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DIVULGAÇÃO BNDES

André da Hora says that the PBM aims to solve critical short-term issues, in order to allow solving problems that affect the competitiveness of industrial sectors in the long-term



Bigger Brazil Plan defines specific goals for the sector

Amid a turbulent global economic scenario and facing the challenge of stimulating the country's Gross Domestic Product (GDP) growth, the Bigger Brazil Plan (PBM) surfaces as industrial policy of the Dilma Rousseff administration. The idea is to give continuity to the work that started out during the Lula administration and further address structural and systemic issues that permeate Brazil's entire industry.

"The economic issues at present lead the PBM to have short-term measures. However, the ultimate objective is more emphasis on the long-term in order to resolve bottlenecks that have plagued Brazil's industrial sectors over the

last years", says André da Hora, representative from the National Bank of Economic and Social Development (BNDES) and coordinator of PBM's Pulp and Paper Executive Committee. The executive says that the way the plan's governance is structured, it aims for immediate solutions with a perspective of increasing competitiveness in the future. In order to provide further details about these measures and present results perspectives from the PBM's implementation, da Hora discusses in this month's interview the backstage that led to the definition of goals included in the industry's agenda, recently endorsed by the National Council of Industrial Development (CNDI).

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O Papel – How is the PBM organized? How were the goals defined for each industrial segment?

André da Hora – PBM was organized by the CNDI. This entity is responsible for approving all agendas and effectively conducting the Plan. Below this body, there is the Managing Council, composed of the Chief of Staff to the President, several ministries, the BNDES and its managers. Below the Managing Council, there are sectorial groups that were responsible for discussions regarding what measures and actions should be included in the Plan. A total of 20 groups were formed and included since labor intensive sectors to technology sectors (automotive, aeronautics, capital goods and others). All industrial sectors were contemplated in the policy in one way or another. Within each sectorial group, coordinations were created by an Executive Committee (composed of government members) and a Competitiveness Council (composed of representatives from companies and civil society). ABTCP, ABPO and Bracelpa, for example, have their representatives in the pulp and paper sector’s Competitiveness Council, as do the main companies in the sector like Fibria, Suzano, Klabin and IP. Additionally, there are representatives from the main trade unions and from Pöyry Tecnologia. The Pulp and Paper Competitiveness Council is composed of 17 members. With such structure, each industrial sector discusses its specificities.

O Papel – What role did the BNDES play in formulating the Plan and what will it do from now on?

Da Hora – Of the 20 sectorial groups formed in the Plan, four possess coordinators who are BNDES employees. I am one of them, having been appointed coordinator of the Pulp and Paper Committee. My role as coordinator is to focus on industrial policy, which differs entirely from my function at the bank, which is project financing and structuring. Personally, it is a major challenge. With regards to the BNDES, the bank will focus on matters pertaining to credit for both the pulp and paper segments.

O Papel – With specific regards to the objectives for the pulp sector, how were they defined?

Da Hora – For pulp and paper, four Executive Committee meetings and two Competitiveness Council meetings were held. Looking back, I would say that the Committee meetings were more technical with the objective of conducting an industry diagnosis, including domestic and

global outlook aspects, potential bottlenecks and characteristics specific to the pulp and paper industry. What the government can do in the policy that is being proposed for the sector was also discussed. Following this diagnosis, the Council met for the first time and results of the diagnosis were presented and measures proposed. Council members had roughly one month to analyze and make their contributions to the final document. Several suggestions made by the members were incorporated into the “industry agenda” - that is, based on the initial diagnosis conducted by the Committee and validated by the Council, a series of measures were listed for leveraging the objectives pertaining to growth, not only for the pulp and paper industry, but also those of the forestry base as a whole. The final document that represents the industry agenda will undergo approval from the CNDI on August 2. The end of this process you could say was a document of four hands, as it presents contributions from the government and demands of companies.

O Papel – What objectives are listed in the sectorial agenda for the pulp and paper industry?

