: sequence of events

As said before, De Smet usually works from its head offices in Belgium to lead projects abroad, except when their size is too important and requires a temporary local subsidiary, which will be diluted when the project is finalized. Brazil, however, is an exception. Services, such as project management or engineering, are subject to tariff rates of over 40% when imported. For this reason, and because the size of the Brazilian market's agribusiness sector justifies it, when De Smet decided to start its activities in the country in 2008, the company opened a permanent subsidiary in the country so as to avoid paying these taxes. This first subsidiary, De Smet Contractors *do Brasil*, was opened in partnership with Interunion, a local exporter of ethanol and sugar industry equipment, and employed two to three people permanently. The ownership was split on a 60/40 basis, for De Smet and Interunion respectively. This small team had De Smet's support from Belgium and was ready to enlarge as soon as contracts with clients would be signed. Their targets were foreign investors wanting to invest in the Brazilian or Latin American sugar industry and looking for partners from Europe, who would be more familiar with their way of thinking. This small venture allowed De Smet to create a real visibility for themselves in Brazil, and to acquire local knowledge, especially about local suppliers and competitors. The company signed several contracts for engineering and technical audits projects, but there was a recurrent difficulty to obtain more important contracts, due to clients' reticence to work with a developing foreign company. Brazilian customers were not convinced by a small office, employing only three people, two of them being Belgians who they thought did not know the Brazilian market enough. Another issue was the accounting complexity caused by the support offered by Belgian teams to De Smet *do Brasil*, whose value was difficult to estimate in cash. De Smet therefore needed to go for the next step: in 2013, De Smet Empral was created in the form of a partnership 51/49 with Empral. De Smet Contractors *do Brasil* acquired Empral, a Brazilian engineering company, active in the sugar and ethanol fields in Latin America for more than

30 years, but who needed to enlarge its engineering activity towards construction of turnkey projects to answer the market's demands in the framework of larger contracts. De Smet was able to bring its experience for this activity. De Smet Empral's target includes Brazil and all of Latin American countries, and this new company is now recognized as a key player in its field. They have a good knowledge of the market and established contacts with the sector's big names. De Smet Empral now has about 30 Brazilian staff members, is located in Jaboticabal, a city on the inside of São Paulo state, and is able to count on the visibility that Empral previously had to gain customers' trust about Brazilian knowledge, but also on the good reputation of a European company compared to Brazilian competitors. It is important to point that De Smet Empral does not import into Brazil anymore. The engineering is done directly in the Brazilian offices, and nearly 100% of the equipment for construction projects is bought in Brazil.

8.2.4. Brazil's unease of doing business seen by De Smet Engineers & Contractors

Several issues typical of Brazil's business environment were brought up during Mr Griffin's interview. This section will address them and the next one will expose which solutions De Smet came up with in order to overcome them.

Brazil's taxation on imported products and services is prohibitive, especially if these products or services are already available in the country and supplied by local players. The Brazilian economy is highly protected. De Smet faced this issue when they had to choose their entry mode into the country. Importation soon became an impossible option because of the 40% tariff rate on services for De Smet, who is a pure service provider. Local competitors, who are not impacted by this import taxation, have a huge advantage over European players, who are also prejudiced by higher production costs in their home countries, and the current low real to euro exchange rate. All in all, if they were directly imported from Belgium, De Smet services would have been about 3 times more expensive than Brazilian services. This competition issue is not specific to De Smet as, according to Mr Griffin, Brazilian companies are able to supply virtually anything. Local competition is therefore highly present in nearly every sector of the Brazilian economy, and if a foreign company is wishing to do business in Brazil, it is really necessary to come with something new to bring for Brazilian customers, otherwise the foreign company's higher prices will not find justification.

Moreover, because of this plethora of local players, it is possible to find every kind of suppliers in Brazil, from the best to the worst. Numerous unreliable and incautious firms are

present on the market, and it is necessary to have some knowledge of the Brazilian marketplace to avoid these typical traps for inexperienced players.
Another tax issue in Brazil that Mr Griffin pointed out, although De Smet Empral is not directly impacted by it, is the fact that in case of importation, the state that a company chooses to import to has an effect on the tax rate it will pay on its merchandise. Different states apply different tariff rates. Therefore, if a company imports in one state, but resells its merchandise in another state, it might not be able to reinvoice its tariff rate to the client, and will have to put it in its price. This causes further competition problems.

The next issue that was addressed was the complexity of finding qualified staff, and the cost of it. Mr Griffin confirmed the high wages required by experienced Brazilian executives, which even prevented the company from hiring someone who met their expectations for the General Manager position and who was very enthusiastic about the job offered by De Smet, but who was judged to expensive for the company. The remuneration asked by this potential staff member was even, according to Mr Griffin, above Belgian standards. They were finally unable to find an agreement over this person's compensation, and De Smet had to look for someone else to fill in the job. Another issue related to workforce that was noted by Mr Griffin was the gigantic differences that exist between universities and degrees around the country. It is difficult, for a newcomer to fully understand people's qualification, because, for example, the level of knowledge, experience and skills required to get an engineer degree from one university might not be the same as the ones required by another school. It takes experience to know which schools are reliable and which do not deliver degrees of adequate standard.

In addition, big trade centre cities like São Paulo or Rio de Janeiro are very expensive to settle in. Rents for offices, transports, taxes are all more expensive in major hubs than in other parts of the country. One solution is to settle the subsidiary in more remote places, but this aggravates the problem of finding suitable and appropriate workforce, since high-class executives will usually prefer to live in these big cities, and will struggle accepting to move out in smaller cities.

Another issue that was pointed out in my discussion with Mr Griffin was the corruption present in the country. Because De Smet does not work in the public sector, Mr Griffin admitted not witnessing high-level corruption. But still, he realised that corruption is nearly

everywhere, in every business relation in Brazil. Sometimes, the company would loose a deal to a competitor, without understanding the reasons for the client's decision and then would realise that the selection was made over a backhander given to the client's executive in charge of the decision. But the real problem, according to Mr Griffin is actually the way corruption is fought in Brazil. Big companies are creating systems to counter this issue that require every decision to be justified by tangible arguments. This slows down administration, and paralyses the decision process. De Smet, being a service provider, especially suffers from these systems because "feeling", as Mr Griffin calls it, is part of the selection when everything is not countable and "numberisable". With these systems, feeling is not an option anymore.

Infrastructure problems were also mentioned during the interview. Because De Smet Empral does not import equipment or materials into Brazil, it does not suffer from the poor state of port infrastructure. Being located in the state of São Paulo allows De Smet Empral to take advantage of its relatively well-developed road network. But issues arise when projects are located in other states, like Minas Gerais, Goias, Paraná or Santa Catarina and De Smet Empral needs to send equipment on trucks on the location of the project. Roads are very dangerous, and it takes a lot of time for the merchandise to arrive to their destination. Mr Griffin also pointed out the fact that important industrial parks or industrial towns are only reachable through very winding and dangerous roads, which will have to be used by huge trucks to bring or pick up equipment from these industrial areas.

On another level, the differences between Belgian and Brazilian corporate cultures also caused some issues to De Smet. Between 2008 and 2013, when De Smet still had Belgian expatriates working in their Brazilian offices, finding the right people to go work in São Paulo proved to be very difficult, mainly because of integration issues. According to Mr Griffin, relationships with Brazilians are filled with superficiality and communication is sometimes a challenge. It has been difficult for Belgians to fully understand what Brazilian mean in their conversation. First, because the bad level of English is a real problem amongst the Brazilian population. But even when Portuguese is well mastered, it is very necessary to be able to read between the lines, something that Belgians are not particularly used to do. Also, a quality that expatriates need to have is adaptability, because the ways of working in Brazil can be very different to that of Belgium, and it can be exhausting and frustrating for Belgians to try and change the way Brazilians work. Something else that can be surprising when dealing with Brazilian executives and white-collar staff, according to Mr Griffin, is that, as a consequence

of the social movement initiated by Lula, they have a tendency to demand a lot of benefits, negotiate on things such as working hours or transport costs repayment. They also feel less vulnerable and are not always the hardest working staff members. On the other hand, Mr Griffin was also surprised by how hard-working industrial or manual staff would be.

During the interview, I also approached the problem of insecurity in Brazil, and Mr Griffin admitted that in their small city of Jaboticabal, insecurity was not an issue. However, in big urban hubs like São Paulo or Rio de Janeiro, the issue is real and not always visible. People who do not have experience of the country might think that the threat does not actually exist, and the challenge resides in making them realize that they need to be careful all the time.

To add to all of these challenges, the current crises that strike Brazil in general, but also particularly the sugar and ethanol sectors do not help. These sectors are hit by an important production overcapacity and the sectors' big names are touched by a heavy debt burden. All in all, with the financial and economic crisis that is hitting the whole Brazilian economy, De Smet Empral's affairs are definitely not in a very good shape, but Mr Griffin is hoping that it will ultimately get better.

8.2.5. Strategies of De Smet Engineers & Contractors to face these issues

The first solution that was given by Mr Griffin to circumvent the previously mentioned issues was simply to be able to avoid local competition by offering a very specific product that is still absent from the Brazilian market. In addition to avoiding competition, the firm would also avoid or strongly reduce import tariffs since they are only applied to products and services that are already present in the market, and could enter Brazil through a low control entry mode, such as importation.

If avoiding competition is not an option, then Mr Griffin advocates a higher control mode of entry. According to him, a firm wanting to be successful in Brazil needs to be local and to be present in the country, in order to gain visibility and legitimacy for Brazilian customers, as well as to counter tariffs and exchange rate risks. Once the European firm decided to create a Brazilian subsidiary, like De Smet did, Mr Griffin insists on the fact that it is an absolute necessity to work with a local partner, and preferably someone who is active in the same sector. Many reasons justify this necessity. First, the fact that the local partner comes from the same business area helps to improve the foreign firm's reputation and image for local clients,

which is fundamental in Brazil. Many local customers might otherwise not trust the foreign firm because of their ignorance of Brazilian market and customs. Also, if the two firms come from the same sector, they can create synergies, have common interests and be complementary in their businesses. Another reason is that the local firm can give entries and opportunities to which the foreign company would never have access without it. In addition, the local player, thanks to its previous experience with the sector can provide the new foreign company with advice, information and counselling over suppliers, subcontractors, administration, competitors or customers. Finally, a European-Brazilian partnership creates confidence in European customers minds, because it is the assurance of European quality of work with Brazilian knowledge of the market and local cultural context.
Besides, it is very important to understand that a local partner is not simply someone who signs papers, speaks the local language and can sometimes open two or three doors. This will only be useful during the first few months. But in order to make the alliance interesting in the long run, it is essential to convince the local partner that the partnership is advantageous for both sides and to have him play a real executive role in the cooperation.

It is also fruitful if the local partner understands how Europeans work and how they communicate. In the case of De Smet, for example, one of their first Brazilian employees at De Smet *do Brasil*, is someone who had worked in Belgium for several years before and is able to understand implied messages and tacit communication in conversations with Belgians. De Smet's main partner, Interunion's CEO had had a lot of previous business with Europe and, as such, it made contact much easier. He is used to working internationally, is open-minded and is also able to read between the lines of conversations with Belgians.

Creating a trustworthy and reliable relationship with the Brazilian partner takes time, and should preferably be done before creating any partnership. In the case of De Smet, Mr Griffin already knew their partner before 2008 as this person had come to Belgium several times before and had worked with De Smet on numerous projects. Once the idea of a partnership emerged, he was invited in Mr Griffin's house on several occasions in order to create a real friendly relationship before even signing any agreement.

In order to avoid paying the extra costs related to an implantation in a major urban hub like São Paulo or Rio de Janeiro, De Smet decided to settle in Jaboticabal, a town located 400 kilometres away from São Paulo. To find a talented and skilled executive staff member to

manage the subsidiary who was willing to work away from the big cities, De Smet chose to hire someone who was from São José do Rio Preto, another small town from the state of São Paulo.

On another level, De Smet Empral was sometimes frustrated at first to be compelled to buy local equipment for their projects to avoid tariffs on imports, because Brazilian quality standards are not always what Europeans are used to. However, De Smet quickly realised that everyone in Brazil is used to these eventual shortcomings in quality, and customers are usually satisfied with what is available in the country.

Finally, regarding the current crisis that is hitting Brazil, there is not much De Smet Empral can do about it. However, Mr Griffin is convinced that better times are ahead because Brazil is a cyclical economy and is able to bounce back quickly. According to him, Brazilians are spenders, and consumption will come back as soon as money will flow in again.

8.2.6. Advice from Mr Griffin to those who are tempted by the Brazilian experience

Mr Griffin insisted on four pieces of advice that he thinks are key to success in Brazil. First, he recommends avoiding expatriates as much as possible, especially for leading or managerial positions. Second, as it has been discussed thoroughly, he highlights the necessity of finding the suitable and trustworthy partner that will make your business grow by sticking to his or her own interests. Then, when considering making business in Brazil, Mr Griffin argues it is fundamental to have long-term prospects. Results after a few months or even years are unlikely to be satisfactory, but the foreign firm needs to show resilience and ambition by not letting this discourage it. Finally, Mr Griffin regrets having lost four years in their first subsidiary, which did not bring any solid results. This was caused by the lack of commitment and investment in this representative office run by only 3 people. Mr Griffin is a strong supporter of the "All in, or nothing" mantra, when it comes to investing in Brazil.

8.3. Randstad

8.3.1. Company presentation

Randstad is a Dutch temporary employment agency founded in 1960. From very early on, Randstad delivered services internationally, first in Germany, Belgium, France and the UK.

However, Randstad has only started to seriously expand its scope internationally since the early 1990s. By a series of acquisitions, it went from being present in 10 countries to 37 and is today the world's second player in its sector. Randstad is a true multinational company and many of its top executives and managers are from all over the world. The Dutch company's general manager is Portuguese. With this in mind, it is also important to point out that, while being a multinational firm, Randstad insist on having local teams working in their offices and agencies all over the world. The idea is to have a local management everywhere.

The person interviewed to gather information about Randstad Brazil is Mattijs Wever, Randstad Brazil's Chief Financial Officer. He started his career by working on a sailing ship, which led him to travel the world and get international opening. After that, he worked for major firms like Deloitte and KPMG, and was always assigned to international missions. Before joining Randstad, he had already lived in Brazil for 3 years. Mr Wever joined Randstad in 2011 as a strategy manager, and as part of this function travelled to many countries such as Japan, the USA, Spain, Australia, Argentina and Brazil. After 3 years, he was sent on a temporary mission to the São Paulo offices to be Randstad Brazil's CFO. His mission there will last until the end of 2016. Mr Wever's interview can be read in Appendix 22.

8.3.2. Reasons for the expansion of Randstad to Brazil

Randstad's expansion to Brazil started in 2007. At that time, according to Mr Wever, the concept of BRIC countries was prevalent and there was a relative pressure from shareholders and analysts to step inside Brazil in order to be seen as a true multinational company. On the other hand, there was also a 'pull' factor in the sense that some of their established clients were also present internationally and wanted to be able to work with Randstad in Brazil. This was due to the fact that these clients felt that they could not rely on Randstad's Brazilian competitors because of the level of informality they presented. In addition, two of Randstad's international competitors were already present in Brazil, Manpower and Adecco. For these reasons, Randstad was convinced that Brazil was an important market for them, but the company had to wait some time for the right target to present itself in order to proceed to an international acquisition.

8.3.3. Randstad in Brazil – sequence of events

Randstad's entry into Brazil happened when the Dutch firm acquired Vedior, another Dutch staffing services company, in 2007. A few months before this transaction, Vedior had acquired 51% of Recursos Humanos Internacional (RHI), a Brazilian firm created in 1995. In fact, Randstad also had its eyes on RHI and was in competition with Vedior for the Brazilian firm's acquisition. However, Randstad quickly abandoned the negotiations when it realized that Vedior was a more interesting target and that RHI would slide under its control with Vedior's acquisition. Between 2007 and 2011, Randstad decided to let RHI work under its own name without interfering with the Brazilian subsidiary's daily business and keeping a Brazilian management. The involvement was limited and the alliance worked more as an investment than as a true partnership. In 2011 however, Randstad acquired the remaining 49% of RHI and a true Randstad management was put in place, while the former Brazilian manager left. Randstad Brazil expanded quickly from 7 to 23 agencies but the revenue did not follow this rapid expansion and the company was loosing money. For this reason, Randstad decided to reduce its footprint in Brazil and closed 3 agencies. Today, partly because of the current crisis in Brazil, Randstad's business in Brazil is still not exactly booming and they are still working on improving the company's profitability. However, Randstad Brazil is now a true Randstad company, delivering the same services they deliver everywhere, with the same level of quality.

Randstad opted for an acquisition as mode of entry, and not for a franchise agreement or a greenfield investment. According to Mr Wever, franchising is not an option in Randstad's business because of the small level of control it offers over the quality of services provided to customers. Very few players in that sector use that solution. Still according to Mr Wever, a greenfield investment could have been a solution, even perhaps a better one for Randstad, but this mode of entry requires a lot of investment and time to build scale, which Randstad was not willing to spend. Big players in that sector usually prefer to have a footprint in the new market right from the start, and therefore opt for the acquisition of a local player.

8.3.4. Brazil's unease of doing business seen by Randstad

The first challenge that was mentioned during Mr Wever's interview was the difficulty of finding qualified staff and the cost of it. He also added that even unqualified staff, when it comes to office and white-collar workers, is costly and that paying more does not always assure a better level of qualification regarding the staff Randstad hires. He also pointed the

very low level of English amongst Randstad employees and indicated that over, 250 employees at Randstad Brazil, only 10 to 20 speak some sort of English.
But, according to Mr Wever, more than price or language issues, the biggest challenge when dealing with Brazilian workforce is the difference between his Dutch culture and Brazilian lifestyle and behaviours. Particularly, when asked which culture trait mostly stays in his memory as being a true difficulty, he points the high power distance that is present in the Brazilian corporate culture, which often leads employees to act and behave as to 'please the boss', instead of being open and displaying their straight opinion to their superior. Mr Wever considers that this attitude does not help anyone and is not constructive. However, he also admits that this particularity is more present amongst more junior profile employees. When it comes to higher profiles like coordinators or managers, this difficulty shades off.

The next challenge mentioned during the interview was the difficulty and the time necessary to deal with taxes and administrative tasks in Brazil. However, while Mr Wever admits that Brazil is weak on this subject, he also claims that other comparable countries, such as India for example, are worse. He also compares Brazil to China where, he says, it is very difficult for a company to even understand what it is taxed on. The United States is also brought up for their very complex VAT system. On a positive note, because Randstad does not import its services to Brazil, it does not suffer from the high tariffs in place in Brazil.

Randstad Brazil has been confronted to corruption regularly. Even if the company has a very strict policy on that matter, and decides to not yield to pressures, it surely has an impact on how the company does its business in the country. Randstad already lost a few contracts because the company refused to concede to corruption. It also slows down Randstad's business, especially when it comes to avoiding corruption in the public sector and administration.

Finally, Mr Wever mentions the current crisis as being a real challenge for Randstad Brazil. According to him, international measures display that for every 1%-shrink in the overall economy, Randstad's market shrinks by 8% to 12%. The volume of work treated for existing clients is decreasing significantly and this situation prevents Randstad Brazil from truly developing in this market.

8.3.5. Strategies of Randstad to face these issues

Because finding qualified and affordable workforce is challenging in Brazil, Randstad Brazil has put in place a strategy based on a high turnover of employees. It raises training costs but it allows managers to identify good and bad recruits easily and find out who delivers a work of high quality and volume. The next important step to run a successful company, according to Mr Wever is to be a good manager and to deal with differences in corporate cultures. First, Mr Wever was chosen to be sent to Brazil because he was already able to speak Portuguese, which is entirely necessary for a manager to be effective in this country, as it is the only language known by many Brazilians. Mr Wever says that Brazilians are generally very open and receptive but he adds that speaking Portuguese allows a manager to ease the contact with Brazilians and create a trust-based relationship more smoothly. The important differences between Dutch and Brazilian corporate culture was another obstacle to his integration, but he dealt with this situation by constantly questioning himself. Mr Wever considers himself a very Dutch person, as he can be particularly blunt, truthful and honest about what he thinks. A lot of Brazilians seem to be uncomfortable with this attitude and it took Mr Wever some time before being accepted as he is in the company. However, he thinks that being transparent and never having a hidden any agenda helps him building a connection with his employees and keeping them close. To avoid this kind of issues Randstad normally has an international policy aiming at being a local company everywhere and employing local workforce as much as possible. Mr Wever's mission in Brazil is going to last one more year, after what a local CFO will take his position. The company's ultimate goal is to only have Brazilian staff. Dealing with foreigners' visas is usually complicated, but in Randstad's case, the procedure was facilitated by the fact that the two positions occupied by expatriates are directors' posts and these visas are easier to get. However, Mr Wever explained that it was crucial for them to call on to a *despachante*, a representative specialized in helping companies around administration's twists and turns. The key to getting a visa for a foreign employee is to be clear about the reasons why this person is crucial to the company's operations and why a Brazilian staff member cannot fulfil the position.

In order to deal with the complex tax system, Randstad Brazil hired two employees dedicated to this issue. One is a tax manager who works on a strategic level, and the other one looks after the day-to-day operations. These two people are Brazilians, and Mr Wever insists on the

fact that he would never hire foreigners for these positions, as a strong knowledge of the Brazilian administration is necessary.

Regarding corruption issues, the company's reaction depends on who is offering the bribery. If it is a client's employee, offering or asking money in order to ease Randstad's business with that client, Randstad's response is to refuse and to threaten this client's employee to report him to his direction. If the problem comes from the public authorities, Randstad also refuses to bend to pressures and has to accept that it takes a little more time to get things done.

The current crisis in Brazil is affecting Randstad's affairs in a bad way, in the sense that existing clients are decreasing the volume of business they do with Randstad. However, this crisis does not only have negative consequences. Because Brazilian competitors are not as stable, formal and reliable as Randstad, a lot of their clients turn to Randstad looking for solutions against the market's informality and insecurity in these times of crises. Brazilian companies are not willing to take any further risk than the situation already currently displays. As a consequence, in spite of the crisis, the amount of work offered by new clients exceeds what was lost due to existing clients being hit by this critical situation and Randstad is still growing in Brazil.

8.3.6. Advice from Mr Wever to those who are tempted by the Brazilian experience

If he had to do something differently, Mr Wever would probably decide to acquire 100% of the target company all at once, and to brand this company with the Randstad name from the beginning. Mr Wever regrets having lost time hesitating about what should be done on the Brazilian market. As has been said in a previous interview, the Brazilian market requires a full commitment to really create a presence in the country in order to take advantage of the country's opportunities. In addition, Mr Wever advises to choose the management team very carefully, since a bad choice can severely affect the proceedings of the internationalisation process. In the case of Randstad, some poor decisions were taken and the expansion process was slowed down because of managerial choices that were not carefully thought through.

