

**“Where are the Germans?” – A new stage in bilateral cooperation between  
Brazil and Germany**  
by Dr Stefan Zoller\*

Success stories in economic cooperation between Brazil and Germany have a long history. And this partnership is not limited to the big players. The force behind an efficient cooperation is the “German Mittelstand”, the term used worldwide to designate my country’s small and medium-sized enterprises. These companies – many of them hidden champions – know very well how to operate in regional and global scenarios, often under conditions that cause large companies to fail. And it is precisely because of these small and medium-sized enterprises that Germany has so much to offer Brazil. Be it in the services sector, investment goods, sustainable energy generation or IT, the partnership between the two countries provides perfect complementarity to come to grips with future challenges and demands of an increasingly competition-oriented world market.

The German industrial presence in Brazil is a global reference! The key concept here is tradition. No wonder that São Paulo is one of the world’s largest German industrial locations outside Germany. The engagement of German companies in the country can be summarised in three main phases. First phase: the foundations for partnership in the automotive, electronics and chemical industries as well as in investment goods were very successfully laid in the 1950s. Unfortunately, the second phase during the privatisations of the 1990s left something to be desired in terms of the involvement of German companies in the banking, energy, transit and infrastructure sectors.

And we are now experiencing the third phase of the German presence in the Brazilian economy which started early this century and will strengthen considerably over the next decade: Brazil is on the threshold of a complete modernisation, an urgent requirement to enable industry to grow and meet the needs of a young and aspiring population, with more than 40 million Brazilians moving up into the middle class in recent years. All roads point in the same direction. And it is precisely this scenario which promises new opportunities for German industry in Brazil, in new sectors and fields of activity. There is a fresh chance for German industry to intensify the partnership between the two countries fundamentally. And this time German business will not miss the opportunity.

**“Where are the Germans?” – A new step**

Context was a simple question that changed the perception of Brazil in Germany for ever. Brazil’s then President Luiz Inácio Lula da Silva made this very clear during his last visit to

Germany as Head of State when he asked: “Where are the Germans?”, inviting German industry to strengthen its engagement in Brazil and highlighting that the race between nations for more presence in the country was in full swing and that Germany was lagging behind in this competition. This question prompted German business to set up a “Brazil Board” before President Lula was even on the plane back to Brazil, a body which has since worked exclusively to develop German-Brazilian economic relations. Comprising large, medium-sized and small companies which represent around 25% of German gross domestic product, the Brazil Board constitutes a unique platform and ensures that Brazil is given close attention in political and private business aspects. In this way, all conditions for the start of a new stage in bilateral cooperation were created.

Fact is that there is almost no large German company which is not present in Brazil – and most have had a presence for decades. But the overwhelming majority of companies that are really responsible for this highly developed bilateral cooperation are part of the German Mittelstand.

In 2009 90% of the 1,200 German firms in Brazil were small and medium-sized enterprises. Today, this figure has grown to 1,600 (a 30% increase) and the share of SMEs is still 90%. Brazil was and is a country for the German Mittelstand.

The difference can be found increasingly in the operating model. We have less “goods market” and more “exchange of knowledge”. German products in Brazil will progressively make way for Brazilian products developed in partnership. For we live in the age of German-Brazilian innovations. But that is not to say that bilateral trade, currently at a level of almost USD 29 billion, will cease to exist. On the contrary, the volume could exceed USD 50 billion in 2020.

### **The German Year in Brazil 2013-2014 gives the necessary impetus**

The equation of the new phase is simple: German-Brazilian SMEs + Innovation = added value for both sides. Yet the dawn of this new era lacked a catalyst to refresh the image of Germany in Brazil and create the base for new ideas which are the key to any innovation process. Hence, the German Year in Brazil came at the right time. In the 12 months leading up to the start of the football world championship, the structures and the quality of cooperation between our countries in all areas have been made visible in the public consciousness. The German-Brazilian partnership has reinvented itself. It is Germany’s largest external campaign in Latin America, developed in coordination between policy-makers, business, culture and education. And the BDI Brazil Board acted as project leader for the German business community.

On 13 May 2013 Brazilian President Dilma Rousseff and German President Joachim Gauck launched the German Year in Brazil. This was the start of an uninterrupted and diverse

marathon comprising 1,100 events in 100 Brazilian and 27 German cities. 7 million Brazilians enjoyed the event directly. The broadly based campaign of the German Year reached a total of between 40 and 50 million Brazilians. This means that one in five Brazilians has come across the mega-event in one form or another.

Under the headline "Where ideas come together", the German Year in Brazil set the necessary revitalisation process in motion in order to win over the next generation for German-Brazilian cooperation: the next generation of technologies, the next generation of companies, the next generation of people. It has acted as a catalyst for the next generation of German-Brazilian creators of an even better joint future.

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