

Brazil's north-east**Catching up in a hurry****The country's poorest region is narrowing the gap with the prosperous south**

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0 Curtir 249

IN 1983 *Jornal do Brasil*, a newspaper in Rio de Janeiro, sent a reporter to Brazil's north-east to cover a drought. He found starving residents eating rats and lizards. Since then, the country has made strides. Yet the north-east remains Brazil's poorest region: it has 28% of the country's people but just 14% of its GDP. A fifth of the area's adults are illiterate, twice the national rate. And it holds more than half



the 16m Brazilians who live on less than 70 reais (\$43) a month. For decades it has exported workers to the kitchens and construction sites of the rich cities in the south-east.

Recently, however, the north-east has become Brazil's star economic performer. In the past decade the region's GDP rose by 4.2% a year, compared with 3.6% for the country as a whole. Last year Pernambuco state's economy grew by a China-like 9.3%.

Bolsa Família, Luiz Inácio Lula da Silva's much-lauded anti-poverty scheme, has been important, says Marcelo Neri of the Fundação Getulio Vargas, a research institute. But other government policies have helped more. Three-quarters of the growth in incomes since 2003, when Lula became president, came from earnings, not handouts. In real terms the minimum wage has risen by around 60% over the same period, with the greatest benefits felt in the north-east. The institute reckons that Crediamigo, the state-owned Banco do Nordeste's micro-credit programme, has lifted more than 1m north-easterners out of poverty.

The region's new-found buying power is attracting firms. Earlier this month Kraft Foods opened its first factory in the area, making chocolate and powdered drinks. Sudene, a government regional-development agency, has helped to finance 52 malls in the north-east since 2006. And migrants from the north-east are coming back home to work. Pão de Açúcar, a supermarket chain, is expanding in the region, and offering north-eastern natives working in its other stores the chance to transfer.

"Right now, the north-east is one big building site," says Fernando Bezerra Coelho, the federal integration minister. The government is investing heavily in public works, including widening the Atlantic coastal highway. But the main source of growth is the port and industrial complex of Suape, which is being expanded to handle bigger ships. A petrochemical plant, the southern hemisphere's biggest shipyard and a refinery owned by Petrobras, the state-controlled oil

company, are under construction. Over 100 firms have moved in, lured by tax incentives and what should be excellent transport links. Fiat is spending 3 billion reals on a car factory nearby.

By 2013, if all runs to plan, a new railway will link Suape to the north-eastern interior (see map). The federal government began building it in 1990, but it stalled for lack of money and only restarted in 2006. A second branch will travel north to the port of Pecém, which is also being expanded. There, the Ceará state government is setting up an institute to train 12,000 workers a year, and Petrobras is building another refinery. Paulo Roberto Costa, its downstream director, envisages trains taking soyabeans, corn and iron ore from the interior to the ports and returning with oil. Journey times to Europe and America will be three or four days less than from south-eastern ports. The 1,728-km line will one day carry 30m tonnes of cargo a year.



Odebrecht, the Brazilian firm building the railway, recently flew your correspondent to Salgueiro, where its two coast-bound branches meet. The line's 3m concrete sleepers are being cast there, and the ballast on which they will lie is quarried nearby. Paulo Falcão, the project director, is preoccupied with a novel problem for the north-east: a labour shortage. Even though word of the grand projects dotted around the north-east is attracting workers from all over the country, the demand is such that Odebrecht is training everyone from carpenters and bricklayers to truck drivers and forklift operators itself. Some have no previous construction experience. A fifth of the employees at Salgueiro are women.

"China is now the Japan of the 1960s," says Eduardo Bartolomeo, the director of logistics for Vale, a mining firm. In that era Japan's appetite for metals funded Vale's big investments in rail and sea transport. Today China's hunger for iron ore pays for its infrastructure projects. By 2015 Ponta da Madeira, Vale's private port, will be Brazil's largest by tonnage, exporting 230m tonnes of iron ore a year. The railway from the Carajás mine in Pará state to the dockside is being upgraded to carry 330-car trains, each 3km long, at a cost of 4.5 billion reals.

The benefits, says Mr Bartolomeo, will extend beyond mining. He points to the Norte-Sul railway as evidence. Since 2007, when Vale started to operate the line, soyabean production in the surrounding region has risen by 8.5% a year, and the price of land has more than doubled in places.

The region's rapid pace of development, combined with workers' new-found muscle-flexing, has led to some industrial unrest. The strain is also evident in traffic jams and soaring housing prices. In Ceará Adail Fontenele, the state secretary of infrastructure, says that the municipalities around Pecém are preoccupied with finding homes for the city's new workers. If decent lodging is not built fast enough, slums may spring up instead.

The biggest risk is that the region fails to tackle its other longstanding weakness: poor education. "We have seen infrastructure booms in the north-east before, and they have helped us to catch up," says Alexandre Rands of Datamétrica, a consultancy. "But the past 60 years have shown that infrastructure is not enough." The big firms are training the workers they need. But the north-east spends less on schools than the national average, and has weaker teachers. If its next generation is to benefit fully from what today's is building, the region's schools must get an upgrade, too.

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