IX. Discussion - Key findings of the case studies

After interviewing three companies that have successfully entered the Brazilian market, some conclusions can be drawn over what is common to their three experiences as well as what differs, according to the sector in which they each are active or to other factors.

Concerning their mode of entry in Brazil, both De Smet and Randstad chose to acquire an existing local company but for different reasons. For De Smet, the reason was to be able to take advantage of Empral's reputation in Brazil and to add European prestige to Empral's Brazilian market's knowledge. Randstad did not exploit RHI's brand and the acquisition's choice was made more because it brought scale rapidly and allowed Randstad to have revenues in the country little after their investment. NLMK Clabecq chose to create its own Brazilian subsidiary, as the company only needed a few sales representatives and a Brazilian branch in order to avoid the huge tariffs caused by direct sales to the client. NLMK Clabecq keeps producing its merchandise in Belgium and its Brazilian wing serves as a commercial hub only. However, the three firms seem to agree on two points. First, that it is crucial to have a true presence and visibility in Brazil in order to develop its business and second, that it is necessary to do whatever is possible to avoid paying the huge tariffs that Brazil imposes to foreign firms exporting merchandises towards its territory. For NLMK Clabecq, exporting was the only solution but the company found a way to reduce their contribution to the Brazilian tax system by opening a subsidiary in Brazil.

Despite the significant differences between the three firms' paths, and while they did not enter the Brazilian market in the same way, it is clear that NLMK Clabecq, De Smet and Randstad are now all displaying a high level of control over their Brazilian business. With a view to verify if their choice for high-control structures in Brazil respects the Transaction Costs theory, if it is due to the specificities of the Brazilian market, or to similarities between the three firms' characteristics, I decided to present to results of my research in the form of a table. In order to compare what theory and practice say over the choice of an entry mode, Table 4 displays which modes of entry the Transaction Cost theory prescribes according to different factors. Next to that, the table shows for each analysed company, how these factors affected them and depicts if their entry mode choice follows what the theory advises.

Comments on Table 4:

This table shows the Transaction Cost theory presumptions concerning each factor influencing the entry mode choice as well as information about these factors applied to the cases of each analysed companies. When cells of this table are painted green, it means that the referred firm chose an entry mode accordingly to the Transaction Costs theory. When cells are painted red, the firm acted in opposition with the theory. When it is not coloured, it suggests that the related factor did not have an influence on the entry mode choice.
Some sections of this table require comments and further information:

Relative size of the investment

This factor is measured through a ratio between the number of employees in the investing firm and in the foreign venture. I have no information about NLMK's and Randstad's numbers of employees, but I assume it is substantial because of the worldwide presence of these two firms. When the relative size of the investment is small compared to the size of the investing firm, no specific entry mode is recommended, as it does not represent important risks or costs for the administering firm. However, when the investment is relatively large for the investing firm, such as in the case of De Smet, it is advised to use shared-control entry modes. De Smet did not follow what the theory suggests.

Asset specificity

NLMK Clabecq is active in a niche market and is working with very specific and expensive technologies. De Smet also works in a niche market but its specificity relies more on the skills and knowledge of its engineers. They are therefore both displaying asset specificity and using high-control entry modes, which is consistent with the theory. I argue that Randstad's asset specificity is smaller, as many competitors, be them small local firms or large multinational companies, are also present on their market and providing the same kind of services. The risk of opportunism and intellectual property theft is therefore reduced and there is no specific need for a high-control entry mode.

Home country's culture

NLMK Clabecq and De Smet are both based in Belgium. Appendix 23 displays Hofstede's cultural dimensions for this country and shows that uncertainty avoidance and power distance are two characteristics that score high on Hofstede's cultural model. The Transaction Cost theory argues that firms originating from countries where these two cultural traits are strong

will likely opt for higher-control entry modes and this assumption is verified by the cases of NLMK Clabecq and De Smet, which both chose greenfield investment and acquisition to enter the Brazilian market. Randstad is based in Holland, which displays a medium uncertainty avoidance and a low power distance. This should have led Randstad to opt for a low-control entry mode, but the firm chose to acquire a local firm instead. However, Randstad acquired only 51% of its target company in the first four years of its activity in Brazil, and thus chose a shared-control entry mode. In that sense, the firm followed what the theory predicts.

Distance between home and host countries' cultures

In order to numerically estimate the cultural distance between two countries, I chose to use Hofstede's model once again. Each characteristic is depicted by a number between 1 and 100, which shows how strong this characteristic is in a country's culture. I decided to add up all the differences between the scores of two countries for each characteristic. This gives a numerical figure assessing the cultural distance between two countries. This distance, for Belgium and Brazil, amounts to 104. For Holland and Brazil, the cultural distance is 163. All three companies, while having chosen different entry modes and processes, followed what scientists advise. Both high-control and shared-control modes of entry are justified by scientists, for different reasons, when the cultural distance between countries is high.

Growth in the host market and time pressure

When the country a firm is contemplating to invest in is displaying a high economic growth, the opportunity cost for every day lost not being active on this market is high. This is why a fast growing market calls for a rapid mode of entry. De Smet and Randstad both entered Brazil when the economy was still growing at a fast pace. De Smet did not apply what the theory suggests since it went through a greenfield investment to set up its first subsidiary in 2008. In 2013, however, De Smet probably took advantage of the fact that the economy was slowing down and that many local players went for sale to acquire Empral. As for Randstad, by choosing to acquire a local player when the economy was growing by 6% yearly, it adopted the theory's prescriptions to enter the country rapidly. NLMK Clabecq entered Brazil in 2013, at the start of the country's economic crisis, and as such did not show any haste to enter Brazil; the company chose to set up its own subsidiary through a greenfield investment.

Table 4: Theory and practice comparison on entry modes choice

Factor	Transaction Cost Theory	NLMK	De Smet	Randstad
		Opened their own subsidiary as a greenfield in 2013 and exports goods produced in Belgium towards this subsidiary.	Opened their own representative office as a greenfield in 2008, and then acquired a local player in 2013.	Acquired 51% of a local player in order to form a joint venture in 2007, and acquired the remaining 49% of this firm in 2011.
Relative size of the investment	If the relative size of the foreign investment is **large** compared to the investing firm, the use of a **shared-control** EM is preferred.	NLMK South America counts 4 people. Although I have no information about NLMK's total number of employees, I assume it is large because NLMK is a multinational company. The size of the investment is therefore relatively **small**. There was therefore no need to focus on a specific EM.	De Smet counts 150 employees in Belgium, whereas De Smet Empral has around 30 staff members. The size of the investment is relatively quite **large** compared to De Smet's size. However, De Smet **did not opt for a shared-control** EM.	Randstad Brazil counts 50 people. Although I have no information about Randstad's total number of employees, I assume it is large because Randstad is a multinational company. The size of the investment is therefore relatively **small**. There was therefore no need to focus on a specific EM.
Asset specificity	If the asset specificity is **high**, the firm should use a **high-control** EM.	**High** asset-specificity ➔ a **high-control** EM has been used.	**High** asset-specificity ➔ a **high-control** EM has been used.	**Low** asset-specificity ➔ there was no need to focus on a specific EM.
Home country's culture	If the home country's culture displays **high** uncertainty avoidance and high power distance, firms use **high-control** EM.	Belgian culture displays **high** uncertainty avoidance and power distance (see appendix 23) ➔ a **high-control** EM has been used.	Belgian culture displays **high** uncertainty avoidance and power distance (see appendix 23) ➔ a **high-control** EM has been used.	Dutch culture displays a **medium** uncertainty avoidance and a **low** power distance (see appendix 24). However a **high-control** EM has been used, but was preceded by a shared-control EM.
Cultural distance between home and host countries	Scientists' views vary concerning this factor. If the cultural distance is **high**: - **joint venture**, to find help understanding the business. - **greenfield** to avoid opportunistic and self-seeking behaviour - **acquisition** to help getting a higher level of legitimacy.	The difference between Belgian and Brazilian cultures is **relatively high** ➔ NLMK opened its subsidiary as a **greenfield.**	The difference between Belgian and Brazilian cultures is **relatively high** ➔ De Smet chose to **acquire** a local player to gain legitimacy and market knowledge.	The difference between Dutch and Brazilian cultures is **high** ➔ Randstad went through a **joint venture** and then an **acquisition.**

Table 4: Theory and practice comparison on entry modes choice

Growth in the host market and time pressure	If the growth in the host market is **high**, **rapid EM** such as acquisitions, franchising or exporting will be chosen over slower EM such as greenfield. However, a **low** GDP growth can also promote **acquisitions** because of numerous local targets for sale.	NLMK entered Brazil in 2013 (GDP growth = 2.7%, the country was entering its **economic crisis**) ➔ the company chose a "**slow**" EM, a greenfield investment.	De Smet entered Brazil in 2008 (GDP growth = 5%, **high**) through a greenfield investment (**slow EM**). The slowing economy in 2013 helped to company acquiring a local player.	Randstad entered Brazil by acquiring Vedior and RHI (**rapid EM**) in 2007 (GDP growth = 6%, **high**).
Political risk in the host country	If the political risk in the host country is **high**, firms should opt for **high-control** EM	In 2013, the political crisis had not burst yet in Brazil, and there was **no political risk** in sight. There was therefore no need to focus on a specific EM.	In 2008, the political crisis had not burst yet in Brazil, and there was **no political risk** in sight. There was therefore no need to focus on a specific EM.	In 2007, the political crisis had not burst yet in Brazil, and there was **no political risk** in sight. There was therefore no need to focus on a specific EM.
Institutional risk in the host country	If the institutional risk in the host-country is **high**, firms should choose **high-control** EM and avoid shared-control EM.	Brazil suffers from inefficient contract enforcement laws and weak market-supporting institutions. The institutional risk is therefore **high** ➔ NLMK chose a **high-control** EM.	Brazil suffers from inefficient contract enforcement laws and weak market-supporting institutions. The institutional risk is therefore **high** ➔ De Smet chose a **high-control** EM.	Brazil suffers from inefficient contract enforcement laws and weak market-supporting institutions. The institutional risk is therefore **high**. However, Randstad chose a partial acquisition, and therefore a **shared-control** EM.
Trade Barriers	If trade barriers are **high** in the host country, firms will prefer EM that imply **producing their merchandise or service in the host country**	Brazil presents **high** trade barriers in the form of tariff and non-tariff measures. However, NLMK was not able to install a production line in Brazil and had to **import its products in the country**. To reduce these taxes, NLMK still chose to open its own subsidiary.	Brazil presents **high** trade barriers in the form of tariff and non-tariff measures ➔ De Smet managed to avoid tariffs by **providing its services directly from Brazil**	Brazil presents **high** trade barriers in the form of tariff and non-tariff measures ➔ Randstad managed to avoid tariffs by **providing its services directly from Brazil**

Host country's institutional risk

As the study by the World Bank (2014) shows, the Brazilian institutional context is weak. It lacks several contract-enforcing laws and the Brazilian leftist government is known to be rather business-unfriendly. In order to face this difficult context, both NLMK Clabecq and De Smet chose high-control modes to enter the Brazilian market, and as such, followed what the theory suggests. However, Randstad, by first choosing to only partly acquire RHI and selecting a shared-control entry mode, did not observe the theory's recommendations.

Trade barriers

It is clear that Brazil presents extremely high trade barriers, especially in the form or tariff measures. To counter that, De Smet and Randstad both chose to provide their services to their Brazilian customers directly from Brazil and installed their offices in the country. They therefore followed the theory's advice. However, because its production line represents a enormous investment that would not be justified to serve the South American market, NLMK Clabecq still had to export its merchandise towards Brazil. However, by setting up their own subsidiary in the country, the firm managed to reduce the tariffs charged on their imported goods.

All in all, the three analysed companies followed what the Transaction Cost theory suggests to do in the Brazilian context. Although, each company shows one or two factors that do not comply by the theory, the companies' entry mode choices are in line with their respective context and characteristics. This can be observed by the numerous green cells in Table 4.

When it comes to the reasons supporting this expansion towards the Latin American giant, all three companies evoke the huge potential market that is opening to them when selling in Brazil and the attractivity of one of the BRIC countries. De Smet and NLMK Clabecq are both active in very important sectors of the Brazilian economy, respectively sugar and mines. Randstad also mentions that it has followed a certain demand in Brazil coming from clients that are also active in other countries and wanted to work with Randstad in Brazil as well.

Concerning the difficulties that the firms had to face during their internationalisation, some challenges were met by all three of them, some difficulties were more specific to each interviewed firm. The reader can refer to Table 5 for an overview of the difficulties mentioned by the literature, which were addressed or not by each interviewee.

Regarding the issue of corruption, for example, only Randstad and De Smet faced this challenge directly. The Dutch company approached the problem by a strict policy of refusing all dishonest propositions coming from clients and authorities, and threatening the perpetrator to report him to his or her direction. De Smet also systematically refuse to bend to corruption and has already lost some contracts because of this attitude. NLMK *do Brasil* did not face corruption but admit that knowing the right people can help making one's way quicker through the slow public administration. However, they do not consider this as corruption.

Dealing with the heavy administration and tax system was also a challenge met by all three analysed companies. Be it internal employees or external accountants, the three companies appointed Brazilian tax specialists in order to deal with the administrative work that tax management represents. All of them also insist on the importance of having Brazilian staff working on this matter.

The three firms had to deal with the expensive and unqualified Brazilian workforce, but not all of them dealt with it the same way. NLMK Clabecq's interviewee explained that the company did not really find a solution to this problem and that they just adapted to this peculiarity. De Smet decided to implant its premises outside of the city of São Paulo in order to reduce costs related to rent and taxes, but also to be able to decrease its employees' cost of living and their salaries. Randstad opted for the solution of adopting a high turnover for its lower-profile employees so as to identify the ones ready to serve a higher quality and volume of work. The language issue was a problem for all of the firms, as they all testified that counting on English to communicate with Brazilians was not a safe choice. In the cases of De Smet and Randstad, both people interviewed had had experience with Brazil prior to this internationalisation and were able to speak Portuguese. Mr Bianchi from NLMK Clabecq did not know Portuguese but was working very closely with his Brazilian partner Paulo, in charge of opening and running the Brazilian subsidiary and who had worked in the USA and had international experience and opening. English was therefore a good communication tool for them.

All three interviewees argue that in order to manage their Brazilian business smoothly, they ultimately need to work only with Brazilian staff and to avoid expatriates. This is because Brazilian managers are more at ease than their European counterparts to supervise Brazilian staff, as well as to deal with the Brazilian market, clients, suppliers and administration. Only Randstad is still employing expatriates, but is aiming at finishing their Brazilian mission

shortly. All three of them also explained that they worked in very close relationships with Brazilian partners during their internationalisation process and that it is essentially inconceivable to enter this market without a trustworthy and knowledgeable Brazilian associate. They also agree on the fact that creating these relationships require personal commitment and time, and that keeping a casual business relation is usually not enough. In the cases of NLMK Clabecq and De Smet a personal friendship even emerged between the partners. For Mr Bianchi and Mr Griffin, this affinity was rather natural since they both felt quite close to Brazilian culture. However, it was a little bit more challenging for Mr Wever from Randstad, and he suspects his Dutch personality, very different from how a lot of Brazilian behave, to be the explanation for this.

The three companies suffer from the current crisis in Brazil and they are having difficulties developing properly in this context, as they are all either growing very slowly or even loosing money. Yet, because their competitors, local or foreign, are also suffering, they are able to use resilience and survive despite the tough situation. Randstad is having trouble keeping its existing clients but is also winning new ones that come from local competitors seeking more stability and security. NLMK Clabecq takes advantage of its new player's position by only being able to win market shares, at the expense of its established competitors. De Smet is resilient and patiently waits for the cyclical Brazilian economy to bounce back. In the meantime, the company prospects for new clients and is getting ready to work at its full potential as soon as money flows back in.

But what most stood out of these interviews was the common conclusion that two of them had. When asked what they would do differently if they had to start this internationalisation process to Brazil again, Mr Griffin from De Smet, as well as Mr Wever from Randstad, had equivalent answers: they both regret having lost time not being completely committed towards the Brazilian market, not taking the risk of painting their acquisition with their own name for Randstad, and working with only a small representative office for 3 years for De Smet. For them, only a 'all-or-nothing' strategy can work to enter the Brazilian market. Another conclusion that came back repetitively in the interviews was the fact that establishing a foreign business in Brazil takes time, and results do not arrive from one day to the next. A foreign entrepreneur in Brazil needs to be patient and have faith that money will ultimately turn up, possibly after months or even years. Opening a Brazilian business is a long-term investment.

Table 5: An overview of challenges faced by each interviewed company

Challenges	NLMK	De Smet	Randstad
Poor state of infrastructures	NLMK is located, and mainly does business in Brazil's South East region, where the state of infrastructure is better than in the rest of the country, so it currently does not suffer from this problem. However, the firm is aware that it will have to build other storage building when it expands its business to other areas of the country, because the state of infrastructure does not allow the transport of its merchandise over long distances.	De Smet suffers from the poor state and dangerousness of road infrastructure when the firm has to send equipment on trucks in other state than São Paulo. Mr Griffin also mentions industrial areas located in remote places and only accessible via hazardous and sinuous roads.	Not applicable
Corruption	NLMK does not suffer directly from corruption but Mr Bianchi mentions that it is necessary to know the right people in the right place in order to go through administrative processes quicker.	According to Mr Griffin, corruption is present in every business relation. De Smet has already lost deals because the firm refused to bend to corruption. Other issues come from the way corruption is fought, especially in the service sector.	Randstad has been confronted to corruption but systematically refuses to give in to it. They lost a few contracts because of this attitude. In addition, not giving in causes their business to slow down.
Unease of Doing Business	Mr Bianchi mentions the complexity and the large number of administrative procedures required to open a business. Moreover, the tax system represents a big burden in administrative work.	Because of very high tariff measures, De Smet needed to open their own subsidiary to provide their services to Brazilian clients. This, added to the large base of local competitors would have made De Smet's services three times more expensive then its competitors' services, had they been imported from Belgium.	Mr Wever mentions the large amount of time necessary to deal with taxes and administration, and the necessity to hire two staff members dedicated to dealing with tax issues in the company.

Table 5: An overview of challenges faced by each interviewed company

Education system and expensive qualified workforce	Because NLMK South America currently only employs four people, the firm has not had problems to hire staff yet. According to Mr Bianchi, back office workers are cheap, which counterbalances the fact that executives are sometimes more expensive than in Belgium. All in all, their four-worker office in São Paulo costs an amount that is comparable to Belgian standards.	De Smet could not hire one executive that presented the required profile because this person demanded an excessive salary. Moreover, Mr Griffin mentions that it is sometimes challenging to deal with major differences between universities and degrees, and to know which degree is equivalent to Belgian standards. Mr Griffin also mentions the bad level of English amongst the Brazilian population.	Like De Smet, Randstad faced the difficulty posed by the lack of qualified workforce, and the excessive cost of it. Moreover, amongst 250 people working for Randstad in Brazil, only 10 to 20 are able to speak English.
Difference in corporate cultures	Mr Bianchi did not mention any important issues regarding the difference in corporate cultures. The only "problem" that can maybe arise is the fact that Brazilians can sometimes show too much enthusiasm in a business context, whereas Belgians would be more conservative.	Mr Griffin met integration issues with Belgian expatriates working in Brazil. This is due to the fact that Brazilian relationships are filled with superficiality, and being able to speak Portuguese is not sufficient to fully understand the Brazilian way of communicating. It is also necessary to be very adaptable to go work in Brazil, because the ways of working are different and it would be a loss of time to try and change them.	Mr Wever finds it challenging to work with Brazilian people because of his Dutch culture being very different to Brazilian behaviours. More specifically, he gives the example of the power distance being very important in Brazil, and causing Brazilians to have a tendency to try and "please the boss", when he expects his employees to be open and give their true opinions.
Economic crisis	NLMK has been negatively affected by the crisis in two ways. First, the weakening Brazilian real is affecting the company's competitiveness in the country. Second, because NLMK's sector strongly depends on investments and the current crisis is badly affecting the investment rate.	De Smet is going through a double crisis in Brazil. Since 2007, the sugar industry is suffering from low international prices, as well as a blatant overcapacity. It is also suffering from the current economic crisis that is striking the whole Brazilian economy, especially because it is making the BNDES stricter about its loans.	Randstad estimates that when an economy shrinks by 1%, its own market shrinks by 8% to 12%. However, as a consequence of the crisis, Randstad Brazil is also gaining clients coming from local competitors, seeking for more security, stability and formality.

After exposing the results of researches that have been led with the aim of writing this paper, after presenting what comes out of the three interviews with successful entrepreneurs and investors in Brazil, it is now time to think about the limitations of this thesis, be them due to the writer's biases or the small number of analysed cases.

First, it is clear that analysing three firms can hardly be a large enough sample to represent all possible contexts and cases, especially because these firms, while being active in different sectors and having entered Brazil in different ways, also present similarities. For example, all three companies were located in Belgium or in Holland, two countries that are close to each other, both geographically and culturally. In addition, the three people interviewed were male and it would have been interesting to get a woman's statement over her experience in Brazil, a country that is definitely endorsed with cultural machismo. Moreover, because only three firms have been observed, only three possibilities of entry mode have been inspected. Experiences of firms entering Brazil through joint ventures, franchising, licensing or direct exporting lack in this paper. Finally, NLMK Clabecq, De Smet and Randstad all have their main Brazilian offices located in the state of São Paulo. Interviewing foreign firms that implanted their premises in states other than the economic centre of the country would have been interesting.

Because the person writing this thesis is by definition still a student, the lack of experience working in multinational companies, leading a firm's business development strategy or opening a foreign subsidiary surely has an impact on this thesis' scope and depth. Despite the thorough research and the personal experience in Brazil, there are topics that have not been addressed, questions that have not been asked simply because the writer did not have a holistic enough view over the subject to think about them.

X. Conclusion

Throughout this paper, I went through different steps. I started by exposing the available theory about Foreign Direct Investments and the Transaction Costs theory. I presented various entry modes that can be used to expand in a foreign country and explained what each of them entail on a managerial level. Based on the Transaction Costs theory, I then exposed which factors can guide managers and executives in their choice for a specific entry mode. These factors range from firm-specific elements such as the relative size of the investment compared

to the size of the company or the specificity of the traded assets, to country-specific factors such as the home and host countries' cultures, the current growth in the host market or the trade barriers present in it.

