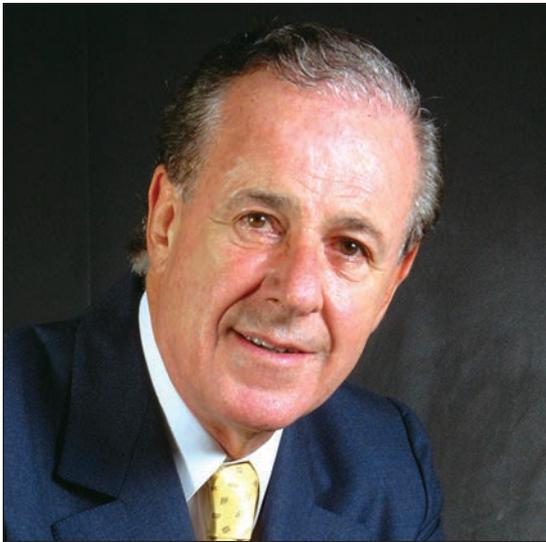


# Stability - Brazil's Pillar of Progress

An Interview with Mario Garnero,  
Chairman of the Board, Brasilinvest Group



Mario Garnero

**EDITORS' NOTE** Mario Garnero is also principal shareholder of the Brasilinvest Group. A lawyer by training, he is President of Jurisul – the Interamerican Institute for Juridical Studies on Mercosur, President of Fórum das Américas, and of the United Nations Association-Brazil. After becoming Director of Volkswagen do Brasil in 1979, Garnero chaired the National Automakers Association and subsequently chaired the Brazilian National Confederation of Industry (CNI). As the Chairman of NEC do Brasil in the beginning of the '90s, Garnero was the pioneer in bringing mobile phone technology to Brazil. Garnero created the Fórum das Américas, Brazil's pioneer "think-tank" on democracy and regional economic integration, and as a result, was chosen "Person of the Year" by the Brazilian-American Chamber of Commerce in the 1980s. In 1998, following a meeting in New York between Mario Garnero and former UN Secretary-General Kofi Annan, the United Nations Association-Brazil was created, of which he became Chairman. In 1979, he held the position of Director for Industrial Relations of Volkswagen do Brasil and was subsequently appointed President of the National Association of Automotive Vehicle Manufacturers (ANFAVEA). Garnero visualized the car empowered by ethanol as the only solution for the ongoing fuel crisis and took the first step for its implementation on a national scale. He is remembered as the father of ethanol cars. Garnero is the author of several publications, including his most recent book, JK, The Courage of Ambition. He obtained his law degree from the Catholic University of São Paulo.

**COMPANY BRIEF** The Brasilinvest Group ([www.brasilinvest.com.br](http://www.brasilinvest.com.br)) was founded in 1975 by Brazilian business leader Mario Garnero. It is Brazil's first private development agency and from its inception has played the role of a classic "banque d'affaires", a modern-day merchant bank. Along with 80 partners in 16 different countries, the

Group has already coordinated, in Brazil and abroad, projects that exceed \$16 billion. Through its 36 years, Brasilinvest has led tons of projects of economic development and business consulting and is today a company with a net worth of more than \$1.5 billion. Brasilinvest takes a leading role in structuring, developing, implementing, and commercializing projects and business in the sectors of real estate, high technology, environment, agribusiness, energy, health, infrastructure, and telecommunication, working in fundraising and investment orientation along with international investors.

## How has Brazil changed from when you founded Brasilinvest Group 36 years ago?

The most important changes are that controlled inflation and stability are key elements that will allow us to continue going up and that we are correcting the social imbalance in Brazil. We brought 40 million people into the middle class over the past seven years because we tamed inflation and created stability.

In 1975, Brazil was the seventh largest economy in the world; it lost that due to inflation and lack of stability. It is now already the fifth largest economy and heading toward becoming the fourth largest economy in the world within the next five years.

## What is important for people to know about investing in Brazil?

In 2011, Brazil benefitted from about \$65 billion in direct investment, a \$30-billion surplus in trade, and growth of 3.8 percent. We have been the third largest country in the world in terms of receiving direct investment after China and the United States.

So there are three things in Brazil that are considered fundamental: political, social, and economic stability. We have a structure of juridical and legislative security. Additionally, we have an emergence of the middle class – today, 60 percent is right in the middle class and that will grow to 70 percent by 2020.

Another point for investors is there are margins, there are markets, and there is effectively growth.

## Brasilinvest has been described as a merchant bank but it's more than that. Would you elaborate on what the company has become in 36 years?

When I founded Brasilinvest, I had decided to use the model of the merchant banks in England that were less involved in credit and more focused on projects and developing new ventures.

At that time, we were the first merchant bank in Brazil to transform the investment banks and the different venture capital sources. When I created partnerships with 80 companies from all over the world, I included large companies like Volkswagen and Mercedes, because I felt that having an industrial partner as well as a bank from each country would provide the best opportunity to exchange with them, and for them to have a foot in Brazil in an area in which they were not currently manufacturing.

Today, we have participation with companies in oil, IT, shipyards, and agriculture, so we expand through projects we create or which we finance or otherwise participate. However, we still maintain some strategic partners for new areas that develop.

So the concept of a merchant bank today would be enlarged to be more like a holding company that promotes new joint ventures.

## You have engaged in 80 partnerships in 16 different countries around the world. Which projects or investments are you most proud of and why?

If you peruse the list of our projects, we have more than \$16 billion that we have brought to Brazil through different companies. Our goals were as diverse as making the first car rental in Brazil with Varigonda and Volkswagen, making the first cell phones in Brazil with NEC, making the first computer in Brazil with Siemens Nixdorf, creating the first ethanol cars in Brazil with Volkswagen and Fiat, and being the first brand producing ethanol in the agricultural field in Brazil. So we tried to be ahead of our time in terms of bringing in new technologies. With the growth of the Brazilian economy within the next 8 to 10 years, we think we can double that \$16 billion easily.

