

BRAZIL

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The economy

In Brazil, the real GDP growth rose 5.7 percent during 2007, stronger-than-expected. Economic activity is being boosted by upbeat domestic demand conditions, particularly gross fixed investment which has continued to expand at a double-digit pace in the last quarter. The surge of inflation was driven mainly by higher food costs, pushing the annual rate up to 4.46 percent, compared to 3.1 percent during the previous year.

In May 2008, Brazil is declared “Investment Grade” by Standard & Poor’s Ratings Services. This announcement will stimulate new investments in Brazil for the next years.

Compromise with the future

The Brazilian industry is defining its future. The strategic map shows the position of the industry in the competitive global scenario, the strategic priorities and the necessary foundations for the development of a strong and dynamic industry, with an expressive participation in world trade. The industry has no choice. The only option is to be a world-class industry. This requires two challenges: It has to be prepared to meet the challenges of globalization and, the changes in the organization of production.

The Program for Acceleration of Growth (PAC), launched on January 28, 2007, is a program of the Brazilian Federal Government which includes a set of economic policies for the next four years, and that aims to accelerate the economic growth of Brazil, providing total investments of US\$ 295 billion by 2010, one of its priorities to infrastructure such as ports and highways.

The PAC is composed of five blocks. The main block includes measures of infrastructure, including social infrastructure such as housing, sanitation and mass transport. The other blocks include measures to stimulate credit and financing, improving the regulatory framework in the environmental area, release tax and fiscal measures for the long term. These actions should be implemented, gradually, over the 2007-2010 quadrennium. The goal is to achieve a GDP growth of 5 percent per annum.

The Brazilian federal government announced on May 12th 2008, the Productive Development Policy, which reduces cost for export, facilitating financing and reduces contribution to social securities for the exports industries. The plan has four goals to be achieved by 2010. One of the goals of the plan is to expand the current fixed investment of 17.6 percent of Gross Domestic Product (GDP) to 21 percent. The second is to stimulate innovation in the industrial sector, with a set of measures that will raise private investment in Research & Development for 0.65 percent of GDP by 2010.

The program also provides an increase of the Brazilian share in the world exports, from the current 1.18 percent (in 2007) to 1.25 percent. The fourth goal proposes to expand by 10 percent in the number of micro and small exporting companies, totalled 12,971 in 2010. Seven industrial sectors will seek to consolidate the leadership in the international market: pulp and paper, oil and gas, mining, steel, bioethanol, meat, and complex aircraft.

Planted forests

An initiative of the Brazilian pulp and paper industry, forest fostering programs have been gaining space and importance in the industry endeavours. Through this initiative, the companies offer small and mid-sized farmers the opportunity to plant forests along with their other activities. The partnership with those producers is an important mechanism for developing business, by expanding planted forest areas and contributing to generate income and keep manpower in rural economic activity. In 2007, the total area of the fostered rural forest producers is estimated around 360 thousand hectares, distributed in over 10 thousand small and mid-seized properties, what means an increase of 18 percent over the 305 thousand hectares planted a year before.

Sustainability

Brazilian pulp and paper industry holds the largest area of certified forests, out of the country's forest-based industries, according to the two recognized for forest certification systems: Forest Stewardship Council (FSC) and the Programme for Endorsement of Forest Certification (PEFC), of which the Brazilian System of Forest Certification (Cerflor) is an affiliate.

By March 2008, both systems certified around 2.2 million hectares of forests, including among them, the planted forests, the legal reserve and permanent preservation areas, managed buy the pulp and paper industry. These certifications guaranteed the use of criteria for sustainability in managing forest areas, so as to provide practices that are ecologically adequate, economically sustainable and social just. The challenge of the century is to grow in a sustainable way. It is evident that every company needs a business strategy that integrates environment practices, fair labor relations and effective social actions.

Social environmental responsibility

Our companies face the social environment responsibility with determination. In additional to generating 110 thousand direct jobs and 500 thousands of indirect ones, the sector has a history of social actions for employees and communities.

In 2007, the social environmental responsibility carried out by the companies reached around US\$ 585 million, demanded in health, economical development, professional qualification, education, sports and culture, community support, forest fostering programs, environment preservation and control, salaries and social taxes, among others.