After that, I explored Brazil as a potential market for Foreign Direct Investments coming from Europe. I first exposed the opportunities offered by the country for European investors, such as the size of its potential market, the natural resources that the country offers or the fact that, culturally, Western Europeans are relatively close to Brazilians.
We then searched for the challenges and difficulties that European investors will typically face when expanding towards Brazil. Whether they are legal, economic or cultural, Brazil is a country that ranks amongst the last nations in the World Bank's Ease of Doing Business ranking.

As said before, all along this theoretical part, a focus was put on keeping a managerial point of view, with the aim of presenting information that could practically be useful, both to current practitioners who are tempted by the experience, and to me in my future career.

In the second part of this thesis, I chose to confirm my theoretical research through studying the cases of three Belgian and Dutch firms that relatively recently entered Brazil. Concerning the Transaction Cost theory, my practical researches and interviews confirm the theory's prescriptions about the factors influencing the mode of entry into a new foreign market. As for the difficulties foreign firms meet in Brazil, the interviews mainly support what could be found in the literature as well.
In addition to this, I tried to understand which strategies foreign firms can put in place to counter the issues they face when entering and working in Brazil, and I asked my interlocutors which pieces of advice they would give to other managers tempted by the Brazilian market. They delivered comments that appeared repeatedly and which constitute the main learning points of this paper:

- If one is tempted to expand towards Brazil, it seems primordial, or even necessary, to surround oneself with people who are knowledgeable about the Brazilian market and administration, who have access to a large network of suppliers, customers or public workers and who preferably are active in the same activity sector. Both in the literature and

in the testimonies I have collected, it is strongly advised to avoid entering the country alone, without a local partner.

- Another comment that came back several times was the fact that opening a successful business in Brazil takes time and dedication. It would be a mistake to expect financial results after a few months of activity in the country only, since two or three years are sometimes necessary to see any economic outcome, as much as it would be a misconception to believe that entering the country without full commitment is an good solution. By that I mean that two of my interviewees admitted regretting having taken half steps in their expansion processes, for example by first acquiring parts of their target company's assets before realizing that a 100% acquisition would have been more profitable from the beginning.
- Finally, the last major learning point that comes out of this thesis is that Brazil is not for amateurs and requires previous international experience as well as financial means to be able to reach success. It is not recommended to try the Brazilian expansion as a first internationalisation experience, as know-how and maturity are of utter importance in the potential success in Brazil.

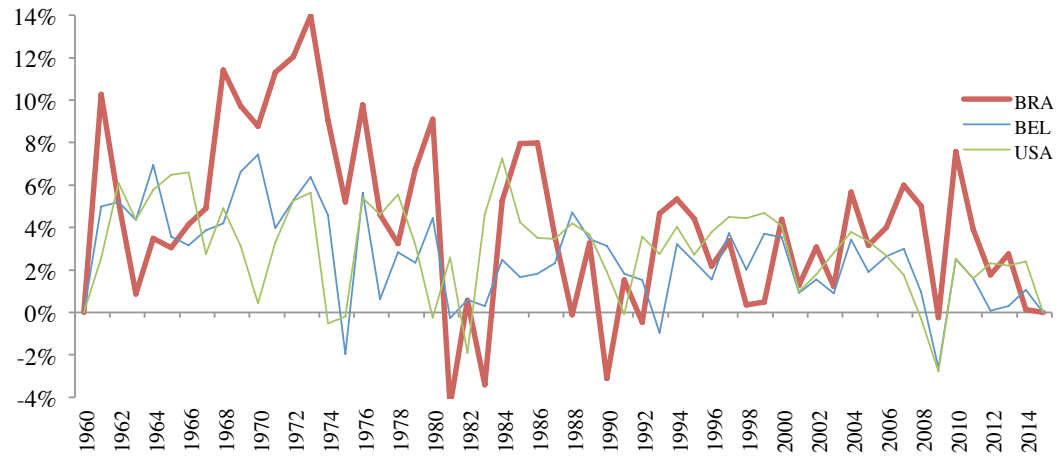
Reaching the end of this paper, the logical closing to this thesis is to address the questions that remain after reading it.

The first one that comes to mind concerns firms and people who failed in their attempt to expand in Brazil. The second part of this paper takes an interest in firms who did it successfully and the challenges they met on their way to profit. But understanding why and how firms fail or succeed in this attempt is also crucial for management practitioners. Further research could focus on this theme and on the factors that cause an internationalisation success or prevent a firm from finding the path to growth in Brazil.

The second question to be addressed relates to the current crisis in Brazil. It is clear that a such an extensive phenomenon has a massive impact on the economic life in Brazil and that its consequences will be felt long after the return to a normal situation. It would therefore be of interest to research the long-term effects that this crisis will have on firms, especially companies recently implanted in the country. The political instability that is presently unsettling Brazil will probably also affect foreigners' decisions to enter the country to do business, or even their choice to stay in the country after they have invested. The Workers' Party that has led the country for 13 years is recognised for not being business- and finance-friendly. If another party were to come in power, consequences would appear for businesses. All in all, further research could ask the question of what would be these consequences.

XI. Appendices

Appendix 1: GDP Growth in Brazil, Belgium and the US from 1960 to 2014



Source: World Bank, 2015

Appendix 2: Overall indices of openness to trade and investments in Mercosul

The *Trade Enabling Index* assesses a country's obstacles to trade. The *Ease of Doing Business Index* has already been presented and exposes the regulatory environment in a country and reflects whether it is favourable for the starting and operation of a local firm. The *Global Competitiveness Index* presents a set of institutions, policies and factors that influence the productivity level of a country, and therefore the return on investments. This table present data from 2010.

	Trade Enabling (out of 125)	**Ease of Doing Business (out of 183)**	**Global Competitiveness (out of 139)**
Mercosul	**88**	**124**	**65**
Argentina	95	115	87
Brazil	87	127	58
Paraguay	103	106	120
Uruguay	50	125	64
Russia	**114**	**123**	**63**

India	**84**	**134**	**51**
China	**48**	**79**	**27**

Source: Thelle & Sunesen (2011)

Appendix 3: Quality of overall infrastructure index

This index gives information about the quality of overall infrastructure including transport, communications and energy infrastructures (1 = extremely underdeveloped, 7 = extensive and efficient).

	Quality of overall infrastructure index	World ranking (out of 144 countries)
Turkey	5.1	33
South Africa	4.5	59
China	4.4	64
Mexico	4.2	69
Russia	4.1	74
India	3.7	90
Brazil	3.1	120
Argentina	3.0	123

Source: World Economic Forum (2015)

Appendix 4: Corruption perception index

This index relates how corrupt countries' public sector is perceived to be (0 = highly corrupt, 100 = very clean)

	Corruption perception index	World ranking (out of 175 countries)
Turkey	49	64
South Africa	43	67
Brazil	43	69
India	36	85
China	39	100

Mexico	34	103
Argentina	35	107
Russia	28	136

Source: Transparency International (2014)

Appendix 5: Summary of Doing Business indicators for Brazil and comparables

Indicator	Brazil	Chile	Colombia	Mexico	China	India	Russia	South Africa
Starting a business (rank)	167	59	84	67	128	158	34	61
Dealing with construction permits (rank)	174	62	61	108	179	184	156	32
Getting electricity (rank)	19	49	92	116	124	137	143	158
Registering property (rank)	138	45	42	110	37	121	12	97
Getting credit (rank)	89	71	2	12	71	36	61	52
Protecting minority investors (rank)	35	56	10	62	132	7	100	17
Paying taxes (rank)	177	29	146	105	120	156	49	19
Trading across borders (rank)	123	40	93	44	98	126	155	100
Enforcing contracts (rank)	118	64	168	57	35	186	14	46
Resolving insolvency (rank)	55	73	30	27	53	137	65	39

Source: World Bank, 2015

Appendix 6: Starting a business in Brazil (São Paulo)

N°	Procedure	Time to complete	Cost to complete
1	Check company name with JUCESP	Less than one day (online procedure)	No charge
2	Pay registration fees	1 day	Fees included in procedure 3
3	Register at JUCESP to obtain CNPJ, INSS and NIRE	7 days	BRL 75 registration + BRL 50 (expediting fee)
4	Register with ICMS	1 day	No charge
5	Register with the Municipal Taxpayers' Registry (Secretaria Municipal de Finanças) of the City of São Paulo	1 day	No charge
6	Apply and obtain digital certification (token) for the use of e-invoice	2 days	The cost may vary from BRL 450 to BRL 600
7	Apply to the municipality for an operations permit (auto de licença de funcionamento)	90 days	No charge
8	Register and pay TFE to the Municipal Taxpayers' Registry	1 day (simultaneous with procedure 7)	BRL 425.46, may vary in accordance with the company's activities
9	Register the employees in the social integration programme (PIS)	1 day (simultaneous with procedure 7)	No charge
10	Open a special fund for unemployment (FGTS) in a bank	1 day (simultaneous with procedure 7)	No charge
11	Notify the Ministry of Labour (CAGED)	1 day (simultaneous with procedure 7)	No charge
12	Registration with the Patronal Union and with the Employees Union	5 days (simultaneous with procedure 7)	No charge

Source: World Bank, 2015

Appendix 7: Dealing with construction permits in Brazil (São Paulo)

N°	Procedure	Time to complete	Cost to complete
1	Request and obtain proof of land ownership from the Real Estate Registry	1 day	BRL 38
2	Obtain Technical Term of Responsibility - ART	0.5 day	BRL 168
3	Request and obtain the proof of land tax payment from the Treasury Department of the Municipality	0.5 day	No charge
4	Register employees with the Social Security Office (INSS)	0.5 day	No charge
5	Register and obtain construction approval permit and construction execution permit	274 days	BRL 4200
6	Request and obtain equipment operating permit	60 days	BRL 75
7	Submit project for analysis by Fire Department and obtain report	30 days	BRL 79
8	Receive random inspection from Municipality (can be carried out at any time)	1 day	No charge
9	Receive labour inspection from Labour Public Attorneys' Office	1 day	No charge
10	Submit proof of payment to construction workers to INSS	0.5 days	No charge
11	Request inspection from Fire Department	1 day	No charge
12	Receive inspection from the Fire Department	1 day	No charge
13	Obtain Fire Department Certificate (AVCB)	29 days	BRL 105
14	Request final inspection from Municipality	1 day	No charge
15	Receive final inspection from Municipality	1 day	No charge
16	Obtain certificate of occupancy ("Habite-se")	28 days	BRL 460
17	Request and obtain operation license	60 days	BRL 25
18	Request and connect to water and sewage	30 days	No charge
19	Register building with the Real Estate Registery	15 days	BRL 980

Source : World Bank, 2015

Appendix 8: Getting electricity in Brazil (São Paulo)

N°	Procedure	Time to complete	Cost to complete
1	Submit application to AES Electropaulo and receive service layout	30 days	No charge
2	Execute energy supply agreement with AES Electropaulo	1 day	BRL 7500
3	AES Electropaulo conducts necessary external connection works	24 days	No charge
4	AES Electropaulo installs meter and electricity starts flowing	3 days	No charge

Source : World Bank, 2015

Appendix 9: Registering property in Brazil (São Paulo)

N°	Procedure	Time to complete	Cost to complete
1	Obtain a Labour Justice Certificate from the Regional Labour Court	3 days (simultaneous with procedures 2, 3, 4, 5, 6, 7, 8, 9 and 10)	BRL 5.53 + BRL 5.53 for every additional page
2	Acquire 10 Certificates of Registries and Disputes from the Distributor of Disputes Registry	1 day (simultaneous with procedures 1, 3, 4, 5, 6, 7, 8, 9 and 10)	BRL 9.71 for each certificate (total is BRL 97.10)
3	Acquire a Civil Distributor's Certificate, a Fiscal Executive Certificate and a Bankruptcy Certificate from the City Court Office	1 day (simultaneous with procedures 1, 2, 4, 5, 6, 7, 8, 9 and 10)	BRL 17.5 (x3 certificates) + BRL 5 for each additional page
4	Obtain a Certificate of Good Standing on Labour Debts	Less than 1 day (online procedure and simultaneous with procedures 1, 2, 3, 5, 6, 7, 8, 9 and 10)	No charge

5	Obtain a 20-year certificate	Less than 1 day (online procedure and simultaneous with procedures 1, 2, 3, 4, 6, 7, 8, 9 and 10)	BRL 38.48
6	Request a Land-Tax Certificate and a Cadastral Certificate from City Hall	Less than 1 day (online procedure and simultaneous with procedures 1, 2, 3, 4, 5, 7, 8, 9 and 10)	No charge if online
7	Acquire a Clearance Certificate from Tax Agency and a Federal Tax Clearance Certificate	Less than 1 day (online procedure and simultaneous with procedures 1, 2, 3, 4, 5, 6, 8, 9 and 10)	No charge
8	Acquire a Worker's Fund Certificate at the Caixa Econômica Federal	Less than 1 day (online procedure and simultaneous with procedures 1, 2, 3, 4, 5, 6, 7, 9 and 10)	No charge
9	Acquire a Federal Justice Certificate from the Receita Federal	Less than 1 day (online procedure and simultaneous with procedures 1, 2, 3, 4, 5, 6, 7, 8 and 10)	No charge
10	Notary obtains company information	Less than 1 day (online procedure and simultaneous with procedures 1, 2, 3, 4, 5, 6, 7, 8 and 9)	No charge
11	Pay transfer tax (ITBI) and other fees at a commercial bank	1 day	2% of the property value registered with the cadastre of the Prefecture for ITBI

12	Drafting of Public Deed of Purchase and Sale by a Public Notary	3 days	BRL 3710.94
13	Register the transfer deed at the appropriate Real Estate Registry with jurisdiction over the property to finalize registration and name change	15 days	BRL 2702.61
14	Update the land taxation records (IPTU) to the new owner's name at City Hall	5 days (simultaneous with procedure 13)	No charge

Source: World Bank, 2015

Appendix 10: Getting credit indices

Strength of legal rights index (0-12)	**São Paulo Index Score: 2**
Does an integrated or unified legal framework for secured transactions that extends to the creation, publicity and enforcement of functional equivalents to security interests in movable assets exist in the economy?	No
Does the law allow businesses to grant a non-possessory security right in a single category of movable assets, without requiring a specific description of collateral?	No
Does the law allow businesses to grant a non-possessory security right in substantially all of its assets, without requiring a specific description of collateral?	No
May a security right extend to future or after-acquired assets, and may it extend automatically to the products, proceeds or replacements of the original assets?	No
Is a general description of debts and obligations permitted in collateral agreements; can all types of debts and obligations be secured between parties; and can the collateral agreement include a maximum amount for which the assets are encumbered?	No
Is a collateral registry in operation for both incorporated and non- incorporated	No

entities that is unified geographically and by asset type, with an electronic database indexed by debtor's name?	
Does a notice-based collateral registry exist in which all functional equivalents can be registered?	No
Does a modern collateral registry exist in which registrations, amendments, cancellations and searches can be performed online by any interested third party?	No
Are secured creditors paid first (i.e. before tax claims and employee claims) when a debtor defaults outside an insolvency procedure?	No
Are secured creditors paid first (i.e. before tax claims and employee claims) when a business is liquidated?	No
Are secured creditors subject to an automatic stay on enforcement when a debtor enters a court-supervised reorganization procedure? Does the law protect secured creditors' rights by providing clear grounds for relief from the stay and/or sets a time limit for it?	Yes
Does the law allow parties to agree on out of court enforcement at the time a security interest is created? Does the law allow the secured creditor to sell the collateral through public auction and private tender, as well as, for the secured creditor to keep the asset in satisfaction of the debt?	Yes

Source: World Bank, 2015

Depth of credit information index (0-8)	**Credit bureau**	**Credit registry**	**Index score: 7**
Are data on both firms and individuals distributed?	Yes	Yes	1
Are both positive and negative credit data distributed?	No	Yes	1
Are data from retailers or utility companies - in addition to data from banks and financial institutions - distributed?	Yes	No	1
Are at least 2 years of historical data distributed? (Credit bureaus and registries that distribute more than 10 years of negative data or erase data on defaults as soon as they are repaid obtain a score of 0 for this component.)	No	No	0
Are data on loan amounts below 1% of income per capita	Yes	No	1

distributed?			
By law, do borrowers have the right to access their data in the credit bureau or credit registry?	Yes	Yes	1
Can banks and financial institutions access borrowers' credit information online (for example, through an online platform, a system-to-system connection or both)?	Yes	Yes	1
Are bureau or registry credit scores offered as a value-added service to help banks and financial institutions assess the creditworthiness of borrowers?	Yes	No	1

Source: World Bank, 2015

Appendix 11: Protecting Minority Investors indicators in Brazil (São Paulo)

	Answer	**Score**
Extent of disclosure index (0-10)		5/10
Which corporate body can provide legally sufficient approval for the Buyer-Seller transaction? (0-3)	CEO alone	0
Is disclosure by the interested director to the board of directors required? (0-2)	Full disclosure of all material facts	2
Is disclosure of the transaction in published periodic filings (annual reports) required? (0-2)	Disclosure on the transaction and on the conflict of interest	2
Is immediate disclosure of the transaction to the public and/or shareholders required? (0-2)	Disclosure on the transaction only	1
Must an external body review the terms of the transaction before it takes place? (0-1)	No	0
Extent of the liability index (0-10)		8/10
Can shareholders sue directly or derivatively for the damage caused by the Buyer-Seller transaction to the company? (0-1)	Yes	1
Can shareholders hold the interested director liable for the damage caused by the transaction to the company? (0-2)	Liable if unfair or prejudicial	2
Can shareholders hold members of the approving body	Liable if negligent	1

liable for the damage caused by the transaction to the company? (0-2)		
Must the interested director pay damages for the harm caused to the company upon a successful claim by a shareholder plaintiff? (0-1)	Yes	1
Must the interested director repay profits made from the transaction upon a successful claim by a shareholder plaintiff? (0-1)	Yes	1
Can both fines and imprisonment be applied against the interested director? (0-1)	No	0
Can a court void the transaction upon a successful claim by a shareholder plaintiff? (0-2)	Voidable if unfair or prejudicial	2
Ease of shareholder suits index (0-10)		4/10
Before filing suit, can shareholders owning 10% of the company's share capital inspect the transaction documents? (0-1)	No	0
Can the plaintiff obtain any documents from the defendant and witnesses during trial? (0-3)	Any relevant document	3
Can the plaintiff request categories of documents from the defendant without identifying specific ones? (0-1)	No	0
Can the plaintiff directly question the defendant and witnesses during trial? (0-2)	No	0
Is the level of proof required for civil suits lower than that of criminal cases? (0-1)	No	0
Can shareholder plaintiffs recover their legal expenses from the company? (0-2)	Yes if successful	1
Strength of minority investor protection index (0-10)		6.3/10
Extent of conflict of interest regulation index (0-10)		5.7/10
Extent of shareholder rights index (0-10.5)		7.5/10.5
Can shareholders amend company bylaws or statutes with a simple majority?	Yes	1.5
Can shareholders owning 10% of the company's share capital call for an extraordinary meeting of shareholders?	Yes	1.5

Can shareholders remove members of the board of directors before the end of their term?	Yes	1.5
Must a company obtain its shareholders' approval every time it issues new shares?	Yes	1.5
Are shareholders automatically granted subscription rights on new shares?	Yes	1.5
Must shareholders approve the election and dismissal of the external auditor?	No	0
Can shareholders freely trade shares prior to a major corporate action or meeting of shareholders?	No	0
Strength of governance structure index (0-10.5)		5.5/10.5
Is the CEO barred from also serving as chair of the board of directors?	No	0
Must the board of directors include independent board members?	No	0
Must a company have a separate audit committee?	Yes	1.5
Must changes to the voting rights of a series or class of shares be approved only by the holders of the affected shares?	Yes	1.5
Must a potential acquirer make a tender offer to all shareholders upon acquiring 50% of a company?	Yes for listed companies	1
Is cross-shareholding between 2 independent companies limited to 10% of outstanding shares?	No	0
Is a subsidiary barred from acquiring shares issued by its parent company?	Yes	1.5
Extent of corporate transparency index (0-9)		7.5/9
Must ownership stakes representing 10% be disclosed?	Yes for listed companies	1
Must information about board members' other directorships as well as basic information on their primary employment be disclosed?	Yes for listed companies	1
Must the compensation of individual managers be disclosed?	Yes for listed companies	1

Must financial statements contain explanatory notes on significant accounting policies, trends, risks, uncertainties and other factors influencing the reporting?	Yes	1.5
Must annual financial statements be audited by an external auditor?	Yes	1.5
Must audit reports be disclosed to the public?	Yes	1.5
Extent of shareholder governance index (0-10)		6.8

Source: World Bank, 2015

Appendix 12: Paying taxes in Brazil (São Paulo) – tax rates and administration

São Paulo: Tax or mandatory contribution	**Payments (number)**	**Notes on payments**	**Time (hours)**	**Statutory tax rate**	**Tax base**	**Total tax rate (% of profit)**	**Notes on total tax rate**
Employer paid – Social security contribution (INSS)	1	Online filing	490	20%	Gross salaries	22.56	
Corporate income tax (IRPJ)	1	Online filing	736	15%+10%	Taxable profit	18.22	
Employer paid – Payroll tax	1	Online filing		8.8%	Net salaries	9.29	
Employer paid Severance contribution (FGTS)	0	Paid jointly		8%	Net salaries	8.45	
Social	1	Online		9%	Taxable	6.56	

contribution (CSLL)		filling			profit		
Property tax	1			2.5%	Market value of property	3.7	
Tax on interest	0	Withheld		15%-22.5%	Interest Income	0.51	Not included
Vehicle tax	1			1.5%	Market value of vehicle	0.13	
Employee paid – Social security contributions (INSS)	0	Paid jointly		11%	Gross salaries	0	With-held
ICMS (similar to VAT)	1	Online filling	1374	18%	Value added (including taxes)		Not included
PIS/COFINS (similar to VAT)	1	Online filling		9.25%	Value added		Not included
IPI (similar to VAT)	1	Online filling		20%	Value added (including taxes)		Not included
Totals	9.0		2600.0			68.9	

Source: World Bank, 2015

Appendix 13: Trading across borders in Brazil (São Paulo) – the details

Stages to export	Time (days)	Cost (USD)
Customs clearance and inspections	3	400
Documents preparation	6	325

Inland transportation and handling	1	700
Ports and terminal handling	3	500
Totals	**13**	**1925**
Documents to export		
Bill of lading		
Commercial invoice		
Customs export declaration		
Export invoice (Nota Fiscal)		
Packing list		
Technical standards / Health certificate		
Stages to import	**Time (days)**	**Cost (USD)**
Customs clearance and inspections	4	450
Documents preparation	8	275
Inland transportation and handling	2	700
Ports and terminal handling	3	500
Totals	**17**	**1925**
Documents to import		
Bank document		
Bill of lading		
Cargo release order		
Commercial invoice		
Customs import declaration		
Entry invoice (Nota Fiscal)		
Packing list		
Technical standard / Health certificate		

