Regioanalyse: RIO GRANDE DO SUL

1. Politiek-bestuurlijke omgeving Rio Grande do Sul

As Brazil’s southernmost state and bordering Argentina and Uruguay by an extensive frontier, Rio Grande do Sul’s well known for its peculiar culture, characterized in the Gaucho’s image and defined by the ethnic diversity. Rio Grande do Sul’s quality of life, capacity building of the human resources and its infrastructure distinguish this state from the remaining Brazilian states.

The agriculture is the basis of the state’s economy and the state produces a large variety of products such as soybean, rice, wheat, corn, barley, bean, grapes and apples. Considered the second largest grain producer in Brazil, the Rio Grande do Sul State produces 18.6 million of tons, equivalent to the fourth part of the country’s entire grain production. Rio Grande do Sul nationally stands out for its animal production, which includes the cattle, swine and poultry, and also responds for 20% of national GDP.

The State’s industrial matrix is modern, diversified and integrated. In 2010, the industry was the segment that presented the highest development rate compared to other Brazilian states, reaching 8.8%. The most important complexes are the leather-footwear, agri-industrial, metal-mechanic, chemical-plastics, besides the furniture, textile and information technology sectors.

The State Government adopts a development strategy that aims at strengthening the existing economic matrix and encouraging the installation of productive sectors considered equally strategic to complement the economic matrix, solve technological problems and generate jobs and income.

The people’s participation is in the core of the actions promoted by the State Government.

The educational system, the healthcare, the environmental concerns, the cultural level, the qualified labour force, its infrastructure and economy makes the Rio Grande do Sul State one of the most developed states in Brazil in all aspects.

Indexes

- Location

Placed in the Southernmost region of Brazil, Rio Grande do Sul State is privileged for its strategic geographical location, right in the centre of Mercosur, integrated by Brazil, Argentina, Paraguay and Uruguay. The capital Porto Alegre is among the main consumer markets in Latin America.

With a geographical area of 282,000 sq. km., the state occupies 3.3% of the national territory. Privileged for its water courses, the Uruguay River and its tributaries formed an important river basin which flows towards the Atlantic Ocean.

- Population

Rio Grande do Sul has a population of 10.2 million inhabitants, distributed in 497 towns, being Brazil’s fifth most populated state. The so-called “gaúchos” are heterogeneous group of people mainly characterized by their ethnic diversity, descending from Portuguese, Spanish, African, German, Italian, French, Polish, Dutch immigrants, and Indians among others. This diversity has forged the personality of the “gauchos”, their simple manners and hospitality, with the typical mate gourd.

- Standard of Living

Rio Grande do Sul is the state with the highest Human Development Index, according to the United Nation Development Program (UNDP) 2008. The State’s healthcare infrastructure, which is nationally noticeable, contributes to this result. Health-related universities are nationally recognized and have fostered strong international exchange. They are equipped with teaching hospitals, and the most modern equipment, guaranteeing the graduation and upgrading of professionals. The state has 379 hospitals registered by the Public Health System, 4,136 healthcare units and more than 21,000 professionals devoted to the medical care of the population. The total number of hospital beds in the state is over 34,000.
- **Porto Alegre; The capital with the best quality of life**

According to the United Nations, Porto Alegre is the only city with more than 500,000 inhabitants that appears in the ranking of the ten best cities in Brazil. The Human Development Index Report ranks the capital of Rio Grande do Sul among the 50 best cities out of the 5,000 Brazilian cities. Life expectancy in Porto Alegre is significantly superior to the Brazilian. The city shows low infant mortality rates compared to the Latin American standards, the best consumption level, and the second best literacy rate among the Brazilian cities.

- **Water Supply**

The water supply public service by CORSAN, the state sanitation company, serves 66.5% of the state municipalities and reaches 67% of the urban population of the state. Supplying about 500 billion litres of treated water per year to more than 6 million users, the state public company is investing US$129 million, generating 10,000 jobs and improving the water supply and sewage systems in the state. Also considering the service rendered by the government agencies and directly by the municipal governments, water is supplied from 94% to 99% to the state’s urban population. Few years ago, CORSAN got the prize for the best sanitary/water treatment organization in the world emerging countries.

- **Education and human resources**

The human resources capacity building in Rio Grande do Sul is among the best ones in the country, backed up by a network of technical school and universities. The educational attainment is the highest one in the country: 97% of gaucho youngsters are literate and the state also shows one of the lowest illiteracy rates – 7.2% - half of the Brazilian rate, which is 14.7%. The State’s educational attainment is six years, on average, while in the rest of Brazil, it is 4.9 years. Rio Grande do Sul has more than 11,000 regular schools – federal, state, municipal and private schools – serving more than 2 million students.