Da Hora – There are five main objectives. The first is to consolidate Brazil’s participation in the global business of the market pulp. This objective is clearly oriented at large pulp producers. They are strategies very well directed at consolidating the key players in terms of competitiveness, including tax and regulatory issues and, most importantly, addressing infrastructure and logistics issues. The second objective relates to the effective development of a capital goods industry, that is, of suppliers for the country’s pulp industry. The third objective focuses on paper players, aimed at increasing their competitiveness and size. It is important to point out that these are very different initiatives from those directed at the pulp sector. In this third objective, we address issues that go from the short-term, such as the tax-exempt paper illegal application, to medium and long-term aspects, such as reducing tax load, access to credit and improving the governance and size of these companies. This, in fact, is the objective that has the greatest number of initiatives. I believe that small and medium-size companies will also experience positive impacts during the Plan. Regarding the fourth objective, it can be translated as the pursuit in developing technological innovations. We will work with an agenda developed by ABTCP in partnership with the Center of Strategic Management and Studies (CGEE). Lastly, the

fifth objective focuses on training of human resources. With a better technical and managerial background on the part of human resources, we expect the sector to reach greater maturity in the future. For such, the initiative adopted will be to insert the pulp and paper sector in the work that is already being carried out by the government in the education area, offering exchange programs between federal public universities and universities abroad through the Science without Frontiers Program and strengthening of the "S" system (Sesc, Senac, Senai and Sesi).

O Papel – What measures are foreseen on the sectorial agenda so that these five macro-objectives can be achieved?

Da Hora – The measures proposed still depend on approval from CNDI, which is expected to analyze them in a meeting scheduled for early August. What I can say at the moment is that there exist specific measures for the pulp segment and others for the paper segment that differ significantly in nature. What is important to say is that in both cases, what is being pursued is to solve critical short-term issues (tax, regulatory and trade protection), so that we can implement better structured solutions for matters that affect the competitiveness of sectors in the long-term (logistics, governance, innovation and human resources training).

O Papel – What are your expectations in terms of executing these measures?

Da Hora – Personally, what I expect is that the measures and actions proposed in the sectorial agenda will be carried out as planned, in accordance with what will be endorsed by CNDI. And I believe that this will in fact occur, since initiatives were outlined for each action nucleus and, for each initiative, one person was attributed responsibility, including a government body and the person responsible in it. The final deadline for the measures listed in the plan to be implemented is the end of 2014. However, some goals associated to reducing taxes and regulatory issues are clearly short-term, and shall be implemented yet in 2012. In turn, measures linked to infrastructure and innovation will require more time to be put into practice, due to their complexity.

O Papel – In your opinion, what are the greatest challenges to be overcome by the pulp industry?

Da Hora – In the pulp segment, the concern is

more focused on maintaining the competitiveness already conquered over the years. The market space that Brazil's industry conquered, which is mainly due to the high forest productivity, access to relatively cheap and large amounts of land and forest research done over the past decades, made the country become a global player. However, these advantages are diminishing day by day, land prices are already at a higher level, while genetic and technological research have also been implemented in other countries, such as Chile and Indonesia. The productivity of these countries is not yet at par with Brazil, but can already be considered quite high. Therefore, what Brazil needs to seek today is a second wave of competitiveness. This has certain implications, particularly in relation to demand. If before our main market was Europe, at present the main consumer of our pulp is China, which fact changes things a lot in terms of logistics. In addition to a longer route, prices are lower, profit margins are lower and there exists considerable concentration in that market. Chile, for example, becomes very competitive since it is located on the Pacific coast, as does Indonesia, given its proximity to China. As such, it is necessary to seek new ways of competing. This is where structural issues, such as improving logistics and innovative ways of adding value to wood, lead us to consider pulp mills as biorefineries in the future.

O Papel – Looking at the paper industry, what are the main obstacles to be faced?

Da Hora – The paper sector needs to focus on developing the internal market. At present, Brazilian companies compete with foreign companies, particularly, Chinese. And in order for domestic players to be competitive in the internal market, it is necessary to think about expanding and improving the size of our industry, which lags in relation to others doing business around the world. The tax issue is also much stronger in the paper sector than in the pulp sector, as are logistics matters. Overall, paper producers need to be located closer to their consumer markets. Due to the country's dimensions, logistics in Brazil is a bit more complicated and expensive. Therefore, the challenges of the paper sector, in a nutshell, are increasing the size of companies and better logistics organization. I would also include increasing domestic consumption, which would also act as a major lever for new projects. ■

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