Source: World Bank, 2015

Appendix 14: Enforcing contracts in Brazil (São Paulo)

Indicators	
Time (days)	**731**
Filing and service	41
Trial and judgement	480

Enforcement of judgement	210
Cost (% of claim)	**16.5**
Attorney cost (% of claim)	12.6
Court cost (% of claim)	2.8
Enforcement cost (% of claim)	1.1
Procedures (number)	**44**
Number of procedures (without bonus points)	45
Electronic filing of court cases	-1
Specialized commercial courts	0

Source: World Bank, 2015

Appendix 15: Resolving insolvency in Brazil

Indicators	
Time (years)	4.0
Cost (% of estate)	12.0
Recovery rate (cents on the dollar)	25.8
Strength of insolvency framework index (0-16)	**13/16**
Commencement of proceedings index (0-3)	2.5/3
Management of debtor's assets index (0-6)	5.5/6
Reorganization of proceedings index (0-3)	2/3
Creditor participation index (0-4)	3/4

Source: World Bank, 2015

Appendix 16: Labour market regulation in Brazil (São Paulo)

Difficulty of hiring index	
Fixed-term contracts prohibited for permanent tasks?	Yes
Maximum length of a single fixed-term contract (months)	24
Maximum length of fixed-term contracts, including renewals (months)	24
Minimum wage applicable to the worker assumed in the case study (USD/month)	437.80
Ratio of minimum wag to value added per worker	0.31
Rigidity of hours index	

50-hour workweek allowed for 2 months a year in case of a seasonal increase in workload?	Yes
Maximum working days per week	6.0
Premium for night work (% of hourly pay)	20%
Premium for work on weekly rest day (% of hourly pay)	100%
Major restrictions on night work	Yes
Major restrictions on weekly holiday?	No
Paid annual leave for a worker with 1 year of tenure (in working days)	26.0
Paid annual leave for a worker with 5 year of tenure (in working days)	26.0
Paid annual leave for a worker with 10 year of tenure (in working days)	26.0
Paid annual leave (average for workers with 1, 5 and 10 years of tenure, in working days)	26.0
Difficulty of redundancy index	
Maximum length of probationary period (months)	3.0
Dismissal due to redundancy allowed by law?	Yes
Third-party notification if 1 worker is dismissed?	No
Third-party approval if 1 worker is dismissed?	No
Third-party notification if 9 workers are dismissed?	No
Third-party approval if 9 workers are dismissed?	No
Retraining or reassignment obligation before redundancy?	No
Priority rules for redundancies?	No
Priority rules for reemployment?	No
Redundancy cost indicator (in salary weeks)	
Notice period for redundancy dismissal for a worker with 1 year of tenure	4.7
Notice period for redundancy dismissal for a worker with 5 years of tenure	6.4
Notice period for redundancy dismissal for a worker with 10 years of tenure	8.6
Notice period for redundancy dismissal (average for workers with 1.5 and 10 years of tenure)	6.6
Severance pay for redundancy dismissal for a worker with 1 year of tenure	1.7
Severance pay for redundancy dismissal for a worker with 5 years of tenure	8.3
Severance pay for redundancy dismissal for a worker with 10 years of tenure	16.6
Severance pay for redundancy dismissal (average for workers with 1.5 and 10 years of tenure)	8.9

Social protection schemes and benefits & Labour disputes indicator	
Availability of unemployment protection scheme?	Yes
Health insurance existing for permanent employees?	No
Availability of courts or court sections specializing in labour disputes	Yes

Source: World Bank, 2015

Appendix 17: Education index

This index gives information about the level of education in each country. It is calculated using mean number of years of schooling and expected number of years of schooling (0 = very bad level, 1 = very good level).

	Education index	World ranking (out of 187 countries)
Argentina	0.78	35
Russia	0.78	36
South Africa	0.69	68
Brazil	0.66	85
Turkey	0.65	92
Mexico	0.64	99
China	0.61	107
India	0.47	145

Source: United Nations Development Programme (2013a)

Appendix 18: Case studies' interview guide – French

Identification de l'entreprise, de l'interlocuteur, renseignements généraux

- Présentation de l'entreprise (industrie/activité, CA, # employés)
- Expérience internationale de l'entreprise (Brésil, BRICS, autres)
- Présentation de l'interlocuteur, fonction, rôle joué lors de l'internationalisation au Brésil, expérience internationale personnelle

Raisons de l'expérience brésilienne

- Pourquoi l'internationalisation (pull/push/serendipity factor) ?
- Pourquoi le Brésil ? Quels avantages du Brésil sur les autres grands pays émergents (langue, ressources naturelles, grand marché intérieur, paix) ?

- Pourquoi à ce moment là ?

Comment s'est déroulée cette expérience

- Décrire l'expérience en détails
- Quel a été le mode d'entrée (export, franchise, joint venture, acquisition, greenfield) et pourquoi celui-là ?
- Quelles ont été les difficultés rencontrées durant le processus (main d'œuvre, corruption, infrastructures, administration, difficultés spécifiques aux étrangers) ?
- Effets de la crise actuelle ?
- Quels ont été les facteurs facilitateurs ?

Contact avec les Brésiliens

- Avez-vous fait appel à des partenaires locaux ? Pour quelles fonctions, sous quelle forme ?
- Quels traits de leur culture corporate vous ont marqué ? Avez-vous senti une distance culturelle particulière sur certains sujets ? Le contact a-t-il été facile ?
- Y a-t-il des expatriés sur place ou uniquement du personnel brésilien ? Pourquoi (manque de main d'œuvre qualifiée, visa de travail compliqué à obtenir) ?
- Comment créer la confiance avec les partenaires/le personnel brésilien ?

Le Brésil est classé 120ème sur 189 pays pour la facilité à y faire des affaires

- L'avez-vous ressenti ? De quelle façon ?

Si c'était à refaire…

- Que feriez-vous différemment ?
- Quels sont les conseils à donner aux entreprises tentées par l'expérience

Appendix 19: Case studies' interview guide – English

Identification of the company and the interlocutor, and general information

- Presentation of the company (industry/activity, turnover, #employees)
- International experience of the company (Brazil, BRICS, others)
- Presentation of the interlocutor, function, role played in the internationalisation process to Brazil, personal international experience

Reasons for the Brazilian experience

- Why has the company internationalised (pull/push/serendipity factor)?
- Why Brazil? What are the advantages of Brazil over other big emerging countries (language, natural resources, big interior market, peace)?
- Why at this moment?

Proceedings of this international experience

- Describe the experience in details

- What was the mode of entry (export, franchise, joint venture, acquisition, greenfield) and why this mode of entry?
- Which difficulties were met during the process (expensive or unqualified staff, corruption, infrastructure, administration & taxation, difficulties for foreigners, language, insecurity, protectionism & tariffs)? Which were the strategies put in place to counter these difficulties?
- Effects of the current crisis
- Which were the facilitating factors (help from governmental organisations, …)

Contact with Brazilians

- Did you work with local partners? For which functions?
- Which traits of their corporate culture particularly stay in your memory? Did you feel a particular distance on certain subjects? Was contact easy with them?
- Do you have expatriates in Brazil, or do you only work with Brazilian staff? Why (lack of qualified staff, complexity of working visas)?
- How to create trust with Brazilian partners/staff?

Brazil ranks 120th over 189 countries for the ease of doing business by the World Bank

- Did you feel it? How?

If you had to do it again…

- What would you do differently?
- Which advice would you give to other companies tempted by the experience?

Appendix 20: NLMK Clabecq - Mr Bianchi's interview

Je voudrais vous demander de présenter votre entreprise, vous présenter vous, votre place dans l'entreprise et l'expérience qu'a NLMK (ou Duferco anciennement) à l'international, dans les pays BRICS plus particulièrement, et au Brésil.

Je m'appelle Marc Bianchi, je suis le directeur chargé du développement de la stratégie et des ventes pour les produits trempés-revenus. Ce sont des produits que nous développons depuis 2009 basés sur les investissements qui ont eu lieu sur le site de Clabecq, avec de nouveaux traitements thermiques. J'ai rejoint Clabecq en 1998, toujours dans des fonctions liées aux Sales et Marketing et donc j'ai vu Clabecq évoluer d'années en années, renaître plusieurs fois depuis 17 ans. Donc ce dont on va parler aujourd'hui ce sont essentiellement les produits trempés-revenus parce que ce sont les produits qui nous permettent d'être beaucoup plus présents à l'international. La raison pour cela est que ce sont des produits à beaucoup plus haute valeur ajoutée tout simplement.

Et quels sont les autres produits ?

Clabecq est un laminoir de plaques. On lamine des grands parallélépipèdes rectangles de différentes épaisseurs, dimensions, en général à dimensions spécifiques pour une affaire client. On livre des secteurs extrêmement variés qui touchent à l'énergie, pétrole et gaz, à la construction (les grands ouvrages d'art, les ponts), à la construction navale, aux chaudières, aux appareils à pression. L'acier est partout. Mais un de nos grands secteurs, dont je n'ai pas encore parlé c'est ce qu'on appelle le 'yellow roots', c'est tout ce qui est engins de manutention et travaux publics puisqu'ils sont souvent jaunes. Ces grandes sociétés ont toujours été des clients de Clabecq, et il y a une gamme que nous ne couvrions pas, qui sont les aciers soit résistants à l'abrasion, ce sont des aciers très durs, ou bien des aciers à très haute limite d'élasticité, voire une combinaison des deux. Donc c'est ce que nous avons développé depuis quelques années, grâce aux investissements dans une nouvelle ligne de traitement thermique ici sur le site de Clabecq, et cela nous a permis de compléter notre gamme de produits, essentiellement vers ces 'yellow roots', mais aussi ça a ouvert d'autres portes comme les applications minières, les carrières, comme les applications dans le transport, les grues télescopiques, tout cela demande des aciers très particuliers et donc des secteurs dans lesquels on est rentrés depuis quelques années.

Ceci dit, Clabecq a toujours été un exportateur, grâce à la proximité du port d'Anvers, on a toujours exporté hors Europe entre 20% et 30% de notre production, selon les années. Dans le cas de l'acier trempé-revenu, c'est déjà plus de 50% de l'acier qui est exporté hors Europe parce que ce sont des marchés de niche et donc on a vraiment besoin d'être présent à peu près partout, sur tous les marchés possibles pour développer nos ventes.

Quand on a décidé de se lancer dans ces nouveaux aciers, on a également décidé à ce moment là de développer un réseau de vente spécifique à ces aciers parce que ce sont des aciers qui sont plus techniques et donc qui demandent une meilleure compréhension, connaissance de l'application du client. Et donc on a décidé de développer ce réseau, on a commencé par l'Amérique du Nord et Singapour. L'Amérique du Nord pour couvrir les USA et le Canada, et Singapour pour couvrir le Sud-Est asiatique. Il faut savoir que depuis que nous ne sommes plus Duferco, et que nous sommes devenus NLMK, un inconvénient est que l'on a perdu l'accès au réseau de trading de Duferco, en tout cas en partie, qui est présent dans plus de 40 pays. NLMK a par contre un réseau relativement limité. Ils ont un bureau en Inde, donc on l'utilise, ils ont une usine aux USA mais qui n'était pas un bureau de vente de produits donc

on a dû en créer un. Un des avantages, il y en a plein, est qu'on a également accès à tout un nouveau marché qui est la Russie et les pays environnants.
Donc on a petit à petit commencé à créer ces réseaux de distribution, soit en direct, soit avec des partenaires locaux, en fonction de priorités qu'on avait établies, de tailles de marché, etc. et nous en sommes finalement arrivés au Brésil. Nous avons décidé il y a deux ans de nous implanter au Brésil, ça nous a pris pratiquement un an pour créer la société et vraiment démarrer l'activité sur place. On a démarré en automne 2014, donc ça fait exactement un an que nous sommes officiellement implantés avec un stock sur place, une distribution régulière, etc.

Je suppose que vous avez été le principal pion pour ouvrir ce marché brésilien pour NLMK

Ca fait, en effet, partie de mon job de trouver les bons partenaires ou les personnes à employer pour faire partie de la structure

Avant de vous occuper du Brésil, est-ce que vous vous êtes occupé d'ouvrir des marchés sur d'autres pays ?

Oui le plus important, les USA. On a commencé par les USA, je suis allé recruter les personnes adéquates, enfin le premier. Moi je m'occupe essentiellement du premier, du manager de la zone et ensuite c'est lui qui va développer sa zone. En général les premiers collaborateurs je les rencontre aussi, mais mon job c'est vraiment de démarrer la structure. C'était vrai en Amérique du Nord, c'était vrai au Brésil. Forcément en Europe aussi, mais là c'est du day-to-day et on peut déjà se baser sur notre expérience parce qu'on a un bureau en Allemagne, en France, en Italie, en Espagne pour nos autres produits donc là c'est une structure qui est déjà en place et c'est simplement ajouter des collaborateurs spécialisés. Pour la partie Asie, je ne m'en occupe pas directement parce qu'on a notre ancien CEO qui est basé à Singapour et donc c'est son job de développer cette partie là. Dans cette partie du monde, notre présence est importante en support, mais on n'est pas les premiers de l'usine directement sur le front. Et alors, un marché qui s'ouvre et sur lequel on s'implante très fort c'est la Russie. En Russie on a 2 collaborateurs temps-plein sur la vente, c'est encore relativement peu, ça se développe et on est en train de mettre en place également un politique de distribution avec des stocks à différents endroits de la Russie.

Mais NLMK est russe donc je suppose que quand même le siège social est là-bas et il y a déjà une grosse structure là bas, non ?

Oui, on compte en dizaine de milliers de personnes, mais qui n'ont rien à voir avec notre petit business de plaques. Eux vendent des millions de tonnes d'autres produits et ne sont vraiment pas du tout spécialisé et on doit malgré tout développer notre projet.

Deuxième bloc de questions, maintenant on va parler des raisons pour lesquelles vous vous êtes internationalisés, et plus particulièrement au Brésil.
Première question, pourquoi avez-vous décidé de vous internationaliser ?

Comme je vous disais, c'est vraiment un marché de niche. Pour vous donner de très grands chiffres pour avoir une idée, tout l'acier produit sur la planète c'est environs 1.5 milliard de tonnes. Toutes les plaques produites dans le monde, les produits que nous faisons ici, c'est environs 150 millions de tonnes. Le marché de la plaque trempée-revenue, ce marché niche dont je parle, on avait estimé à son apogée vers 2007-2008 quand c'était le marché le plus extraordinaire à 3 millions de tonnes. Donc on est vraiment dans un tout petit marché. Et aujourd'hui j'avouerais même que ce marché de 3 millions, moi je le vois plutôt aux alentours de 2 millions de tonnes par an. Or, les capacités de productions à Clabecq sont proches de 200 mille tonnes. 200 000 tonnes sur un marché de 2 millions c'est 10% du marché mondial. Il est illusoire de penser qu'on va prendre 10% du marché partout. Il y aura des marchés dans lesquels on aura 15% ou 20% du marché, des marchés dans lesquels on ne dépassera jamais 5%. Mais donc vous comprenez qu'on ne peut pas se contenter de rester sur l'Europe parce que simplement ça signifierait qu'on devrait prendre un part de marché beaucoup trop importante, ce n'est pas réaliste. Donc on a vraiment besoin de l'ensemble du monde pour vendre nos aciers. Ca c'est une chose. D'autres part, Clabecq a une carte spécifique à jouer parce que nous sommes la seule usine de plaques au monde avec une configuration de laminage telle que la nôtre. On ne va pas rentrer dans la technique mais on a la chance d'avoir deux laminoirs sur une même ligne, dont un des deux est ce qu'on appelle un train continu. Peu importe, ce que ça signifie c'est qu'on peut produire une gamme de produits beaucoup plus fine que la concurrence dans des grandes largeurs. C'est important parce que le monde devient de plus en plus vert, avec une conscience sur l'environnement et donc les aciers comme les nôtres qui sont très minces, mais avec des caractéristiques mécaniques très importantes permettent de revoir le design des engins pour les rendre plus légers avec une

durée de vie plus longue. S'il est plus léger ça veut dire que à la base il faut moins d'acier pour le construire, donc il faut moins de matières premières, moins d'énergie, c'est positif. Mais en plus, à chaque fois qu'il va être utilisé, comme pour une benne de camion par exemple, si le camion est un peu plus léger, à chaque fois qu'il roule à vide, il consomme moins. Si il roule à plein, ça veut dire qu'on peut charger d'avantage de matière sur le camion. Donc c'est plus économiquement intéressant pour le client et en plus il a une durée de vie plus longue parce que c'est un acier qui est extrêmement résistant. Donc on est dans la bonne tendance. Mais ça ce n'est vrai aujourd'hui encore que dans des pays particulièrement développés, aux USA, en Europe. Là, pour certaines applications on n'utilise plus que ce type d'acier. Il y a encore plein d'endroits sur la planète où on continue à utiliser de l'acier très conventionnel avec plein de renforts. Il y a donc un potentiel de développement énorme. On est assez convaincu que on va soit simplement développer ce type d'applications dans d'autres marchés ou continuer à trouver de nouvelles applications pour ce type d'acier. Donc on est exactement dans le bon créneau pour les spécificités.

Pourquoi le Brésil et pas un autre pays ?

En Chine on a fait une tentative qui n'a pas donné des résultats terribles, on est tombés au moment où la Chine ne se comportait pas au mieux et elle commençait à développer elle-même des capacités similaires extrêmement importantes. Donc on s'est trouvé face à une concurrence effrénée et aujourd'hui on reste présent en Chine de façon plus attentiste pour saisir les opportunités mais sans avoir une démarche extrêmement ambitieuse sur ce marché là. On considère aujourd'hui que tant qu'à dépenser notre énergie, autant le faire sur des marchés où on est plus en ligne directe et sans cette concurrence locale. On ne peut pas oublier la Chine complètement, mais on n'en fait pas notre axe principal.
Le Brésil est un des grands pays miniers. Or pour les aciers trempés-revenus, les applications minières sont un des principaux secteurs utilisateurs. Donc au même titre que l'Afrique du Sud ou l'Australie, ce sont des pays sur lesquels on mise.

Donc vous n'utilisez pas les ressources minières du Brésil, qui sont en fait aussi votre matière première, mais vous vendez aux exploitants des mines ?

Tout à fait. En fait avec nos aciers au Brésil, on a quelques secteurs principaux, dont les sociétés qui vont fabriquer ou réparer les gros godets pour les excavatrices, ou bien des

grosses bennes de camion, mais ça peut aussi être d'autres industries, comme par exemple la canne à sucre. Avec la canne à sucre on a un produit qui est de nouveau très abrasifs et donc c'est important d'avoir ce type d'acier dans ce type d'industrie pour la partie découpe et la chaine du traitement de la canne à sucre. On a aussi énormément de constructeurs de camions routiers, des bennes de camions. Et puis on a des gens comme Caterpilar qui sont implantés au Brésil.
Mais la première raison c'était le fait que c'est un grand pays minier. Ça c'était important.
Il y a un producteur local, nous avons un concurrent local qui s'appelle Usiminas qui est le grand sidérurgiste brésilien mais qui a une gamme de produits relativement limitée et tous les clients ne sont pas satisfaits du niveau de qualité.

Pourquoi cette internationalisation il y a deux ans ? Pourquoi à ce moment là ?

En fait ça fait bien plus que deux ans que je sais qui je veux engager au Brésil. J'ai eu l'occasion de rencontrer une personne brésilienne qui travaillait chez un de mes concurrents mais qui était précédemment un collaborateur d'un de nos collègues aux USA. Via mon collaborateur aux USA, j'ai eu les coordonnées de cette personne, je l'ai rencontrée à trois reprises de mois en mois, enfin d'années en années, ça a pris pas mal de temps avant que nous soyons tous les deux convaincus que nous étions les bons partenaires pour développer le marché brésilien. Il me fallait quelqu'un qui avait l'expérience de démarrer une société au Brésil, qui connaissait les produits et les applications et il avait l'expérience nécessaire pour gérer cette société. Donc ça a mis pas mal de temps pour qu'on apprenne à se connaître, pour qu'on se fasse confiance et à partir de ce moment-là, on était convaincus d'être les bons partenaires. Et puis là tout a commencé.

Nous allons maintenant parler de l'expérience au Brésil, en général. Premièrement est-ce que vous pouvez décrire comment ça s'est passé en détails, à partir du moment où vous avez décidé de vous exporter là bas, donc avec la rencontre de ce monsieur, jusqu'à aujourd'hui où ça roule ?

Donc comme je dis, il a fallu pratiquement un an pour créer la société, pour que tout soit up and running. Vous avez un peu l'expérience de l'administration brésilienne, et de ses complexités. A nouveau, là, je pense que c'était vital d'avoir quelqu'un sur place, qui connaisse et qui maîtrise vraiment tous ces rouages. Ça doit être pratiquement mission

impossible si moi, Marc, je débarque au Brésil et je veux créer une société, j'en ai pour trois ans, le temps de comprendre comment ça fonctionne, de trouver les bons rouages et les bonnes personnes etc. On a aussi la chance d'appartenir à un groupe, NLMK, qui est un grand groupe avec une expérience internationale, et donc via ce groupe on a mis en place un partenariat, on a contracté un bureau d'avocats sur place et donc on a travaillé en triangle entre ce bureau d'avocats, Paulo, la personne que nous avons engagée, et notre groupe de façon à mettre en place, de façon très structurée, tout ce qui devait l'être depuis les simples accréditations jusqu'à la partie informatique qui est très compliquée puisque tout est interconnecté au Brésil. En tout cas, c'est comme ça que nous on le voit. On ne peut pas faire de facture sans que ce soit directement copié au Ministère des Finances. Donc c'est très complexe. Et puis il y a plein de particularités au Brésil. Il y a des particularités au niveau de la création de la société, si vous n'avez pas un actionnaire brésilien, alors vous êtes obligés d'avoir au minimum deux actionnaires étrangers. Donc ce sont des petites nuances qu'on n'avait pas prévues et qui nécessitent de se mettre d'accord au niveau de nos boards internes pour décider finalement quelles sociétés seront actionnaires, etc. Donc finalement tout ça prend du temps, ça ne se passe pas du jour au lendemain, je ne vous parle pas des spécificités fiscales du Brésil. Il y a toute sorte de taxes, donc il fallait faire une analyse complète pour décider finalement où la société, dans quel état. Finalement on a décidé qu'elle serait dans l'état de São Paulo, mais avec une succursale dans l'état de Santa Catarina parce qu'à ce moment-là on peut importer vers Santa Catarina, ce qui représente certains avantages en termes de taxes de récupération quand on livre vers d'autres états. Enfin, tout ça c'est extrêmement complexe, et encore une fois, si vous n'êtes pas brésilien, vous êtes perdu. D'autant plus que les règles ont tendance à changer régulièrement. Donc voilà, ça a été très intéressant. Beaucoup de travail, beaucoup d'énergie, beaucoup d'investissement parce qu'on a payé des avocats et des personnes à travailler temps plein sans avoir vendu une tonne, durant cette première année. Mais bon voilà, in fine, on a pu livrer nos premières tôles, on a notre stock en place là bas, et maintenant depuis presque un an, tous les mois on vend de plus en plus sur ce marché brésilien et on a réussi quelques très beaux contrats.