**Higher Education:**

The State has 764 higher courses, distributed in 15 universities and 31 institutions, being university centres, integrated schools and independent institutions, with more than 217,000 enrolments per semester during the year 2000. The number of university professors is over 15,000 of which 80% postgraduates.

Higher education institutions graduate more than 15,000 professionals yearly, in all areas of the human knowledge.

**State University of Rio Grande do Sul:**

In 2001, the Rio Grande do Sul State included one more institution among the federal, community and private universities – the State University of Rio Grande do Sul. This new institution will offer courses in the areas of public health, public management, development of agricultural and agro-industrial systems as well as development of industrial production systems, aiming to qualifying the public policies based on a proposal where research, innovation knowledge and, development are placed into an state integrating project.

- **Environment**

Rio Grande do Sul has started to consolidate itself as an essentially participating and democratic state, where the population is the protagonist of its own development strategy. Intensively participating in the choice of the state investments, through community forums, and municipal and regional meetings, the citizens of Rio Grande do Sul control the public power. This practice joins a new wider and more qualified political representation to the direct popular participation in the public business, reinforcing the control of the state by the civil society.

2. **Economie en investeringen in Rio Grande do Sul**

**Economy**

Rio Grande do Sul is the second larger exporting state and the fourth greatest economy in Brazil. According to the Brazilian Institute of geography and Statistics, the state is the second largest rural producer; it has the second largest industrial park and the second trade centre in Brazil. Responsible for almost 8% of the national production, it also has a GDP of US$ 46.5 billion. Rio Grande do Sul average per capita income – US$ 24,417.4 – is one of the highest in the country and Latin America.

- **Foreign Trade**

In the first half of 2005, the Rio Grande do Sul State became the largest exporting state in Brazil, presenting a commercial surplus of US$ 1.1 billion, from January to June. The United States, Argentina and China are the state’s main markets.
Infrastructure and logistics

- Telecommunications

The state has a telecommunication system, serving all the state municipalities, integrated to the international and national direct call system. The mobile service comprises 98% of the urban population and covers 85% of the state, with more than 1,372 antennas distributed all over state territory. The optical fibre network being implemented is over 8,000 km long, composing a flexible and integrated network which will support all the telecommunication services, even the long waves like TV broadcasting, multimedia, data communication and mobile phones. The US$ 620 million investment on fixed and mobile telephones will allow the improvement of the existing infrastructure and services this year.

- Highways

The highways system, responsible for 90% of the transported cargo in the state, has 12,400 km of paved roads, linking the state producing cities to the capital, ports, airports, neighbouring states and Mercosur countries. This highway system is composed of federal and state highways whose heavy-traffic stretches have two lanes. In the last few years, US$ 246 million has been invested in construction and restoration of highways. At the main borders – either with Uruguay or Argentina – there are custom offices, the most important one due to its intense movement being located in Uruguaiana (Brazil) / Paso de los Libres (Argentina). There is also the Ocean Corridor, land connection between the Rio Grande Port (Rio Grande do Sul) and the northern ports in Chile (Antofagasta, Iquique and Tocopilla) crossing the São Borja Bridge (Rio Grande do Sul) / Santo Tomé (Argentina).

- Airports

With 15 airports – 4 of them international ones – the airport network in Rio Grande do Sul shows a wide transportation modality for cargo and passengers. The Salgado Filho International Airport, in the state capital, has domestic and international flights, especially to the South of the continent, international flights due to the extension of the runway (not completely done yet) for direct flights to America and Europe (Lisbon).

- Railways

The second most used cargo transportation modality; the railways play an important role in the transportation network of Rio Grande do Sul, especially in the handling of oil and soybean by-products. Totalling 3,065 kilometres, the state railway system links the main regions to the capital, the Rio Grande Port, the state of Santa Catarina and the bordering cities of Uruguaiana and Santana do Livramento, with railway connections to Argentina and Uruguay. Cargo transportation ranges from 5,5 to 6,0 million ton/year. The transactions with the Plata (Argentina and Uruguay) countries amount 300,000 ton/year. Brazil has Joint Traffic Agreements with Argentina and Uruguay in order to regulate the traffic, timetables, stay, types of cargo and tariffs in Customs warehouses for cargo transfer in the frontier stations. The customs warehouse in Uruguaiana/Paso de los Libres also serves Chile and Paraguay.