## You have been a critic of the notion of emerging markets, preferring instead "powerhouse nations". What are the changes you foresee in the global political economy?

I'm not comfortable with "emerging" for one reason: Today, out of the total debts of the most advanced countries – which equals the GNP of those countries – 50 percent of that debt is held by these powerhouses: China, Brazil, Korea, Russia, and India. Together, we have more than 50 percent of the debt of the leading countries.

Second, in terms of global GNP, the United States used to account for 32 percent but today it's only 27 percent. This group of powerhouse nations is going to account for more than 51 percent of GNP before the end of the decade.

So it makes no sense to consider China an emerging country when it has the second largest economy in the world. Brazil has already surpassed England and within the next four years, it will surpass France.

Russia is already well established; India will be among the six largest countries in the world; and Korea has a large surplus of funds. Indonesia and Mexico should also be considered powerhouse nations.

The current superpower will be there for the next 70 years – the United States – even if China surpasses it in GDP. But the main idea behind the powerhouses is that they are no longer second-class countries; they have to participate in global decisions.

We're going to have the SDR (Special Drawing Rights) substituting most of the currencies in the world within the next eight years. So the IMF must be made more aware that these countries have to be more active.

For the old international institutions like the UN, these countries have to have a greater influence. It is not yet perceived that way, but we have to have an economic strength that is also reflected politically.

**At the end of June, you have the Rio+20, the UN conference on sustainable development, which has a green economy theme. How will this conference put Brazil on the map?**

Rio+20 harkens back to the starting point of Kyoto and has put Rio in the center of sustainable development, especially on energy. Twenty years ago, we already had ethanol running more than two million cars. Today, Brazil is producing about 500,000 barrels a day of ethanol and 46 percent of Brazil's energy comes from renewable sources.

We have to keep this going in the future. These are examples of what can be done in a country like Brazil that can be replicated in other areas, like Africa, which will be an important area for renewable development.

**The World Cup in 2014 and the Olympic Games in 2016 will both be in Brazil. The Pope will also visit in 2013. How do you foresee those events impacting the country?**

The Pope's visit with the youth in Rio will bring out eight million people. This represents a great opportunity to transmit the idea

that we are pacifying the Muslims and have a strong fight against drugs and drug dealers. Rio is planning ahead on the transportation and on the hospitality aspects of receiving all of these people, which is a big challenge. The total investment for those events is about \$1.7 trillion through the end of this decade, from which the Governor has put aside \$500 billion and the rest must be raised through public/private partnerships, where the opportunities are huge for contractors, the hospitality industry, for new industries and for machinery.

There is a huge amount that must be accomplished within the next five years, but we'll have a good World Cup and Olympic Games.

**How do you envision Brazil's energy future?**

The balance of the energy today is about 46 percent renewable and there is a predominance relating to hydrology. With the growth of Brazil, compound growth of 5 percent a year is expected with 2020 as our goal when we will have to almost double the amount of energy that will be used in Brazil.

If you take all of the conditions that are created by nature in Brazil, we are the largest country in the world in terms of water and sun, and we have wind, so those offer opportunities for the creation of energy sources in Brazil. But also, Petrobras is producing 2.2 million barrels of oil a day in Brazil alone and within the next four years, we will be producing 4.6 million barrels; by 2020, it will be 6.5 million barrels. This puts Brazil among the six largest oil-producing nations in the world with a total estimated reserve of 100 billion barrels.

This doesn't mean Brazil will be turning its back on renewable energy. We are building programs to double ethanol production and for solar energy; we have a large program for wind energy; and we are utilizing green elements and biomass to transform into energy.

We'll be doubling consumption to sustain our growth, but Brazil will still export around two to three million barrels a day of oil. It will generate 60 percent of its energy from renewable sources and we will use hydrological energy, not to create a problem against nature but using new technologies where we do not touch either the Amazon or other areas of production. So I'm enthusiastic about the quest for energy in Brazil.



I wrote a book when I launched the ethanol cause and was invited to Washington, D.C. to make a presentation at a hearing in the Senate. At that time, I already had 400,000 cars in Brazil running on ethanol.

At that time, experts in the U.S. were thinking that green energy would replace more than 10 percent of oil use and that would also follow worldwide. We cannot imagine that we'll completely replace oil, at least for the next century. But 10 percent is enough to fight pollution.

When I made this presentation with the goal of passing the legislation that created the ethanol industry in the States, this gave an important example of how intertwined we are around the world on this issue.

So Brazil growing to a 46 percent usage of clean energy is something that will be taken seriously in the States, in Europe, and most importantly, in Asia.

**You've also been described as a private diplomat. How do you combine entrepreneurship with diplomacy?**

Countries become much closer through business and it should be easier for people in business to mesh with political world views. Deciding how to develop a country and keep its growth going is of interest to all politicians. In hosting Presidents Reagan, Ford, Bush (41), and Clinton as well as Giscard d'Estaing, Prime Minister Helmut Schmidt, and Robert Kennedy, we brought together two things: economic and social issues with new ideas, which you use for developing a country or region.

**What is your vision for Brazil and how will it evolve in coming years?**

We must be prepared to be among the four or five largest economies in the world.

Brazil has a large population that has no racial problems, no language problems, and no religious problems. We have a wide mineral base, resources all over the country, and energy. But the most important energy we have is from our youth, which are becoming more prepared to participate in business and culture, and as public servants, to lead this country. ●



Mario Garnero with former U.S. President Bill Clinton (above) and Pope Benedict XVI (left)