Et vous êtes uniquement sur le marché brésilien ou aussi sur d'autres pays d'Amérique du Sud ?

Au départ du Brésil, Paulo qui est en charge du marché brésilien est en réalité en charge du marché de l'Amérique du Sud. Donc il a développé son bureau, pour le moment il y a quatre

personnes sur le bureau à São Paulo qui se concentrent essentiellement sur le marché brésilien, mais Paulo est également chargé du développement sur les autres marchés sud-américains. Et nous avons présenté à notre dernier board un projet pour s'implanter sur le Pérou et le Chili. En réalité d'abord sur le Pérou, au départ de là ouvrir Pérou et Colombie et puis l'étape suivante sera le Chili. Donc Paulo chapeautera cette organisation mais il y aura bien évidemment des gens locaux.

Si j'ai bien compris, vous exportez directement de la Belgique vers le Brésil. Donc vous avez seulement un bureau commercial là-bas à São Paulo.

Oui c'est ça, et un stock de tôle dans le Santa Catarina

En écrivant mon mémoire je me suis rendu compte que les droits de douane d'imports/exports au Brésil étaient énormes. Dans quelle mesure c'est pas plus intéressant de produire là-bas, plutôt que d'exporter.

Comme je vous dis il y a un concurrent local sur place, mais c'est le seul et pour ces produits très spécifiques, la plupart des autres fournisseurs du marché sont des sociétés européennes, parce qu'il y a un niveau de qualité très élevé qui est attendu sur le marché, et que les principaux producteurs dans ce domaine sont européens. Donc on pourrait imaginer qu'une société XYZ puisse produire sur le marché brésilien, mais ce sont des investissements colossaux parce que les machines dont nous avons besoin pour produire sont très très chères. Pour une unité de traitement thermique, vous parlez en centaines de millions d'euros.

C'est donc parce que ça coute trop cher d'installer votre usine là-bas que vous exportez.

Disons que même si le marché brésilien est très important, de toute façon il serait beaucoup trop petit pour justifier un investissement local. Du Brésil il faudrait exporter ailleurs, et donc le problème est le même.

Si c'est pour faire toute l'Amérique du Sud, après il y a un marché de libre-échange en Amérique du Sud. Donc vous auriez accès à tous les pays d'Amérique du Sud avec peu de droits de douane.

Mais ça reste trop petit. Et puis pour aller du Brésil au Chili, traverser la cordillères des Andes, ce n'est pas si facile que ça et donc c'est quand même pour faire le tour.

On a déjà parlé des difficultés que vous avez eues pendant le processus, les taxes, l'administration qui sont insupportables. Pendant mes recherches j'en ai découvert d'autres : la main d'œuvre qualifiée très chère, la corruption, les infrastructures qui ne sont pas assez développées, les difficultés spécifiques aux étrangers. Est-ce que vous les avez ressenties.

- La main d'œuvre

Effectivement, la main d'œuvre très qualifiée est au moins aussi chère qu'en Europe. Par contre, si vous voulez engager un back-office commercial, il va vous couter une fraction du prix ici. Après c'est un compromis. Finalement au total, c'est clair qu'un bureau à São Paulo ce n'est pas bon marché. Le manager local, il faut le payer de façon importante, mais l'un dans l'autre en moyenne ça reste intéressant. Donc ça, ça va. Au niveau de la difficulté de recruter de la main d'œuvre, encore une fois on a la chance d'avoir Paulo sur place qui a son réseau et qui sait comment s'y prendre. Dans la société dans laquelle il travaillait avant, je pense qu'il avait engagé des centaines de personnes. On n'en est pas encore là, on est quatre pour le moment et donc il y a encore de la marge. Donc là je dois dire que ce n'a pas été une grande difficulté. Pour se mettre d'accord au niveau salarial ça a été un peu plus compliqué parce que ça nous a sidéré en fait le niveau des salaires pour les personnes très qualifiées mais voilà. On a dû s'y faire.

- La corruption

Ça c'est quelque chose que directement je n'ai pas du tout ressenti, si ce n'est que… Mais ce n'est pas de la corruption. Mais il est important de connaître la bonne personne pour faire avancer les choses. Si vous avez un problème de dédouanement pour votre marchandise, que vous devez obtenir un certain certificat qui vous permet d'importer, si votre papa est cousin avec le type de l'administration, c'est sûr que ça aide. Vous passez un coup de fil, votre dossier passe au dessus de la pile plutôt que d'y être enterré pendant 3 semaines. Mais ça je ne suis pas sûr que ce soit spécifique au Brésil. D'où l'importance d'avoir quelqu'un sur place.

- Les infrastructures

Au niveau des infrastructures portuaires, aucun souci. Les quelques fois que j'ai été au Brésil, je n'ai pas tourné énormément, mais j'ai plutôt été impressionné par les infrastructures dans les principales zones, mais je ne suis pas allé très loin dans le pays, donc là j'ai une moins bonne vue que vous. Par contre, ce dont on a déjà parlé et je pense qu'on y arrivera dans quelques années c'est qu'on se dit que ce n'est pas de Santa Catarina qu'on va pouvoir fournir

le nord-ouest du pays. Et donc il faudra probablement qu'on ait différentes implantations pour pouvoir fournir localement, mais c'est aussi dû à la taille du pays. C'est énorme et donc forcément, du sud-est au nord-ouest, on n'y va pas du jour au lendemain. Et là, au niveau des infrastructures c'est peut-être plus compliqué. Après il y a le problème de la congestion des grandes villes évidemment.

Vous exportez vers le port de Santos ?

On pourrait rentrer par Santos, mais pour des raisons fiscales, on ne le fait pas. On exporte donc vers le port de São Francisco do Sol. Il y a beaucoup de clients du côté de Porto Alegre, et du côté de São Paulo, donc c'est bien on est au milieu.

L'administration on en a parlé, et les difficultés spécifiques aux étrangers, vous n'avez pas de belges travaillant sur place.

Non ce ne sont que des brésiliens, donc au niveau des visas ça ne nous concerne pas.

Est-ce que vous avez bénéficié d'aides venant des états ou d'organisations quelconques ?

J'ai eu plusieurs contacts avec l'AWEX, et d'ailleurs ce n'est pas terminé. Mais l'AWEX propose un certain nombre d'aides financières, on ne les a pas utilisées initialement durant les voyages d'études ou ce genre de choses, ça on n'a pas fait. Mais on a une collaboration régulière avec l'AWEX en support lorsque on veut être présents à des foires. Il leur arrive d'intervenir financièrement à ces moments-là. Au Brésil, ils ont une autre possibilité d'intervention qui peut être intéressante, c'est d'intervenir dans la location de votre bureau, voire dans la rémunération de vos premiers salariés. Là, mea culpa, au début j'étais très fort sur le dossier en me disant que ça allait nous aider, et puis ça a mis un temps infini pour avoir les contrats de location des bureaux, les contrats autres. Et l'AWEX ne peut pas travailler comme ça, l'AWEX a besoin d'un dossier complet tout de suite pour pouvoir intervenir, nous ça a été par petits bouts. Et le temps qu'on ait tous les petits bouts ensemble, notre dossier avait été mis aux oubliettes et il faudra tout recommencer. Je ne l'ai pas encore fait, mais je devrais.

On va maintenant parler du contact que vous avez eu avec les Brésiliens, vous avez expliqué le cas de Paulo qui vous a beaucoup aidé donc vous avez bien fait appel à des partenaires locaux. Quelle est sa fonction ?

Il est directeur général de la société que nous avons créée là-bas, qui s'appelle NLMK South America.

Et c'est la seule personne avec qui vous avez directement eu des contacts ?

Non, en fait je suis allé là-bas. Pour le moment, Paulo travaille avec un Sales Manager et deux back-office commerciaux. Le Sales Manager est déjà venu en Belgique plusieurs fois, donc on s'est rencontrés. Je suis allé là-bas, j'ai rencontré les gens du bureau. Disons que moi ce que j'adore quand je travaille avec ces gens c'est qu'ils ont un coté latin. Moi j'ai des origines italiennes, donc je trouve le contact extrêmement facile et chaleureux. On est tout de suite dans les embrassades, accolades, et moi ça me convient très bien. Donc le niveau relationnel était très facile. Avec les quelques clients brésiliens que j'ai rencontré aussi, c'est un contact qui est vraiment facile.

A part les personnes qui travaillent pour NLMK South America, vous avez fait appel à des avocats, des comptables, …

Des avocats oui, on en a parlé. Les autres, non ça c'est Paulo qui s'en est occupé. Donc effectivement Paulo contracte la partie comptabilité à un bureau local. C'est nécessaire, avec les règles très spécifiques… en plus, comme on fait partie d'un grand groupe, on a évidemment un reporting en cascade, c'est important d'avoir un bureau comptable qui maîtrise très bien ces différents aspects et puisse remonter l'information vers les holdings.

Les traits de leur culture qui vont ont marqué, on en a aussi déjà parlé. On a parlé de la familiarité, du fait qu'ils sont très ouverts. Est-ce que vous avez par contre senti une distance, une différence qui vous a un peu ennuyé sur d'autres aspects ?

Non pas vraiment, on a choisi de travailler avec des gens très rigoureux, avec une formation d'ingénieur et déjà des compétences dans la gestion d'une société. Donc franchement non. Bon parfois peut-être sont-ils trop enthousiastes, tellement enthousiastes que parfois nous

serions plus conservateurs, plus prudents. Et finalement, dans un marché qu'on découvre c'est la bonne attitude à avoir donc tout va bien. J'ai aussi beaucoup apprécié par exemple qu'un des collaborateurs commerciaux du bureau soit un étudiant. Il travaille chez nous en plus de ses études et il est d'un enthousiasme fou. Il trouve formidable d'être dans une entreprise avec la possibilité de développer son anglais parce qu'il est en contact téléphonique avec nous. Donc ce sont des gens plein d'enthousiasme.

Quelle méthode avez-vous utilisé pour créer la confiance. J'ai lu qu'il faut se rencontrer plusieurs fois, il faut vraiment créer un lien. Vous la méthode que vous avez utilisée c'est de vous rencontrer plusieurs fois, est-ce que vous avez rencontré les familles ?

Je ne savais pas que c'était une caractéristique du Brésil, vous me l'expliquez. Mais la première fois que j'ai contacté Paulo, je ne débarquais pas de nulle part, j'étais recommandé par quelqu'un avec qui il avait déjà travaillé précédemment. Ça aide. D'ailleurs c'est presque toujours comme ça que ça se fait, on commence par le bouche-à-oreille parce que si c'est pour trouver une personne qui va être responsable pour vous du marché, ils sont tellement loin qu'il faut vraiment pouvoir leur faire confiance. C'est important de connaître un peu leur historique. Donc on s'est rencontré effectivement plusieurs fois, il est venu également en Belgique, et effectivement, ce que je ne fais pas forcément avec tout le monde, il est venu chez moi, à la maison. Il a rencontré mon épouse, mes enfants, on a mangé ensemble. Je pense que c'est très apprécié. Il faut une confiance.

Le Brésil est classé par la Banque Mondiale 120ème pays sur 189 pour ce qui est de la facilité à y faire du business. Vous m'avez dit que c'était compliqué. Pourquoi ?

Une des raisons pour lesquelles c'est très compliqué c'est que c'est un pays très protectionniste, ils utilisent les droits d'entrée dans tous les sens, c'est clairement pour protéger l'industrie locale. C'est un des pays avec le plus haut taux de production interne de ce qui est consommé. Dans le reste du monde, on a tendance à dire « Dieu a créé le Monde, le reste c'est Made in China » c'est presque ça. C'est à peine exagéré. Par contre au Brésil ce n'est pas du tout le cas, il y a un contenu local qui est extrêmement important, et donc c'est un pays qui se protège comme j'en connais très peu d'autres. Je confirme, ça prend énormément de temps. Après, c'est pour ça qu'on a créé une société là-bas. Sinon, on avait déjà vendu au Brésil de façon spot, c'est possible mais alors il faut passer par les traders et c'est un mois

pendant lequel vous avez un business, puis il n'y en a plus pendant 6 mois. Ce n'est pas comme ça qu'on voulait structurer le business.

Dernière question. Si c'était à refaire, que feriez-vous différemment et quels conseils donneriez-vous à des gens qui voudraient tenter l'expérience ?

Il y a un point duquel nous n'avons pas encore parlé, et qui est aujourd'hui handicapant, c'est la volatilité du taux de change. Particulièrement aujourd'hui, on est passé de 3 à 4.5 reais pour l'euro. Et donc il faut être très prudent. Parce que le taux de change ayant fluctué de plus de 30% ne veut pas dire que sur place du jour au lendemain on peut vendre nos produits à plus 30%. Ça reste un marché local avec une certaine inertie, donc il faut prendre ça en compte et utiliser des couvertures de change. Je ne vois pas trop d'autres possibilités. On pourrait imaginer que demain, au lieu de vendre à une société locale en euros, on vende en reais mais ça ne change rien, c'est à nous à ce moment là de nous couvrir. Donc ça c'est un point que je voulais aborder avant de l'oublier.
Il faut de la patience, c'est une certitude, on ne crée pas une société du jour au lendemain. Ça va nécessiter un investissement de base pendant x mois ou années, avant de pouvoir penser à avoir un return sur l'investissement. Donc il faut être prêt à avancer pas mal d'argent avant qu'il y ait un retour.
Je pense que c'est le plus grand frein, ce côté lenteur de la mise en place de la société. Sinon, en tout cas dans nos secteurs, nos clients sont très exigeants, mais du coup on a plutôt un avantage avec l'étiquette Made in Europe sur ce marché là. On a un a priori positif quand on rencontre un client, que nous serons un fournisseur de qualité par rapport aux fournisseurs brésiliens ou autres, mêmes des fournisseurs exotiques qu'ils soient asiatiques ou nord-américains. L'Europe a une bonne réputation et ça je pense que c'est important, ça joue plutôt en notre faveur.
Donc les conseils, voyez long-terme, on n'est pas là pour faire un one shot, parce que on va l'attendre longtemps, il va couter trop cher, et à ce moment là il ne vaut pas la peine.
Certaines personnes m'avaient dit que je ne serais pas actif au Brésil avant entre 2 et 3 ans, donc on s'en est bien tiré.

Une question que j'ai oublié de poser. Les effets de la crise actuelle, si ce n'est le taux de change, vous en avez d'autres ?

Oui, c'est clair. On est dans un secteur qui dépend énormément des investissements. En période de crise comme aujourd'hui il y a énormément de projets d'investissement qui sont postposés ou annulés donc c'est clair que ça a un impact sur notre croissance à court terme. Mais on fait avec et on prend notre mal en patience. En fait on a la chance d'être un nouvel acteur. Donc on passe de 0 à plus que 0 contrairement à nos concurrents qui voient leurs parts de marché diminuer. Nous on continue à s'amuser beaucoup parce que pour le moment on ne fait que gagner des parts de marché. C'est une situation un peu particulière. Et puis quelque part on se dit, c'est un peu le meilleur moment pour investir et mettre tout en place pour que, au moment où le marché redémarre, on soit présent avec une structure en place. On est arrivé juste au moment où le pays est parti en vrille.
C'est une situation compliquée, mais on démarre et donc pour le moment c'est un grand job de contacts tous azimut pour petit à petit convaincre des sociétés de travailler avec nous plutôt qu'avec le fournisseur traditionnel ou Suédois, ou Finlandais, …

Appendix 21: De Smet Engineers & Contractors – Mr Griffin's interview

Les problèmes qu'on rencontre au Brésil ils sont bien clairs bien évidents, et tout le monde les a.

Mon premier bloc de questions consiste un peu à vous identifier vous, identifier l'entreprise, l'expérience internationale qu'a l'entreprise, votre expérience internationale si c'est vous qui vous êtes vraiment occupé de développer le marché brésilien pour De Smet Engineers.

Chez De Smet Engineers and Contractors, nous sommes un ensemblier général mais spécialisé. Général parce qu'on peut faire l'ensemble des corps de métiers, mais on est spécialisé dans des disciplines bien particulières qui sont des sous-catégories de ce qu'on appelle l'agro-alimentaire. Donc principalement le sucre, sa production et sa transformation et l'huile végétale. Et de par ces deux pôles, on a des activités qui tournent là-autour, qui touchent à la production d'énergie à partir de biomasse. Par exemple, une sucrerie de canne est une usine qui va faire sa propre électricité, sa propre vapeur à partir des résidus de la canne à sucre. Et au-delà de ça, dans le cas de la canne à sucre, elle contient plus d'énergie que ce qu'il n'en faut pour la transformer, donc il y a moyen de mettre l'excédent d'énergie qu'il y a dans le résidu, qui s'appelle la bagasse, sur le réseau. Donc une sucrerie au Brésil est une installation qui sort plusieurs produits : du sucre, très souvent de l'éthanol et de

l'électricité. Donc ça veut dire qu'au-delà de notre métier plus 'process', on fait de l'énergie. La production d'énergie fait partie de la majorité de nos projets et du coup on peut se retrouver aussi dans des projets où on ne parle que d'énergie. Par exemple, une petite centrale électrique à biomasse, c'est un type de projet qui peut effectivement nous intéresser. Donc nous ne sommes pas des fabricants d'équipements, nous sommes des ensembliers, nous sommes des gens qui achetons ou concevons des équipements qui seront fabriqués par d'autres ateliers. Nous mettons tout ça ensemble, nous faisons ou pas les travaux de construction pour aller jusqu'à ce qu'on appelle le clé-en-main. Et donc le but, surtout dans le cas d'un clé-en-main, c'est de donner au client des garanties de qualité techniques, pour lesquelles il faut que l'usine produise ce pourquoi elle a été construite, des garanties qu'on fasse ça dans un délai imparti et pour un budget préétabli. Ça c'est principalement quand on fait une nouvelle usine, ce sont des gros investissements. Dans notre métier, on est très vite au delà des 50 ou 100 millions d'euros. Donc ce sont des investissements qui doivent être financés et quand on doit financer un tel projet, la banque réclame la certitude de pouvoir être remboursée. Alors soit vous avez des garanties qui permettent de sécuriser, de faire en sorte que la banque soit à l'aise. En général c'est rare, ou alors quand on en a, on veut les utiliser pour faire autre chose. Donc la banque va vouloir savoir comment on va s'approvisionner en matière première, si on est sûrs qu'on va avoir notre matière première, comment on va vendre nos produits, si on est sûrs d'avoir un marché. Une fois qu'on convainc à ce niveau là, il faut construire une usine. Le banquier réclame alors la certitude que l'usine va fonctionner, dans le temps imparti et au budget préétabli. C'est ce qu'on appelle le risque de construction et c'est à ce moment-là que nous intervenons, nous garantissons, soit par notre nom, nos références, notre renommée, soit carrément par des garanties financières, nous garantissons le risque de construction d'un investissement. Ça c'est ce qu'on fait, disons c'est le cadre général. Bon là dedans, on peut aller dans des activités beaucoup plus restreintes, par exemple faire l'engineering d'une nouvelle usine, que le client construira ou non, ou il va utiliser l'information pour faire son business plan et pour voir combien l'usine va couter. Nous avons nos headquarters ici, donc la majorité des projets sont gérés à partir d'ici, alors qu'on travaille très peu en Belgique. On a travaillé en Belgique à l'époque du boom des biocarburants parce qu'il y a eu des projets qui par hasard, dans des circonstances tout à fait extraordinaires, se sont retrouvés en Belgique. On a construit un projet qui s'appelle Biowanze, une grosse usine qui se trouve à Wanze. Ce sont des projets, des investissements de 250 millions d'euros que nous avons construits en clé-en-main. En Belgique c'est tout à fait extraordinaire. Et en parallèle, à Gand, on a fait une autre usine du même style, une usine qui fabrique de l'éthanol

à partir de céréales. Donc tout d'un coup on s'est retrouvé avec un chiffre d'affaire anormalement élevé dans l'absolu et en plus de ça, en Belgique. C'était dans les années 2006-2007, le boom des biocarburants. Tout ça pour dire qu'en général on travaille très peu en Belgique, on travaille presque exclusivement à l'exportation. On fait des projets moyens en Europe (France, Hollande) et aussi des projets plus grands souvent dans des pays pas trop faciles. Parce que si c'était facile, tout le monde y serait. Donc là on vient de terminer une raffinerie de sucre au Yémen, où en fait le projet s'est finalement bien terminé heureusement. Mais on ne sait plus y aller. Donc on est vraiment dans un pays où on ne sait plus envoyer personne, la dernière équipe qui était là bas a du être exfiltrée. On a dû utiliser des méthodes tout à fait non conventionnelles pour aller sortir les gens. Bon il ne restait à ce moment là plus que trois ou quatre de nos employés mais bon. On travaille actuellement en Algérie, on espère que ça ne se terminera pas comme ça là bas. On fournit aussi des équipements en Ethiopie, on a des travaux d'engineering au Nigéria. On est donc en Europe, en Afrique un petit peu dans le Sud Est asiatique, mais c'est beaucoup plus difficile pour nous parce que par définition, nous avons plus à offrir dans des pays où il n'existe pas de structures, de sociétés, qui peuvent faire du clé-en-main. Même si c'est un tout autre niveau que ce que nous on ferait, par exemple en Chine, nous n'apportons rien pour un client chinois qui va se dire moi je peux acheter tout ça localement et faire ça à ma mode. En Afrique, par contre, il n'y a pas de structure qui permette de faire ça, donc d'office on a plus de possibilités de marché là-bas. On travaille aussi en Russie, mais pour le moment la Russie c'est très compliqué, c'est fermé. Et l'Amérique latine. En général, nous n'avons pas de marché où nous faisons une prospection proactive, vraiment systématique, tout azimut. On travaille souvent sur des opportunités et ce sont des projets en général d'une certaine taille. On a terminé il n'y a pas longtemps une usine de production d'éthanol en Argentine. Ce projet a commencé par des contacts qu'on a eu, mais ce n'est pas parce qu'on était en train de se balader en Argentine qu'on est tombés sur le projet. Quelque part notre nom est connu heureusement, on nous trouve sur internet et lorsqu'il y a des projets importants dans les biocarburants, dans le sucre ou dans l'huile végétale, en général on est contactés. C'est de cette façon qu'on fait notre prospection. Il existe des pays où il n'y a pas moyen de travailler à partir de l'extérieur, le Brésil en est un, l'Argentine aussi. En Argentine, on a eu la chance de pouvoir travailler sur un projet qu'on a commencé au niveau engineering donc on a étudié pour le client le projet. Ça ce sont des missions de quelques centaines de milliers d'euros, où le client arrive encore à payer à l'étranger sans trop de problème. Mais le jour où il s'agit de construire son usine, on a du créer une filiale en Argentine avec jusqu'à 25-30 personnes sur place parce que le projet était

là bas et qu'il était hors de question de continuer à travailler à partir d'ici. Donc on a fait un support ici mais le projet a véritablement été développé en Argentine. Le Brésil c'est la même chose, au niveau de la difficulté de prester des services à partir d'ici pour le Brésil. Les services sont taxés à concurrence d'environs 40%.