![Figure 4: Maritime Infrastructure Rio Grande do Sul](image)
- **Waterways**

The state has one of the most important maritime waterway systems in the country which enables the existence of nine ports, the most important ones being the sea port of Rio Grande and the fluvial port of Porto Alegre, in the state capital. The southernmost basin, whose navigation involves the Lagoa dos Patos and the Mirim Lake is the most important in the country as to transported volume, being responsible for the greatest water cargo transportation. This maritime way links great part of the producing regions and the ports of Porto Alegre and Pelotas do the Port of Rio Grande. Besides the transportation of different cargo, the Lagoa dos Patos is essential for the production delivery from Petrochemical Complex in Triunfo.

- **Porto do Rio Grande**

The Port of Rio Grande (not to be confused with the state) is located in the South of Rio Grande do Sul and is one of the largest in Brazil. Several shipyards are active on the complex such as Wilson, Sonds, Wilson, Sons; Queiroz Galvão - Quip; Ecovix – Engevix Construções Oceânicas; EBR – Estaleiros Brasil and IESA Óleo & Gás. Until 2017, it is predicted that around 30 thousand jobs will be created with continuous investments of up to R$ 20 million per year.

- **Energy**

Contrary to other Brazilian States, the Rio Grande do Sul is self-sufficient in energy supply and does not face energy shortage. The electric power supply in Rio Grande do Sul is guaranteed by 2,600 MW generated by the hydroelectric and thermoelectric power plants by the National Interconnected System. Nowadays, the electric power consumption in the state is 4,200MW with entire generating capacity of 4,300 MW.

**Gas Pipelines:**
The natural gas – cheap and clean source of energy and of reduced environmental impact – is available in Rio Grande do Sul, fostering the state development. Being an essential gain in favour of the diversification policies of the state’s energy matrix, the natural gas has been used in the commercial and industrial activities as fuel and electric energy generation. In all sectors, it has contributed for job and income generation in the state and is also an important step to transform the Rio Grande do Sul into an electric energy exporting state.

**Financial System**

- **Banrisul**

The state government is the controlling shareholder of Banrisul, the state bank of Rio Grande do Sul. Consequently, the institution operates as an important agent for the social and economic development of the state. By means of its own actions or in partnerships with Governmental Departments and Institutions, the bank finances from small rural procedures living of the family agriculture, to industries which employ thousands of workers. Being a public bank and developing an important social role, it also promotes intensive commercial activities serving almost 2 million clients.

- **Promotion Agency**

A Promotion Agency originated from part of the work of Banrisul and their technical staffs is operating since 2002. This agency is an important tool for the development of the state, as it offer long-term loans for the most different sectors of the state economy. The policy adopted by the governmental financing agents intends to expand opportunities to all the social segments through mechanisms like the loan spreading, without the necessary guarantees.

- **BRDE**

As a public intuition of investment, the Regional Bank of Investment of the Southern Extreme (BRDE) acts as a social and economic development promoting agent in Brazil’s Southern Region, consolidating projects of the private initiative. Besides the direct financing to enterprises, especially to micro – and small – sized agro-industrial enterprises and family-based enterprises – BRDE has also promoted special actions, supporting specific sectors or promoting the development of specific regions in the South of the country.

- **Fundopem**

One of the tools used by the state government to foster the development is the Fund for business Operation. It is a financing line with favourable conditions. Among the criteria defined for the grant of such incentive are the
decentralization of the industrial production; maintenance and enlargement of the industrial activity; generation of direct and indirect jobs in production sectors; contribution to technological development of products or processes and improvement of environmental quality.

NOTE: this tool – FUNDOPEN, is now in transition stage adding another conditions and terms, please considered STBY, for the time being.

3. **Overlap met NL-se topsectoren**

   - **Agriculture**

Rio Grande do Sul is Brazil’s largest grain producer. The state crops totalling 18.6 millions of tons correspond to approximately one fifth of the country’s grain production. Soybean, rice, corn, wheat, barley, beans, especially tobacco, grapes and apples are among the different agricultural products. Rio Grande do Sul nationally stands out for its importance in animal production – cattle, sheep, hogs and poultry.

The food agricultural and industrial sectors occupy and outstanding position in the state economy. Milk and dairy products, meat, fish, eggs, soybean, rice, wheat, mate tea, timber, tobacco, and grapes are among the most important processed products.