Et c'est la même raison pour laquelle en Argentine c'est mieux d'aller directement sur place ?

En Argentine, le problème est double, vous ne savez même pas sortir des devises, ils ne savent pas payer. Ce n'est même pas une question de payer des taxes. Au Brésil aujourd'hui, j'espère que ça restera comme ça, il suffit de payer les taxes et vous importez à peu près tout ce que vous voulez. En Argentine, c'est très compliqué, l'accès au dollar est rendu très difficile donc l'importateur doit faire une demande pour pouvoir acheter ces dollars. Et pour le moment, comme la balance économique est catastrophique, l'état ne donne pas l'autorisation d'acheter des dollars. Donc en Argentine il y a aujourd'hui un potentiel d'investissements énorme en peso, mais les gens ne savent pas importer d'équipements, parce que personne ne veut acheter du peso, puisque le change est contrôlé. Le Brésil n'a pas ce problème là, mais il a un gros problème de taxation, notamment en ce qui concerne les services. Ce n'est pas comme ça sur tout, si vous exportez par exemple au Brésil des équipements qui clairement n'y sont pas fabriqués, c'est compliqué mais vous y arriverez sans avoir trop de problème de taxes. Et là quelque part, vous êtes logé à la même enseigne que vos concurrents puisque le produit n'existe pas localement. Mais dans notre cas, c'est tout à fait différent parce que quand nous débarquons là-bas, on sait faire aussi de l'engineering, mais avant tout on est des gestionnaires de projet. Donc on est capables de dire comment il faut faire pour construire votre investissement et on est éventuellement prêts à prendre une garantie, un risque sur le fait que ça se passera bien comme on l'a dit. Et donc c'est du service pur, et si on fait ça à partir d'ici, d'abord avec la dévalorisation du real, nos couts horaires de main d'œuvre sont environs trois fois plus élevés qu'au Brésil. En plus de ça, le client doit payer 40% d'impôt.

Mais sur place au Brésil, vous avez des concurrents locaux ?

Oui nous avons des concurrents locaux, ce qui fait la grosse partie du problème, et qui est en fait je pense un problème général au Brésil. Le Brésil est un pays où il y a absolument tout, ils fabriquent tout. C'est un pays qui a été il y a 20-30 ans fermé complètement, donc ils ont dû

tout faire. C'était pour eux très mauvais car quand vous n'êtes pas confrontés à la concurrence internationale, la qualité des produits dégringole et les prix augmentent. Les voitures au Brésil avant coutaient affreusement cher, et n'étaient pas comparables à ce qui se faisait ici parce que la concurrence était locale. Il y avait du nivellement par le bas donc ça c'était très mauvais pour eux. D'autre part, grâce à cela, ils savent tout faire. Et donc quand on va au Brésil, il faut vraiment avoir quelque chose à y apporter. On peut être convaincus soi-même qu'on fait ça mieux que eux, et très souvent c'est le cas, précisément parce qu'on a une vision plus globale et on est habitués à avoir une concurrence beaucoup plus pointue. Mais c'est un argument qui est très difficile à mettre en valeur parce que même si le gars est convaincu que vous êtes bons, vous venez tout de suite avec des prix qui ne sont pas comparables. Quand on a des grosses différences de prix, même si on est meilleurs, les clients parviennent toujours à se dire qu'avec une différence pareille, ils s'arrangeront bien. Si ça ne marche pas si bien, avec l'argent qu'ils n'ont pas dépensé, dans le pire des cas ils se disent qu'ils le dépenseront pour arranger les problèmes. C'est un très mauvais calcul, parce que c'est un calcul qui ne tient pas compte du temps et des ennuis que vous allez avoir, mais c'est un calcul que beaucoup de gens font, et pas que les Brésiliens. Donc il n'y a pas 36 solutions, il faut être local. Aussi, quand on débarque en étant local, on montre des catalogues et on se dit que le jour où le marché mord, alors on se développera. Mais le marché ne mordra pas, parce que un représentant, un petit bureau de représentation ça ne convainc personne, et c'est normal. Il y a les autres à coté qui sont présents avec une structure en place, des références et tout ça, et vous arrivez en disant que vous êtes meilleurs qu'eux, alors que vous n'êtes pas là. Donc c'est là que la notion de partenariat est fondamentale. Il faut se trouver quelqu'un qui de préférence est dans le même métier que vous, et peut apporter son image et le fait qu'il est brésilien. Il faut faire une sorte de synergie. Il faut quelqu'un qui connaisse le marché, à qui on peut faire confiance, mais il faut venir en plus avec un savoir-faire extérieur, et s'associer pour travailler ensemble. Ou bien vous devez avoir un produit qui est tellement spécial, et ça arrive, ceux qui font par exemple de l'éclairage d'aéroport, ou de la fibre optique. Il y a des niches dans lesquelles il n'y a pas ou très peu de concurrence, alors là ça va beaucoup mieux. Mais ce n'est pas la majorité des gens qui ont la chance d'être dans des situations comme ça. Nous pas exemple quand on arrive dans une usine, on leur dit que leur bilan global énergétique est mauvais, que leur usine ne fonctionne pas bien, et qu'on peut leur garantir qu'on va leur faire faire des économies. C'est très joli quand on parle comme ça, mais avant que le client ne sorte son argent… D'abord il n'y a rien de concret, parce qu'on prend une usine qui existe, on peut garantir que ça ira mieux, mais de là à quantifier ça, ce n'est pas toujours très concret.

Donc nous travaillons à l'exportation, comme nous l'avons toujours fait. Et normalement on travaille à partir d'ici, sauf dans les pays où il n'y a pas moyen de faire autrement que de travailler sur place.

Et ces deux pays là sont l'Argentine et le Brésil ?

Le Brésil et l'Argentine. On a aussi une toute petite représentation au Maroc, parce qu'on y a un projet pour le moment et le Maroc n'est pas très simple. Donc pour passer les commandes des activités locales, c'est nécessaire. Mais par exemple pour le Maroc, il n'est pas du tout sûr qu'on garde ça le jour où le projet est terminé. On a fait un gros projet au Chili il a 10 ans. Du fait qu'on était à l'autre bout du monde, et que c'était un projet de 170 millions, on avait aussi une grosse structure sur place pour gérer les travaux. Mais le jour où les travaux ont été terminés, on a laissé un type là-bas un an pour gérer les problèmes de garantie, puis on a arrêté parce que le marché ne justifiait pas une présence permanente. Dans le cas de l'Argentine, le marché la justifie, sauf que pour le moment l'Argentine est dans un marasme encore pire que le Brésil et dans le cas du Brésil, ça se justifie aussi puisque ce sont des pays qui ont un marché énorme, surtout dans notre secteur de l'agroalimentaire. Ce sont vraiment des activités très importantes là-bas. Dans le cas du Brésil, nous on estime qu'on offre quelque chose qui n'existe pas tel quel. Mais pour ça il faut que les gens le comprennent, et donc notre stratégie a été de travailler avec une autre société pour fournir quelques équipement. Mais lorsque ce n'est pas vous directement, l'autre société se préoccupe d'abord de sa vie à elle, et puis si jamais il y a une autre opportunité elle vous appelle. Mais ce n'est pas suffisant. Donc on a essayé pendant plusieurs années avec trois personnes de se positionner sur le marché. Ça a bien marché dans la mesure où les gens ont su qu'on était là, mais on n'a jamais eu de véritables gros contrats. Bon il faut dire qu'on était à ce moment-là en 2008, quand on a commencé la nouvelle structure, et 2008 ça a été le début de la crise dans le secteur du sucre et de l'éthanol. On ne peut pas dire que ce n'est que parce que on n'était que trois que ça n'allait pas, n'empêche que les autres continuaient quand même à avoir des contrats. Et donc en fin de compte, on a fait une acquisition, on a pris le contrôle d'une société d'engineering qui avait pignon sur rue et avec laquelle, quand on va voir les clients, ils la connaissent. Mais en plus on essaie de donner à cette société une dimension un peu plus internationale, et aller un peu plus loin dans son scope dans la mesure où c'est une société qui faisait purement de l'engineering et qui elle-même se retrouvait confrontée de temps en temps à des clients qui voulait faire appel à une entreprise qui construise leur usine en plus de

l'engineering. Donc ça c'est le plus qu'on peut apporter. Donc cette société existe maintenant, on a une trentaine de personnes, ce n'est pas brillant. La situation est vraiment très critique. Non seulement elle l'était dans le secteur de l'éthanol et du sucre. Et ça c'est pour plusieurs raisons : donc quand il y a eu ce boom des biocarburants par du biodiesel, il y a eu beaucoup de construction d'installation de biodiesel, auxquelles on n'a pas participé du tout, et énormément de construction d'usine d'éthanol de canne à sucre. Et les Brésiliens ont fait une énorme erreur. Les grands producteurs de canne à sucre, au moment du boom des biocarburants, ont mal évalué les coûts de construction de leur usine de traitement. Du coup ça leur a coûté beaucoup plus cher que prévu, et énormément d'entre eux se sont planté. Les banques, qui avaient prêté les fonds se sont retrouvées sans remboursement, et maintenant, elles sont devenues extrêmement frileuses quand il s'agit de prêter pour des projets reliés à l'éthanol. De plus, ils ont construit beaucoup trop d'usines d'un coup et maintenant la capacité de production est trop importante.

Le secteur a donc énormément ramassé, mais ils ont créé ce problème eux-mêmes. Ce n'est pas spécialement lié à la crise. Ils ont généré d'une part une surcapacité, et d'autres part, ils se sont surendettés d'une manière qui n'est pas possible. En plus certains d'entre eux ont dollarisé leur dette. Pas de bol, le real a perdu 35% depuis janvier, donc ceux qui ont une dette en dollar et qui touchent en real pour rembourser, ils sont dans une situation problématique. Tout ça pour dire, le secteur de la canne à sucre est terriblement touché, et en plus de ça, aujourd'hui le Brésil est en récession. Donc notre affaire là-bas on espère bien que ça ira un jour, parce que pour le moment ce n'est vraiment pas top. Aujourd'hui, on part du principe que c'est toujours pendant les crises qu'il faut prendre des opportunités, qu'il y a des niches. Mais si on ne voit pas quelle est l'opportunité qu'on peut prendre, ce n'est vraiment pas bon.

Votre place, votre fonction dans l'entreprise et votre expérience internationale ?

Donc ici dans l'entreprise, je suis directeur commercial de DSEC. Avec un collègue, on se partage un peu les activités, les marchés. Moi je suis plus actif en Europe, de ce coté-ci, dans le domaine des huiles végétales, moins le sucre. Par contre je suis administrateur de De Smet Empral, la filiale brésilienne, et donc naturellement responsable de ce qui se passe plutôt en Amérique Latine. Que ce soit de l'huile ou du sucre. La filiale brésilienne travaille à 98% dans le sucre et l'éthanol, pas dans l'huile.

On va maintenant parler des raisons de votre expérience au Brésil, ou même ailleurs. Et puis pourquoi le Brésil par rapport à d'autres pays.

C'est notre métier, dans l'agro-industrie. Ça nous pousse à aller dans des pays qui sont dans l'activité et focalisés là dessus. Pour la canne à sucre, nous avons un appareil qu'on appelle le diffuseur qui sert à tirer par diffusion, un peu comme la percolation dans le café, le jus sucré de la canne à sucre. Et donc cet appareil, par définition, il fonctionne dans des endroits où il y a de la canne. Les premiers contacts qu'on a eus au Brésil étaient spécifiquement liés à cet appareil là, le diffuseur. Il y a aussi le fait que les sucriers européens se sont depuis très longtemps déjà concentrés sur l'aspect énergétique. La betterave ne contient pas l'énergie pour la transformer. Quand on prend la betterave et qu'on en extrait le sucre, on aura ensuite une pulpe qui est le résidu sec de la betterave, qui a une valeur mais pour l'alimentation animale. Alors que la canne à sucre, une fois qu'on a enlevé le sucre, il reste la bagasse qui est l'équivalent de la pulpe, sauf que ça ne va pas dans l'alimentation animale mais pour produire de l'énergie. Quand on a une sucrerie de betterave, l'efficacité énergétique de votre usine est fondamentale dans la mesure où vous achetez votre énergie chez le fournisseur. Donc, depuis très longtemps, on s'est focalisé sur l'efficacité énergétique afin de diminuer la consommation d'énergie dans les usines. Alors qu'en parallèle, les Brésiliens ne s'en inquiétaient pas parce que, leur problème était plutôt de savoir comment se débarrasser de la bagasse qui n'était pas nécessaire pour faire tourner l'usine. Donc finalement, ils avaient les usines les plus énergivores possible pour se débarrasser de cela. Sinon on avait une montagne de bagasse chaque jour de laquelle il fallait se débarrasser. Les usines étaient donc dimensionnées dans ce sens. Et une des choses que l'on fait encore aujourd'hui, c'est de faire comprendre aux gens comment ils peuvent faire des économies d'énergie et implanter cela dans leurs entreprises. On va dans les usines et on leur dit ce qu'ils pourraient faire, et on met notre expérience européenne à profit.

Du coup, vous leur offrez des solutions pour se débarrasser de cette bagasse qu'ils auront en trop ?

Non, excusez-moi, aujourd'hui au Brésil, cette bagasse excédentaire est devenue une richesse puisqu'on en fait de l'électricité, et on met l'électricité sur le réseau. Le Brésil aujourd'hui a des gros problèmes d'approvisionnement en électricité et dans sa matrice, l'énergie qui est produite à partir de la biomasse acquiert de plus en plus de place. Une usine de production de

sucre ou d'éthanol en général a un excédent de bagasse qui lui permet de sortir 20, 30, 60 mégawatts sur le réseau. Toutes les usines aujourd'hui participent aux ventes aux enchères d'électricité. Donc les parties privées peuvent aller vendre pour dans x années autant de MW annuels, à tel prix le MW. Très souvent, les agriculteurs vendent leur énergie, mais pour dans deux ans ou trois ans, et ils vont s'équiper et construire la partie de l'usine qu'il faut pour produire cette énergie supplémentaire pour qu'elle soit prête au moment où le contrat qu'ils ont signé doit démarrer. Ça ce sont des choses sur lesquelles nous travaillons beaucoup dans la mesure où les notions de responsabilisation et du risque entrent en compte. Si une usine s'engage à vendre de l'électricité dans 2 ans et qu'elle ne le fait pas, elle est obligée d'acheter cette électricité au cours du jour spot et de la revendre à l'état, sinon elle paie une amende épouvantable. Donc, là, il y a un risque, ce n'est pas qu'un manque à gagner. En temps normal, si vous voulez construire une usine, et qu'elle n'est pas prête en temps voulu, le problème que vous allez avoir c'est le banquier qui réclame son argent, mais c'est surtout le manque à gagner puisque l'usine ne produit pas donc elle ne gagne pas. Dans le cas de la production d'électricité, le gros problème c'est que vous allez perdre de l'argent puisque vous vous étiez engagé à produire et rentrer dans la matrice énergétique du pays. Si vous ne produisez pas ces MW, quelqu'un d'autre doit les produire à votre place. Donc pourquoi on est là-bas, et bien justement, les challenges au niveau industriel et conception dans ce pays sont énormes, il y a vraiment énormément à apporter là-bas. L'Afrique est un continent sur lequel on essaie aussi de travailler pour les mêmes raisons, mais là, les challenges ne sont pas techniques. Ils sont conjoncturels : quand on essaie de construire une usine, par exemple on l'a fait au Sierra Leone, pas de chance il y a un Ebola, et puis la canne ne pousse pas parce qu'ils se sont trompés de variété. Il n'y a pas cette espèce d'expérience, et puis en Afrique, les usines sont plus petites quand elles existent. Mais même avoir 10 000 hectares contrôlables, c'est épouvantablement difficile à gérer. Au Brésil, il n'y a rien, c'est tout à fait différent. Donc il n'y a pas que le Brésil qui devrait pouvoir répondre à ça, mais aujourd'hui, il faut admettre que dans le reste du monde c'est compliqué. Il y a l'Afrique du Sud, l'Indonésie qui commencent à se développer à ce niveau-là. Mais en Indonésie, on n'est pas du tout aussi bien sur nos terres. Le niveau de sophistication d'engineering est plus élevé puisqu'on trouve des sociétés locales, des Chinois, et on n'y va pas à armes égales. Au Brésil, rien que le fait qu'au niveau culturel, on se comprenne, c'est un avantage. Même si parfois, on pense qu'on s'est compris, mais pas vraiment.

Pourquoi à ce moment-là ? Vous avez commencé votre expérience en 2008…

Bon avant ça, on y allait déjà. Mais pourquoi à ce moment là… Nous comptions sur l'appui d'une société locale qui faisait partie du groupe et donc on avait une structure là bas, on savait qu'on pouvait accéder au Brésil. Jusqu'au jour où les groupes se sont séparés et donc, on a continué à travailler avec eux, mais les intérêts étaient divergents, et on a dû trouver une autre solution. C'était plus la conséquence d'un problème interne.

Maintenant sur l'expérience en elle-même. Comment s'est déroulé l'expérience, ensuite quel a été le mode d'entrée ?

On n'a jamais exporté quoi que ce soit de Belgique, à cause des droits de douane, et on n'a même jamais essayé de vendre de l'engineering à partir d'ici. En général ce que l'ont faisait, quand on travaillait avec cette autre société c'est que, notre quote-part du projet revenait sous forme de dividendes dans l'autre société qui nous repayait… On avait un Brésilien, qui avait travaillé ici en Belgique pendant plusieurs années, qui était là-bas. C'est très important d'avoir quelqu'un qui comprend comment on travaille, quand on dit quelque chose, il sait ce qu'on veut dire. On a travaillé avec cette personne-là, et à un moment on avait un, et même deux expatriés. Et ce sont à eux deux ou trois qu'ils ont fait surtout de la prospection et de l'analyse de marché. On a eu des contrats d'engineering qui ont été exécutés à partir de là, avec une assistance d'ici, ce qui compliquait parce que cela voulait dire qu'on travaillait d'ici mais qu'on n'était pas payés. C'est de l'investissement complémentaire et ça pose problème quand on est en partenariat parce que quelque part, on aidait, mais on ne trouvait pas comment valoriser cela. En général, on ne valorise pas ça, cela représente beaucoup d'investissements, notamment humain, qui se traduiront un jour par le fait que la société marchera bien mais en attendant, le partenaire participe. C'est très difficile d'équilibrer les apports parce que ce n'est pas des apports en numéraire, ce sont des apports en temps, en 'dedication', et souvent le partenaire brésilien avait un peu tendance à dire qu'il était là et qu'il nous donnait son nom ce n'est pas toujours facile d'équilibrer les comptes. Tout ça dépend du domaine dans lequel vous êtes, en général le partenaire brésilien a des entrées que vous n'auriez jamais, donc ça c'est leur valeur aussi, mais il faut faire en sorte que chacun retrouve son compte. Donc on s'est aperçus qu'on butait chaque fois sur le même problème.
Le Brésil à cette époque là était un endroit où énormément d'investissements étrangers avaient lieu. Beaucoup de sociétés européennes ont acheté des sucreries, ont investi dans ce domaine, ou d'autres de l'industrie agroalimentaire. Et donc on s'était dit que ces gens là,

quand ils vont voir qu'il y a une société européenne qu'ils connaissent, ou dont ils ont entendu parler, lorsque ils vont retrouver cette société, ou un embryon de cette société au Brésil, ça va leur donner la confiance qu'il faut puisque on pourra travailler en même temps ici et là bas, en harmonie. On avait par exemple un projet avec un groupe français qui a construit une amidonnerie, et une des idées était qu'on voulait reproduire au Brésil une usine qui existait ici en Alsace, on voulait faire l'engineering de base en Belgique, comme ça on avait la proximité avec le HQ, et puis on voulait transposer ça au Brésil et donner ça aux équipes brésiliennes. Les Français ont finalement préféré faire appel à des bureaux d'études brésiliens, et en plus ça n'a pas marché ! C'est clair qu'ils étaient certainement moins cher, mais la raison était cette espèce de confiance dans les sociétés brésiliennes, parce que soi-disant eux ils savaient comment ça marchait là-bas, alors que les Belges pas… Et ce genre de choses nous est arrivé à plusieurs reprises, donc on s'est dit qu'on ne pouvait plus continuer comme ça. Il fallait qu'on puisse avoir l'influence et le prestige de gens qui ont 20 ans de boîte au Brésil. Et effectivement, au moment même où on a accompli cette opération, il y a maintenant 3 ans, le rachat d'Empral, on a fait des affaires avec une autre boite française qui avait rencontré Empral, et au moment où eux allait passer un petit contrat avec Empral, ils se sont aperçus que nous on débarquait, et donc évidemment ils étaient très content. Ils se sont dits qu'ils avaient la combinaison des deux. Ils étaient rassurés parce qu'ils savaient qu'il y avait les Belges derrière, et en plus ils nous connaissaient. Ça s'est finalement très bien passé, mais ça ne se serait pas passé comme ça si nous avions été les voir à Paris en leur disant qu'on travaillait au Brésil à trois.

Donc vous avez racheté Empral, une entreprise de combien de personnes ?

Une bonne trentaine

Et maintenant, Empral est une filiale de De Smet ?

Oui en réalité, le schéma est un peu plus compliqué. La société qu'on a créée en 2008 existe toujours, elle sert un peu de holding au Brésil. Dans cette société-là, nous avons 60%, et notre partenaire brésilien d'origine a 40%. Ce n'est pas celui qui a travaillé ici, qui était un employé ici et qui est devenu un employé là-bas. Notre partenaire brésilien, on le connaissait depuis bien plus longtemps et c'est grâce à lui qu'on a connu celui qui a travaillé ici. Tout ça est lié, mais le partenaire brésilien est un homme d'affaire, est le propriétaire d'une société qui

s'appelle Interunion, et cette société fait principalement de l'exportation de matériel brésilien en Amérique latine et aussi un peu dans le monde entier, dans le domaine de la canne à sucre et de l'éthanol. Pour nous c'était un match assez intéressant, dans la mesure où un des problèmes pour un étranger qui va au Brésil, c'est de savoir où acheter les équipements. Et au Brésil, vous trouvez tout, du meilleur au pire. Et le pire ce n'est pas nécessairement mauvais parce que la machine ne marche pas bien, c'est une entreprise qui n'est pas sérieuse, qui a des retards de livraisons, … Donc c'est toute une expérience de savoir avec qui on peut travailler, parfois on a un truc beaucoup moins cher, mais on le paie trois fois après. Lui en tant qu'exportateur d'équipements brésiliens, il les connaissait tous. Et lorsque nous parlons d'une gestion globale de projet, un élément fondamental c'est le respect des contrats des fournisseurs, des délais, des qualités, des papiers qui doivent êtres donnés à tel moment et tout ça. Lorsqu'on est exportateur, on est très sensibles à cela aussi, parce que quand le bateau est là, il ne faut pas que les papiers arrivent trois jours plus tard, ni que d'autres pièces arrivent en camionnette comme c'est le cas sur certains chantiers, parce qu'on a oublié de la mettre dans le camion… Donc toute cette problématique de sérieux des sous-traitants, notre partenaire là-bas la connaît bien, et ça c'était fondamental, on considérait que gérer des projets au Brésil devait être fait de la même manière que ces exportations.
Donc ça c'est la société qui s'appelle De Smet Contractors *do Brasil*, et c'est cette société là qui a le contrôle de De Smet Empral. Donc ça veut dire qu'en fin de parcours, nous avons 60% de De Smet Contractors *do Brasil*, et eux ont 51% de De Smet Empral. Donc en fin de parcours, nous avons le contrôle, puisque chaque fois, nous sommes majoritaires, même si on n'a que 30% de De Smet Empral.

Et donc, pour résumer, votre bureau sur place fait l'engineering des projets brésiliens et n'importe pas vos pièces pour faire les projets, ils prennent des fournisseurs de pièces brésiliens…

Il n'y a pas du tout d'importation. Ça peut arriver qu'on importe une pièce ou l'autre, mais ça ne représente que 0,5% de la valeur d'un projet, et encore …

Donc vous trouvez quand même des fournisseurs qui vous satisfont…

Tout, on peut trouver tout au Brésil. C'est ça le problème au Brésil, on ne peut pas y aller en important tel ou tel équipement, à moins d'être vraiment très spécial… Eventuellement, on va

voir qu'au Brésil, les équipements sont peut-être d'un peu moins bonne qualité, ou bien pas tout à fait comme vous l'auriez fait, et puis on s'aperçoit que tout le monde est content comme ça.

La question suivante porte sur les difficultés rencontrées quand vous avez entrepris votre démarche au Brésil. Donc on a parlé de tout ce qui était droits de douane, j'en ai répertorié d'autres, est-ce que vous pourriez les commenter ?
Main d'œuvre qualifiée :

La main d'œuvre qualifiée est très chère, et on n'a pas toujours une bonne vision, en venant d'ici, de la qualification des gens. Un ingénieur au Brésil, il y en a des excellents, mais il y a aussi des gens qui ont des diplômes d'ingénieur mais que vous ne qualifieriez pas comme ingénieur ici. Et donc ce n'est pas évident. Vous avez quelques excellentes universités, mais pas toutes. Les études au Brésil sont payantes, il y a des différences gigantesques entre les universités, entre les diplômes. Par contre lorsqu'on est dans les grands centres, et qu'on a à faire à des cadres supérieurs, vous les payez plus chers qu'ici. Maintenant, avec la dévalorisation du real, peut-être pas, mais de toute façon, c'est fort cher, et surtout par rapport au coût moyen de la vie. Au Brésil il y a moyen de vivre avec rien, et quand vous voulez vivre comme vous vivez ici, c'est parfois plus cher. Si vous voulez aller au resto ou d'autres choses à São Paulo, vous allez vous apercevoir que la vie est très chère. On a eu une expérience avec quelqu'un que je connaissais très bien, et qu'on aurait voulu engager comme directeur général pour la nouvelle société. Il était très enthousiaste, mais comme on est amis, on n'a pas commencé à parler salaire. Puis le jour où la question a été mise sur le tapis, il nous a dit combien il gagnait chez son employeur précédent, et j'étais effaré. Et il m'a dit qu'il ne trouvait pas qu'il était si bien payé que ça.

C'était plus que ce que quelqu'un gagne ici ?

Oui, tout à fait. Et il nous a expliqué qu'il avait encore deux ou trois enfants à l'université, et qu'il y avait le condominio, et ceci et cela, …
Et donc ça n'a pas été. Heureusement on a eu de la chance, on a trouvé quelqu'un de l'intérieur du pays. Parce qu'il y a une grosse différence de mentalité. Si vous prenez quelqu'un de São Paulo, de Rio et que vous lui demandez de s'installer à 500km dans un bled, ça n'ira pas…

Votre entreprise est basée dans un « bled » ?

Carrément, à Jaboticabal, dans l'état de São Paulo, à 4h de route de São Paulo. C'est une ville de 40 000 habitants. Ca se trouve assez proche de Riberão Preto, et ça c'est une grande ville. Et par contre, on trouvera des gens qui seront d'accord pour sortir de São Paulo et aller à Riberão Preto, ils amélioreront leur qualité de vie, puisqu'ils éviteront les 2h de bouchons le matin et le soir, …
Donc parfois vous trouverez des gens qui veulent bien sortir de São Paulo, mais ce n'est pas si facile. Parce que quelqu'un qui habite à São Paulo, même s'il veut bien voyager, c'est pratiquement de l'expatriation. On a eu la chance de tomber sur quelqu'un qui habitait São José do Rio Preto, c'est le même style de ville que Riberão, et lui a tout de suite accepté.

La corruption, est-ce que vous y avez fait face ? C'est un pays ultra corrompu…

Nous ne travaillons pas dans tout ce qui est public, donc la corruption à très haut niveau, on ne la voit pas. Mais c'est vrai que, au niveau des rapports avec les clients, on a une politique du style « on ne donne rien à personne », et ce n'est pas une politique que nous imposons bêtement d'ici. Notre directeur général est quelqu'un qui n'est pas structuré pour rentrer là-dedans. On ne peut jamais dire jamais mais c'est vrai que ce n'est vraiment pas notre approche. Mais on se rend compte à certains moments face aux clients qu'on a perdu une affaire, et c'est exactement cela qui s'est passé, le client a reçu un bakchich. C'est terrible, on voit tous les grands groupes qui sont en train de construire des usines à gaz pour créer un service achat plus blanc que blanc, mais ça devient simplement encore plus compliqué. Ça ne change rien sur le fond, mais ça veut dire qu'on se retrouve en tant que société face à une espèce de monstre. Et le problème c'est que c'est le groupe lui même qui met cela en place, et il le met en place parce qu'il n'y a pas d'autres solutions, mais finalement je pense qu'ils y perdent plus avec ce système anti-corruption qu'à laisser faire, parce que tout est paralysé. Les décisions ne se prennent pas, ou bien ça prend vraiment beaucoup de temps. C'est terrible cette corruption. La réaction à la corruption pour l'économie est presque encore pire que la corruption elle-même, parce que ça paralyse tout. On essaie d'inventer des règles, on met des systèmes en place pour éviter qu'il y ait de la corruption mais qui font que du coup, le businesse ne sait plus se faire. Pas parce qu'on ne sait plus payer les dessous de tables, mais parce que l'administration devient d'une lourdeur invraisemblable. Et alors le problème c'est

que, quand on est dans des marchés de services, lorsque vous parlez d'une modernisation d'une usine, il y a quelque part un type qui doit prendre une décision au feeling. On ne sait pas tout traduire en chiffre, et plus on veut lutter contre la corruption, plus on rejette ce feeling, car ce feeling c'est l'enveloppe en dessous de la table. Donc on essaie de rendre arithmétique des choses qui ne savent pas l'être. Et donc on voit parfois des décisions absolument débiles qui se prennent, parce que le type n'a pas su faire autrement que de commander à celui qu'il ne voulait pas.

Les infrastructures sont dans un état épouvantable, est-ce que vous en avez souffert ?

Bon nous, on n'est pas tellement liés à l'infrastructure portuaire puisqu'on n'importe rien. L'état de São Paulo est un paradis à ce niveau là, parce que il y a des autoroutes, qu'on sait aller partout. Mais dès qu'on sort de là, pour aller à Goias, par exemple, quand on envoie un camion avec du matériel dessus, il met 3 jours quand tout va bien. Donc c'est compliqué. Et lorsqu'on va par exemple dans des états comme le Paraná ou Santa Catarina, dès qu'on rentre un peu pour aller faire une visite d'un atelier ou autre, tout est terriblement compliqué, long, les routes sont affreusement dangereuses. Autant dans l'état de São Paulo, on ne peut pas se plaindre, mais dès qu'on sort de là ça devient vite compliqué. Ce qui est invraisemblable c'est qu'il y a des zonings, ou des villes assez industrialisées avec des ateliers et tout ça, et qui ne sont reliées que par des routes en très mauvais état. Et alors vous voyez des gens qui chargent des chaudières qui font 10 fois la taille de cette pièce sur des camions, et vous savez qu'il va passer par la route par laquelle vous êtes venus. Et ils le font, mais ce n'est pas très pratique. Le Brésil a souffert énormément du fait que les chemins de fer aient disparu. Il y a 60 ou 70 ans, il y avait encore des chemins de fer bien organisés. Dans les années 70, j'ai encore fait São Paulo – Rio en train. Aujourd'hui les trains n'existent plus. Les rails ont été arrachés. Et les grands axes routiers… Pour aller à Rio, ça va très bien, jusqu'au Minas, ça va déjà un peu moins bien, pour aller à Belo Horizonte. Mais sinon, il y a des endroits où c'est vraiment catastrophique.

Au niveau administratif, donc vous avez parlé des taxes, qui sont ultra compliquées, je ne vous demande pas de m'expliquer, parce je sais que c'est compliqué…

Oui c'est compliqué. Je sais que quelqu'un m'a déjà parlé d'un problème auquel je n'avais jamais pensé… En important du matériel, ils doivent faire attention parce que, suivant

l'endroit d'où ils importaient, il y avait des taxes différentes. C'était pour du matériel médical je pense. Du coup, en fonction de l'endroit où ils vendaient, ils avaient plusieurs bureaux et importaient du bureau qui convenait le mieux. Parce que le problème, c'est que si vous achetez d'un endroit, vous payez l'INSS et les taxes liées à cela, ça devrait être une espèce de TVA, dans la mesure où vous la payez mais vous la remettez sur votre facture de sorte qu'en fin de parcours c'est votre client qui va vous rembourser, sauf la marge. Donc c'est vraiment sur la valeur ajoutée que vous finissez par être taxé. Le problème c'est que d'un état à l'autre, cette taxe change. Donc si ça tombe à l'endroit où vous êtes vous payez 10%, mais quand vous refacturez, vous ne pouvez plus refacturer que 5%. Donc forcément, vous devez mettre 5% dans votre prix, sinon vous perdez 5%. Et la personne qui a la possibilité d'importer de l'état où il va revendre, lui il va importer avec 5%, et revendre avec 5%, donc lui, il n'a pas besoin de mettre les 5% dans son prix. Ça pose des problèmes de concurrence absolument diaboliques. On est aussi touché par ce phénomène. Face à nos concurrents installés sur place, si on achète une machine dans le même état que l'endroit où elle doit être vendue, c'est une chose. Mais s'il faut passer d'un état à l'autre, ce n'est pas de la double taxation, mais de la taxation différente. Donc on ne récupère pas. C'est comme si quand vous achetiez, vous deviez payer 25% de TVA, mais votre client final ne paie que 10%. Les 15% c'est pour votre pomme.

Est-ce que vous avez eu des facteurs facilitateurs ? Des aides, de l'état brésilien, de l'état belge, …

On a eu des aides de l'état belge. D'abord l'AWEX nous a beaucoup aidé. Et alors on a eu un prêt, remboursable d'une autre organisation dont je ne me souviens pas le nom. Au niveau des brésiliens, non, rien du tout.

Les effets de la crise actuelle, on en a déjà parlé… Vous pensez que vous voulez rajouter quelque chose ?

J'espère que l'on s'en sortira, quoi. Le Brésil est une économie cyclique et le Brésilien, par définition, c'est un dépensier. Donc dès qu'il a de l'argent, il le dépense. C'est un pays qui sait rebondir très vite. Mais, le problème c'est que ça, ça se voit surtout sur le marché de la consommation, pas spécialement au niveau de l'industrie. Le problème plus grave aujourd'hui, et qui est lié aux problèmes de corruption, c'est que la BNDES est fort dans le

collimateur, avec les faveurs qui ont été accordées, notamment à Lula, pour favoriser Odebrecht et d'autres. Donc dès qu'on est dans les gros investissements, les gens de la BNDES sont beaucoup plus frileux. D'abord la BNDES a tout à fait changé ses règles de financement. C'est très difficile d'aller au-delà de 50% de financement par cette banque. Ca veut dire que si c'est un investissement de 200 millions de dollars, il faut déjà en avoir 100 à mettre soi-même.

Ou trouver une banque commerciale…

Oui, on a la solution de la mezzanine equity, mais si c'est un vrai prêt, alors la BNDES n'aura pas les garanties qu'il faut puisque c'est de l'argent qui n'appartient pas à l'investisseur, mais à la banque. Donc cela rend très difficile les gros investissements pour le moment. Et la BNDES avait à un moment des taux extrêmement subsidiés, style 4%, mais c'est de moins en moins simple à avoir. Maintenant, je dirais que c'est plutôt 8%, et ça devient de plus en plus compliqué. L'état ne sait plus suivre. Lula malheureusement a bien profité du mouvement que lui-même a généré, mais maintenant les caisses sont vides.

Maintenant on va parler du contact avec les Brésiliens. Vous avez parlé du fait que vous avez fait appel à des partenaires locaux. Vous avez votre partenaire financier…

Oui, qui était le partenaire avec qui on avait créé la première entité, mais qui a son propre boulot, et il a travaillé dans certains projets pour lesquels on a des intérêts communs. Donc à ce niveau là, il est actif. Ce n'est pas comme un avocat ou quelqu'un qui ne nous donne que son nom. C'est un industriel, donc on a des activités qui sont semblables, et à certains moments, nous sommes complémentaires. Par exemple, parfois on lui demande d'aller voir des clients potentiels pour De Smet Empral, mais on sait que c'est mieux que ce soit lui qui aille les voir parce qu'il connaît quelqu'un ou pour une autre raison. Les gens le connaissent en tant que sa société à lui.

Donc vous avez non seulement lui, et puis vous avez ce monsieur qui a travaillé ici, et qui lui était vraiment dans l'exécutif et qui travaille pour vous.

Oui, lui c'est un employé de De Smet Empral, un cadre.

Est-ce que vous avez des expatriés ?

Non, plus d'expatriés, parce que cela coute très cher et c'est difficile à faire fonctionner.

Je sais que les visas sont très difficiles à obtenir.

Non, ce n'est pas ça le problème. Si mes souvenirs sont bons, par USD 200 000 de capital investi, vous avez droit à un permis de séjour. Donc, on n'a pas eu de problème avec ça, mais le problème des expatriés c'est que, pour trouver en trouver un, il ne suffit pas de penser que le Brésil c'est chouette. Il faut trouver un expatrié qui arrive à vivre avec la culture brésilienne. Ou bien vous trouvez quelqu'un de très cool, mais vous n'êtes pas sûr de son rendement, ou bien vous vous dites qu'il faut quelqu'un de plus efficace, mais alors ces gens là se cassent les dents, parce que vraiment, c'est un pays de fous. Ou bien ils comprennent que ce n'est pas facile, mais ils se mettent tout le monde à dos. Et alors le climat s'en ressent. C'est ce qu'on a eu avec deux personnes, ça ne s'est pas bien passé, parce que l'intégration, ce n'est pas seulement aller manger un barbecue chez les autres. Au quotidien, travailler avec des Brésiliens, ce n'est pas évident. Il y a quand même toute une notion à éclaircir entre ce que l'on dit et ce que l'on fait. Ce n'est jamais méchant, mais il y a des moments où c'est compliqué… Il y a énormément de superficialités dans les relations. Et d'autre part, si vous avez réellement un problème, tout le monde est là pour vous aider. Mais une entreprise ne fonctionne pas au problème, il faut vraiment qu'il y ait une structure dans laquelle on essaie d'avancer, et ça c'est plus compliqué.
Il y a aussi le problème de langue. L'anglais c'est presque zéro au Brésil. Enfin, à São Paulo, ça passe, mais plus loin, c'est vraiment dur. Et donc, si vous envoyez quelqu'un, disons qu'après 6 mois il va se débrouiller, mais ce n'est pas nécessairement pour ça qu'il va comprendre les nuances pour savoir que quand quelqu'un dit oui, en fait il disait non. Parce que ça, ça arrive souvent. Donc moi, je déconseille les expatriés, en tout cas à des postes de gestion de la société. Si après, vous avez un projet, et que dans ce projet, il y a un travail bien particulier à faire que seul un expatrié peut réaliser, les gens vivront avec. Mais quand c'est un type qui doit être le moteur de toute l'entreprise, c'est un gros risque. Sauf si c'est quelqu'un qui a déjà vécu au Brésil et qui gère bien cela.

Vous avez vécu là-bas ?

Moi j'ai vécu là-bas, mais ça remonte à l'époque où j'étais sensé faire mon service militaire en Belgique. Et partir m'a permis de ne pas faire mon service militaire, j'avais 22 ans et c'était tout à fait différent. Je n'avais jamais travaillé, j'ai eu mon premier boulot là-bas. Je ne partais pas là-bas avec une mission et des échéances, comme dans le cas d'un expatrié. Moi je cherchais du boulot. J'ai un très bon souvenir de cela. En plus la boite dans laquelle j'ai travaillé, c'était une toute petite boite, un chantier naval de bateaux de plaisance. Je faisais les essais de bateaux dans la baie de Rio. Mais mes bosses étaient allemands et italiens, donc je n'étais pas confronté tout de suite à la réalité du Brésil. Et puis, mon épouse est brésilienne, donc j'ai gardé contact avec le pays. Mais franchement, l'expatrié, il faut faire très attention.

Au niveau des traits de leur culture corporate, on a parlé du fait que « ils disent oui, mais en fait c'est non », il y a d'autres choses différentes par rapport à la Belgique au niveau de l'entreprise, du business, qui sont différentes dans leurs caractères, dans leurs façons de faire du business.

De manière générale, le Brésilien sait être extrêmement travailleur, à l'époque où je travaillais dans ce chantier naval les ouvriers travaillaient vraiment comme des bêtes. Alors que les cadres, c'est parfois différent. Et il y en a beaucoup, au niveau cadre, qui sont des beaux-parleurs, mais il faut savoir les gérer pour en tirer quelque chose. Ce n'est pas qu'ils ne sont pas capables, mais ils se sentent moins vulnérables et se sentent plus à l'aise. Une chose que j'ai trouvé et qui est plutôt récente, c'est cet aspect social qui a débarqué ces dernières années grâce à Lula. J'avais le sentiment que c'était quelque chose qui allait être pris par les gens surtout de plus bas salaire, et pas par les cadres. Et maintenant vous vous rendez compte qu'il y a des cadres qui réclament beaucoup, et donc on a des discussions d'horaires, de kilomètres de voiture payés ou pas payés, des trucs comme ça, avec des cadres. Ce sont des choses qu'on ne voit pas en Belgique. Ici, avec des cadres d'un certain niveau, on a ce genre de discussion, mais ça n'est pas du style de la négociation, et les gens sont payés pour occuper une fonction, pas pour faire un horaire. Et donc j'ai été étonné de voir ça de la part de cadres, qui rendent des notes de frais, ou qui réclament des suppléments. D'ailleurs dans la société De Smet Empral, on a du remettre au point des tas de choses parce que les types tiraient de tous les côtés.

Comment avez-vous créé la confiance avec les partenaires locaux ? Est-ce que c'est en les rencontrant plusieurs fois ? En rencontrant la famille ?

Oui, on a eu beaucoup de contacts. J'ai été plusieurs fois sur place. Mais avant qu'on ne crée la société en 2008, notre partenaire, qui s'appelle Marco, était venu ici à plusieurs reprises parce qu'on avait travaillé ensemble sur plusieurs projets dans lesquels lui venait avec ses équipements brésiliens. Et donc, il était venu à la maison et on se connaît bien. Et puis aussi, il avait l'habitude de l'international donc c'est un type d'un niveau d'ouverture d'esprit conséquent, qui sait lire ce que l'européen dit entre les lignes, de la même façon que l'européen doit pouvoir lire que le brésiliens dit non alors qu'il dit oui. Il a traité beaucoup avec des européens, donc ça rend le contact beaucoup plus facile. Mais je pense que c'est très important de tomber sur des gens comme ça, parce que quand on traite avec du pur brésilien, qui n'est jamais beaucoup sorti, on peut avoir des surprises.

Le Brésil, selon la Banque Mondiale, est classé 120ème sur 189 pays au niveau de la facilité à y faire du business.

Je n'ai jamais fait de ranking, mais c'est vrai qu'y faire du business, c'est très compliqué. Quelque part, c'est un peu moi qui suis le parrain de cette activité au Brésil, et les gens d'ici me demandent tout le temps si un jour on aura des retombées de cette affaire. Un jour on a une affaire et du jour au lendemain, on la perd, on ne comprend pas pourquoi. C'est vraiment compliqué. D'autre part, il y a des choses à y faire, et c'est pour cette raison qu'on s'accroche. Quelqu'un dans un exposé sur le Brésil a dit que si on y va, qu'on regarde les résultats sur un an ou deux, et que basé sur cela, on prend une décision, on va se tromper. Il faut partir sur du long-terme. En plus de cela, malheureusement, ce pays reste un pays très jeune, ce n'est pas normal qu'un pays passe de presque 10% de taux de croissance à une récession en 2 ans. C'est que la croissance était fausse, sans fondement. Là en partie c'était la bulle des matières premières, qui a explosé à cause de la Chine. Mais même, c'est aussi cette manière précisément de ne pas investir, d'aller tout azimut.

Dernière question, si c'était à refaire, que feriez-vous autrement ? Quels sont les conseils que vous donneriez aux personnes ou entreprises qui seraient tentées par le Brésil ?