In 2011, the state harvested 11,717,548 tons of soybean over an area of 4,075,389 hectares (IBGE). According to those figures, The Rio Grande do Sul is responsible for 17% of the soybean cultivation area and 16% of the national soybean production. In the wheat (grain) RS, overpassing other closer states, e.g. Santa Catarina and, Pará as well (in wheat specifically) in the harvest of 2013, they become the internal/exporter and soaring producer of this grain. The Rio Grande do Sul state is responsible for 90% and 94% of the Brazilian wine and grape juice production respectively. In order to qualify such a production, the State Government created a Program for the Strengthening of the Wine and Vineyard Industry, which finances actions of quality control, credit and capacity building of the productive chain, such as acquisition of grape trees varieties, the farmers’ and technicians’ qualification, besides diagnosis for the sector.

The state sponsors the second greatest fair of agricultural and animal breeding business in the world – the International Animal and Agro-Industrial fair Expointer. Held in Esteio, 22 km far from the capital of the state, Expointer gathers small, medium and large rural producers in a very special event where the countryside scenery moves to the urban region, being a tourist attraction for 300,000 people on average, besides the huge amount of sales in tractors and agro-parts.

Nearly 266,000 km2 of the state territory correspond to lands and 14,600 sq m are inland waters. The vegetation is spread all over the fields, which occupy almost 60% of the territory, favouring animal breeding. Valleys, plains, slopes and tablelands allow a wide agricultural diversification such as animal raising and grain production, vegetables, fruits, flowers, oil and wood.

   - **Agribusiness**

The primary sector is highly significant for the economy of the State, as well as agricultural industry. The agricultural production in Rio Grande do Sul is significant and quite diversified, placing the state among the main grain producers in the country, as 25% of the national grain production comes from the state crops. The agricultural and cattle breeding production guarantee more than 14% of GDP of the state, which has the greatest industrial wheat and soybean smashing in Brazil and some of the main food industries. Approximately 4,600 enterprises operate the primary product processing, employing about 80,000 workers.

There is a diversified production in the northern part of the state, including grains, tobacco and fruits. The southern part is outstanding because of rice cultivation and animal breeding.

   - **Services**

Including outstanding services, this sector is responsible for 49.06% of the state GNP. The performance of the communications sector has been significant for the last years, reaching 23.7% in 1999, and 15.6% in 2010.

**Tourism:**

With its four well defined seasons, Rio Grande do Sul shows as balanced distribution of tourist flow throughout the year. The highest peak is observed in the summer (December, January and February) and, in the winter, a considerable number of tourists in the Serra Gaucha region is observed, due to some snow (few weeks – max two weeks) for the tourists. In the hills, besides the snow, the greatest attractions are linked to the cultural features derived from the European settlement such as the architecture and the typical German and Italian food. The pampas, the countryside work, the colonial region, the regional festivals, the northern mineral spring resorts,
and the historical heritage of the Missions Regions are permanent attractions. Rio Grande do Sul has a broad hotel chain, from simple inns to sophisticated hotels, totalling more than 1,000 lodging places, without counting the rural properties and camping. In Porto Alegre, approximately six thousand hotel rooms are available and approximately 600 events are planned each sentence, especially rodeos, religious celebrations, gastronomic and regional music and sport events.

- **Industry**

The state's industrial basis is modern, diversified and integrated. It is based on the leather-footwear, agricultural/industrial, metal-mechanical and chemical-plastics industrial complexes, which are responsible for 80% of the state industrial GDP. Other important segments are textile and furniture industries. Many of those complexes became in Local Production System (LPS) or clusters, as they are also known. An example of that are the leather-footwear, furniture, car-manufactures, auto parts, machinery, agricultural implementations and preserve industrial complexes.

The greatest concentration of industries is in the Metropolitan region of Porto Alegre and the hilly region. In these regions, there are sectors like the metal-mechanic, leather-footwear, chemical, textile, computing, electric material and the communication industries, as well as the furniture and wine sectors. Santa Cruz do Sul Region, in the Pardo River valley, is outstanding for the tobacco industry, followed by the food, clothing, textile and leather-footwear sectors. Gramado Region, main tourist area in the state, shows strong activity in the leather-footwear, textile, and furniture segments. In Ijuí and Passo Fundo Regions, in the northeastern part of the state, there are the metal-mechanic industries, especially agricultural machinery and accessory and the food industry. The South, Pelotas and Rio Pardo gather the fertilizer chemical, food, textile, and clothing industries.

![Figure 3: Segments of the processing industry (in US$ billion)](image)

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