Je dirais que les années qu'on a passées de 2008 à 2012, à se tâter à trois ou quatre personnes, à essayer de trouver quelque chose, ça n'a pas été très productif. Ce n'était pas ça qu'on cherchait. Donc on aurait pu, quand on a créé la première boite, aller dans cette direction

d'absolument créer ou trouver le moyen d'être sur le marché avec 20 ou 30 personnes. Et là, on s'est trompé, ce n'est qu'après deux ou trois ans qu'on a remarqué qu'on ne s'en sortirait pas, et qu'il fallait faire autrement. Donc on a perdu du temps avant de comprendre comment ça marchait. Avec le bureau de représentation et du représentant, si vous avez des concurrents établis, vous n'allez pas être crédible. Ou bien tout le monde va trouver ça très sympathique, mais le jour de la décision, ils ne prendront pas le risque de travailler avec quelqu'un qui n'est pas vraiment là. Donc ça ne marchera pas. Même des clients européens ont pris les réflexes brésiliens. Si vous n'avez pas de concurrent, c'est la bonne solution ! Il faut y aller complètement, ou pas du tout. On quand on y est très légèrement, il faut être bien conscient que ce n'est que de l'observation, c'est de l'investissement, mais il faut utiliser cet investissement dans la bonne direction, pas en se disant que le jour où on aura un contrat, on se développera. Il faut utiliser cet investissement pour trouver le bon partenaire, parce que c'est la clé. Avoir un partenaire ce n'est pas simplement trouver quelqu'un qui signe les papiers pour vous, qui est local, qui parle la langue et qui peut éventuellement vous ouvrir deux ou trois portes au niveau administratif. Ça, ça ne sert à rien, ça sert à faire croire, pendant les six premiers mois que les choses vont aller, puis ça n'ira nulle part. Il faut vraiment trouver un partenaire brésilien que vous allez convaincre que le fait de vous prendre avec va l'aider lui. Sinon, c'est impossible. Et le Brésilien en business est terriblement égoïste. Dans un sens, parfois ce n'est pas mauvais, parce qu'on peut avoir des gens qui ont beau être les meilleurs amis du monde, les gens vont penser d'abord à leur propre business. Mais croire que, parce qu'on est les meilleurs amis du monde, l'autre va faire quelque chose qui n'est pas bon pour lui, ça non, ça ne marchera pas. Mais il faut le savoir, et à la limite il va vous le dire. Si on est les meilleurs amis du monde, la différence c'est qu'il vous préviendra. Donc mon conseil c'est vraiment de trouver le bon partenaire. Et ce n'est pas rien parce que, pour que la personne sente que c'est intéressant pour lui, il faut vraiment lui montrer ce qu'on a à lui donner. Il faut lui en mettre plein la vue.

Voilà, j'ai tout ce qu'il me faut, merci beaucoup. Juste une dernière question que j'avais oubliée. Au niveau de l'insécurité sur place, quand vous avez eu des expatriés sur place, avez-vous du faire des investissements supplémentaires pour palier à l'insécurité ?

L'insécurité au Brésil, ça dépend où vous êtes. A Jaboticabal, il n'y a aucun souci, on peut laisser la porte de la voiture ouverte, il ne se passera rien. A São Paulo ou à Rio, c'est autre chose. Donc non, de manière générale, quand on a des expatriés, on a une assurance

spécifique, mais pas plus au Brésil, qu'ailleurs, et en tout cas, moins au Brésil qu'au Yémen par exemple. Le problème de l'insécurité, c'est surtout faire comprendre aux gens qu'il y a un problème d'insécurité qui n'est pas toujours visible. Il faut rester sur ses gardes, et changer ses habitudes. Bien qu'à Rio, on voie des femmes avec des bijoux énormes, c'est complètement fou. Au Brésil, il faut reconnaître qu'il y a quand même une certaine part de chance.

Appendix 22: Randstad – Mr Wever's interview

My first question would be to ask you to identify the company, the Brazilian subsidiary, the turnover of the Brazilian subsidiary, the number of employees you have there.

You're sort of moving into the secret range. We don't publicly give that information, but let's say that it is about 350 millions BRL, we have 250 internal employees. What we do is sending people to work with clients, which amount to about 5000 people.

Before Randstad entered Brazil, what was the international experience of Randstad, how did they start to internationalize first, after getting out of the Netherlands.

Randstad has a bit of a history. It was founded in the Netherlands and quite early on, there were activities in Germany, Brussels and in the UK. Then we had 10 countries where it was active, and from there it went big, by buying another company. All of a sudden, Randstad went from being active in 10 countries to 40 countries. Today, we closed in 3 countries and we are active in 37 countries. So there was quite of an international portfolio, once the other company was acquired.

The company that Randstad acquired had 51% shareholding in this Brazilian company, which is now Randstad Brazil, that was in 2007. In 2011, the other 49% was acquired. And from there on it was branded Randstad and Randstad management moved in. Randstad is a true multinational company, it is Dutch from origin, but a lot of the executives and top managers are not Dutch. The general manager is Portuguese. I worked at the holding before, and if you take out the support staff, more than half of the rest of employees is non Dutch. The global mobility is not very big, there is a small team that travels, that is globally mobile, but that represents only 5 people in the whole company. They basically go in countries to solve issues. But the idea is really to have a local CEO and a local CFO.

Could you now please present yourself, what is your function, how long have you worked for Randstad, have you worked in other countries before Brazil?

I graduated from school and then went travelling. I found a job on a sailing ship so that is where I did most of my visits to foreign countries, I travelled all around the world. That is sort of when I gained my international opening. Then I went onto university and I started working for an accounting firm, which then led to Deloitte and KPMG. I worked 11 years for KPMG, of which 3 years in Brazil. The other countries KPMG sent me to were Switzerland, Germany, Spain and the UK. So I did a lot of European projects, and that brought international experience. And then beyond that, they sent me to Brazil. When I came back, I did not feel very much at ease at KPMG anymore, and Randstad asked me to join. For Randstad, I did all sorts of projects, all international. I went to Japan, the US, Spain, Italy, Austria, Germany, the UK, Australia, Argentina, Brazil. And after these projects, they asked me to go to Brazil again. Not because I had been there before, but because I spoke Portuguese. It's difficult to get English speakers here in Brazil. You have to speak Portuguese in my view to be able to be effective here. I will stay here only for a limited amount of time. I've been here for two years, and next year, most likely, I will be transferring back and handing over to a local CFO.

So when you were sent to Brazil for Randstad, the subsidiary had already been open for a lot of years, or did you open it?

No, it was open for a few years already. The company is actually quite old, it's already 20 years old. One single shareholder built the company, then transferred 51% to Vedior. Vedior was acquired by Randstad and Randstad then acquired the remaining 49%. The first shareholder therefore left the company, and it became a Randstad company. So it was not a greenfield investment, it was an entry by acquisition.

And what exactly is your function in Brazil?

I am the CFO here, I am responsible for everything that relates to finance, tax, legal, IT, back office, processing of data.

The next block of questions is about the reasons why Randstad decided to go to Brazil. Now I understand that Randstad has been present in the country for numerous years, so it might not be very easy for you to answer my questions because it has been a long time…

So this was part Vedior and part Randstad. But if Randstad did not acquire Vedior, they would have entered the market anyway. As a matter of fact, Vedior acquired the 51% of this company just before we acquired Vedior. So there was a Randstad team negotiating this transaction with the initial shareholder, and a Vedior team. But the Randstad team knew that we were looking at acquiring Vedior, so Randstad stepped back from this transaction. They left it the Vedior team buy because they knew that we were going to buy Vedior anyway. So we were already looking at entering the market. And then why would a company like Randstad want to enter the market… There were a lot of talks about the BRIC countries. One of these BRIC countries is Brazil, another one is Russia. Russia was not an interesting market for us because there is too much informality on the market. You need to pay for your licenses and it's difficult to do formal business with your clients there. All the purchasing departments want their little share and that is something that you do not have in Brazil. So as we can do business sort of the way we want to do it in Brazil, which is still not easy, we wanted to enter. Everyone, shareholders and analysts that monitored the share of the company, were asking what we were going to do about this big Brazilian market, why we were not stepping in yet. So we really needed to have a presence there to be seen as a multinational company. The other thing is that there are clients, worldwide clients, who were also active in Brazil and they wanted to be served by Randstad in Brazil. That is something we get very strongly here, because local competitors do a lot of informality. We have a commitment that we always pay the right amount of money. Not too much, but also not too little. For example with the overtime, it is common that here, people do not get paid for the overtime they work. We pay that overtime and we charge it to our client. If a client starts to mess around with that, then we say goodbye to the client. So multinational companies prefer to work with us rather than local competitors, because they are informal. Brazil is now in a very strong crisis and we have local competitors falling over, they are going broke. You see now all of a sudden that companies realize that risk again and they come to us for help. So despite the crisis, we are growing, not strong, but we are growing.

You talked about Russia not being the right market for your company. How about the other BRIC countries, India and China?

We are active in China, but we're only very small, with specific services for which we can do our work the way we want to do it. And in India we are actually quite big. We can do formal business, but again it is not easy to do business there.

You entered Brazil in 1995.

That is when the company was opened. But when Vedior acquired the first 51% of the shares that was in 2007.

Why do you think Randstad decided to enter Brazil at that time?

Of course you can see that overtime, the interest for the BRIC countries has increased, two of our competitors were here already, Manpower and Adecco. So it was a bit of a follow suit. And then also there needs to be an appropriate target for sale. There wasn't that many companies that were possible to buy, because of informality. The desire was there for a long time, but we had to wait a while for the target to appear.

The next block of question is about how the internationalisation process went, from the very beginning, from when Randstad decided to enter Brazil until when it was actually completely active and working.

Remember, this was not a greenfield. We acquired an existing company. So from 2007 to 2011, they just let the company alone. It was more of an investment than truly a Randstad company. They did not have the Randstad name, it was still called RHI Recursos Humanos Internacional. We had only very little involvement. The old managing director was still there. With the acquisition of the other 49% of the shares, that changed. Randstad management was put in place, it was managed from Portugal, the old shareholder left the company and from there, there was a big expansion. It went from 7 offices to 23 offices, but the revenue did not flow in enough. So the assignment was to reduce our footprint and reduce the costs because we were losing money. That did not happen under the prior management, and that is when the CEO and CFO were changed. Now it is still not perfect, because of the crisis but we are now a true Randstad company, delivering the same services we deliver everywhere, with the same quality. We are working on improving our profitability.

Why did Randstad choose the acquisition as a mode of entry, instead of joint ventures, greenfield or franchising.

With a franchise in this business, you have little to say about the quality provided to your clients. So you see that very few of our competitors take that route. Greenfield would have been an option, maybe even a better option. But with that option, you need to build scale, and scale also requires investments or time. If you're a big company you prefer to have a footprint right from the start, and then acquire a company. So you start with scale and then you build further scale based on the footprint that you have already.

My next question is about the difficulty that Randstad had to face during the internationalisation process to Brazil. I know it has been a long time, so I am not sure that you're going to be able to answer these. The really common difficulties for European companies trying to enter Brazil are for example: the difficulty to find qualified staff, because Brazilian workforce is very expensive when they are qualified.

Or they are not qualified, and they are still expensive!

Corruption, taxation issues, administration that is very complicated, the language because Brazilians do not really speak English. The insecurity, the fact that they have huge tariffs, I do not know how it applies for services.

We don't suffer from the tariffs because we do not produce.

So that is basically my question: which difficulties did you face, and which strategies did you put in place. We can go through the ones I have in mind, and then if you have some others…

Basically, everything that others have, we have them too. Not more, not less. Taxation is difficult, yes, but people should stop wining because for example, taxation in India is even worse. And in China you never know what you're taxed for. And then VAT in the US is also not simple, but then the courts work and you have clear courts ruling, which you don't have here.

Here in the whole company, out of 250 people, we have maybe 10 to 20 people that speak some sort of English.
Corruption, we have been asked, we will be asked. But as soon as get there, if it is someone on the client side, we give one warning "you ask us once again, and we will go see the boss of the boss of your boss". And that solves the issue. If it's government, then we just do not do it, and then at times you have to wait a bit more until things get done. But typically, I have not really had issues with corruption.

How do you deal with the fact that staff is very expensive? Do you have solutions, or do you just deal with it?

I just deal with it. Although paying more does not always bring better staff. So basically what you do is have a high turnover. People coming in and out, but that makes the training cost quite high. So people are paid a lot for the quality and the volume of work that they typically deliver. You cannot put everyone in one bucket, there are differences between them, but you have a high turnover to identify who can do a proper job.

Let's go back to taxation for just a second. Do you have any strategies to deal with the fact that it is very complex?

We have one strong tax manager, and one person for the day-to-day operational.

And they're both Brazilians?

Yes, I would never contract a foreign tax manager here. But then again, the old tax manager left luckily, because that gave me the option to contract a new one. I am happy about her, but you need someone on the strategic level, and someone on the details level. And still you have tax risks, and you deal with them issue by issue, once step at a time.

One of the difficulties I have in my list is the difficulty for foreigners to enter Brazil to work there. Because I know that working visas are extremely hard to get. How does it work for Randstad, how many expatriates do you have working there?

We have two expats here, they are both directors and the director visa is not too difficult to get. The other visa, it takes about three to four months to get it, and you need to be right on top. What you typically need is a despachante, a representative who knows his or her way around. That helps you in visa applications. But you need to do it right, first time around. If you don't, then it just keeps on going forever and ever. Many people can apply for a visa, and will get it eventually. The process to get there takes long. But then again, if you're Pakistani and you want to work in Europe, then the process is very short, but there is a low likelihood that you're getting a visa. It is the other way around. You really need to be clear why this person is crucial to the operation, but if it's a job that might as well be done by a Brazilian, then you will not get it.

When you say that you have two expatriates, do you consider yourself as one?

Yes.

Next question: the insecurity. I have also lived in Brazil and I realized that the insecurity is an issue, although I also felt that it was not as much of an issue as what is told here. How does Randstad deal with it? For the expatriates, do they have to invest in the security of their employees?

No, not really. The insecurity of living in São Paulo is not specifically addressed. There are trainings, you get 100 000 tips and tricks. But then again, I lived here before, during KPMG time for three years, so I knew what was waiting for me. There had been one attempt of robbery, but it was a bit of a clumsy attempt, so nothing happened. And I was ready to give everything to the person. It is an issue, you've lived here so you know, but then again, Randstad would not change its decision to send an expat or not because of insecurity. It would change the position on which expat to send maybe. But then again, I am here on my own, my colleague George is here with his wife and two kids.

We talked a little bit about the crisis that is striking Brazil right now. How does this impact Randstad?

Well you see that the market is impacted quite strongly. Typically, if the economy shrinks 1%, our market shrinks by 8% to 12%. That is an international measure, so it might work a

little bit differently for Brazil. We do not have the statistics here to really go in depth in the analysis. But the again, because clients are transferring to us, our big competitors are having issues and our small competitors are not interesting anymore. We see that with existing clients, our volume decreases significantly, but we have a lot of new clients that come in because they seek security.

During the internationalisation process, did you have any facilitating factors such as helps from the governments?

No, nothing. Brazilian government does not really like temporary work agencies. So it is not like we could get BNDES financing or anything of the kind.

Could you think of any other difficulties that Randstad faced and I didn't mention?

You addressed English and quality of people, but for me there is an overarching thing that is culture.

Yes that is actually my next big question.

Well you saw that Brazilians look like us, but as time progresses, you find out that there are different people underneath. That is something that I have to remind myself every time. But then again it also comes with the sort of person that you are contracting. And it is different for higher profiles, like coordinator or manager, but it is a real problem for junior profiles.

During the internationalisation process did you work with a Brazilian partner that was knowledgeable about the market to help Randstad to deal with its business there?

Yes and no, because when the company was acquired, there was still the old CEO, the old shareholder was still here and he was knowledgeable. Then when prior management took over, that was in 2011, they basically did everything with Portuguese directors and local sales people. That did not quite work, then they contracted one Brazilian director who is still here now and he is now sort of our local flavour. But then again, as I said, when I leave, I will transfer to a Brazilian CFO, so that we go all local again. Randstad really tries to be a local company everywhere.

So when you leave, there will only be one expatriate, are you aiming at having zero at some point?

Zero, the ultimate goal is zero.

We just talked about the culture. My question is, which trait of their corporate culture particularly hit you, how would you describe a normal Brazilian in his corporate culture.

Do you have an hour? That is too difficult to do in one sentence. Explain to me what the Brazilian is. You have São Paulo, you have Rio, …

But if you have one or two or three traits that are very different from Europeans, that particularly stay in your memory?

Which European? But I would say that something that comes back often is pleasing the boss. That is something that does not help anyone. You know, you have to do what is right, and you have to tell the boss when he's wrong. Pleasing the boss is not getting you anywhere. But the high power distance, I don't know if you've heard of Hostede's model. The high power distance is definitely limiting people.

Was the contact easy with Brazilians in general?

If you speak Portuguese and know the Brazilian varieties, it is easy. And I already had built a whole network of friends when I was here with KPMG. People here are very open and receptive. So I found it easy.

How would you say would be the best way to create trust with Brazilian partners and staff?

I believe it is being open and honest and being able to look at yourself in the mirror. Because I am 100% Dutch, I will never eliminate that, I know I can be very blunt. But I also know that if I look at someone and trust someone, I radiate that trust. But on the contrary, if I don't trust someone, I radiate that distrust. So when I mention that, it is always a big shock, you have to be really careful about when you do it and how you do it, and who's present when you do it.

But then I also try to explain why, I know that it is on my face and I can't hide it, so I might as well put it out on the table and discuss it. I think in the team, when I got here, there were 85 people, and now there are about 50 people left in the back office. I think I have lost about 6 or 7 people that just could not deal with me being me, and luckily they were all people on the nomination to be changed anyway. And now there are still maybe two people that find me a very strange animal, but they found a way with me. But I think that being very open, truthful about it, never having hidden an agenda helps me building a connection and keeping people close to my heart. And I think that is the critical thing that I need to remind myself. Because I also don't like to tell someone that I think their work is crap, or that they made a mistake or that I don't trust them. I think naturally, no one would like that. But if I do that, because I know it is on my face, I think people find me transparent and they find it easy.

I just have to questions more: one is that the World Bank ranks Brazil 120th out of 189 countries for the ease of doing business. So basically, it is very hard to do business in Brazil. We've talked about the difficulties everyone has. Did you have something else that made business there very difficult?

Basically, all the factors that you mentioned before. It is not only the bureaucracy, I can't think of any other.

Last question: if you had to do it again, this internationalisation to Brazil, what would you do differently, and what advice would you give to people who want to do the same.

I think it would be to acquire 100% in one go, and painting it Randstad straight away. I think Randstad would think twice about what type of managers to send over here to represent Randstad. Because basically, that is why I am here now. The first choice was not too good.

Do you have advice you would give?

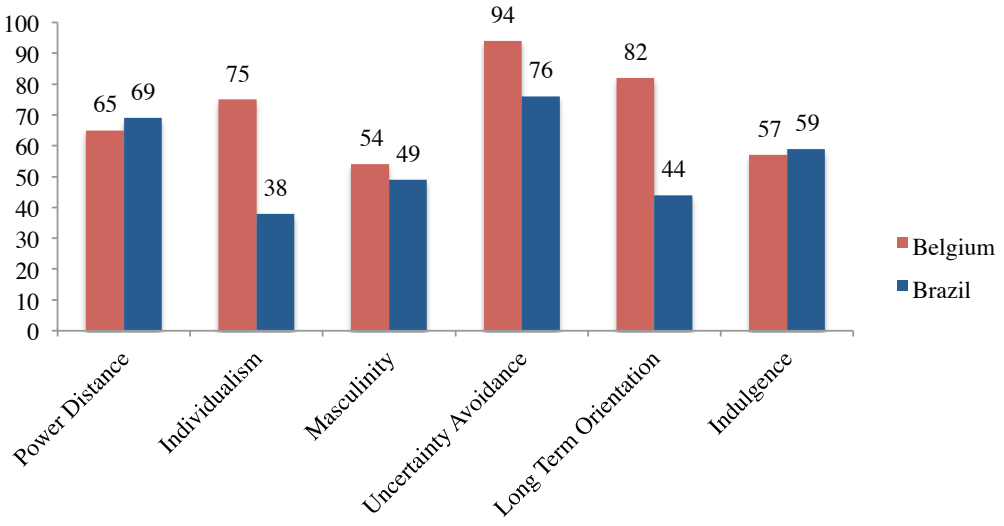
Choose you management well.

One detail: how many offices do you have in Brazil?

Twenty, and the headquarters in Paulista.

Appendix 23: Cultural distance between Belgium and Brazil – Hofstede's dimensions

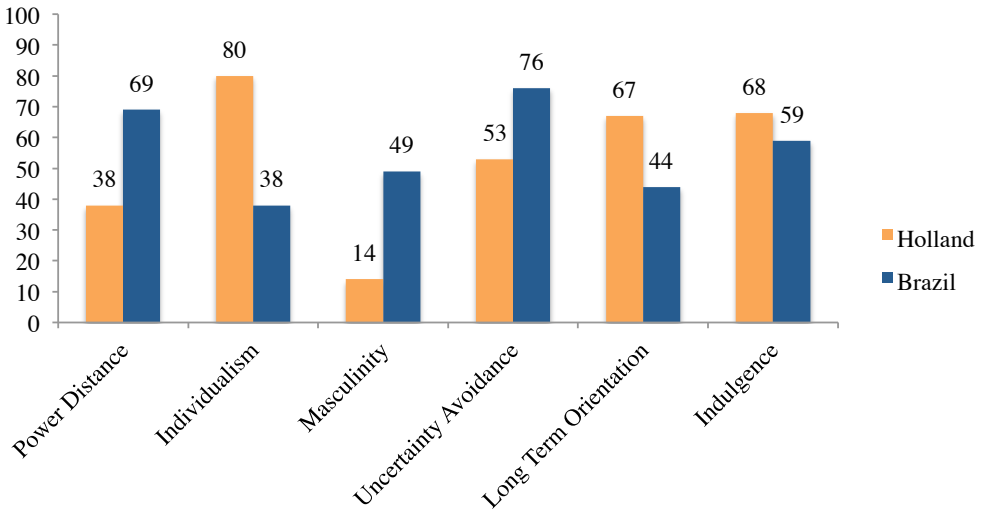
This graph shows the cultural distance between Belgium and Brazil, displaying six characteristics and the score of each country for these characteristics. For more information about Hofstede's work and about these characteristics, the reader can refer to Hofstede's book (2001) or website (http://geert-hofstede.com).



Source: Hofstede (2001)

Appendix 24: Cultural distance between the Netherlands and Brazil – Hofstede's dimensions

This graph shows the cultural distance between the Netherlands and Brazil, displaying six characteristics and the score of each country for these characteristics. For more information about Hofstede's work and about these characteristics, the reader can refer to Hofstede's book (2001) or website (http://geert-hofstede.com).



Source: Hofstede (2001)

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