Where does Rio go next?



Solange Monteiro

RIO DE JANEIRO city celebrates its 450th birthday this month amid questions about what permanent gifts the World Cup, Olympics, and discovery of deep-sea oil will leave for the city. Between announcements of huge investments and ambitious revitalization plans on the one hand and inflation above the national average eroding the purchasing power and optimism of both locals and visitors from other countries on the other, there are many questions about how sustainable the recovery of the economy of Rio de Janeiro is.

Mauro Osório, professor of political economy of the Law School of the Federal University of Rio de Janeiro, believes that so far Rio's path will not end in a virtuous economic circle. "There have been advances, but I still do not see the consolidation of a new era for Rio, either the city or the state," he says.

The data confirm the inconsistency. Between 2003 and 2013, the average wage adjusted for inflation grew 40.3% in metro Rio de Janeiro, well above the 29.6% average for the six major metropolitan areas, according to the Brazilian Institute of Geography and Statistics. In contrast, employment in Rio has increased less than the national average. "Rio de Janeiro is one of the places in Brazil where income inequality has declined least. Income grew there because of high wages paid by the oil and gas sector," Osório says. The announcement by state-owned oil company Petrobras that it will cut investments by 25% this

year will certainly have a major impact on the economy of Rio de Janeiro state.

Osório believes that for Rio a necessary change is a clean break with the old ways of doing things and a move to more planning, transparency, and above all integration between state and municipal administrations.

To illustrate, Osório points out that the periphery of metro Rio consists of dormitory suburbs. Today most manufacturing jobs (199,000) are concentrated within the city, forcing large number of workers to commute between suburbs and work. This impairs the quality of life for residents as it increases the average commuting time between home and work, he says.

Osório argues that companies need to see more investment in infrastructure and governance. "The Metropolitan Arch —the highway designed to connect the five main highways that cross the municipality of Rio de Janeiro—is a breakthrough," he says, "but cities need other infrastructure as well. Recently a businessman told me that he was thinking of moving his factory from the suburbs of Rio because of the irregular supply of electricity and internet." Other areas lack regular bus lines.

Osório also pointed out the need for planning that encourages urban densification along the Metropolitan Arch corridor to facilitate transport of people and cargo: "The Rio metropolitan area has the advantage of having a large green area and unoccupied land. However, if there is no urban zoning, we will soon have to deal with disorderly land occupation." To promote metropolitan integration and more targeted urban policies, in August the state government created the Metropolitan Integration Chamber of the Government of Rio de Janeiro.

At the state level, Osório called for policies

For Rio a necessary change is a clean break with the old ways of doing things and a move to more planning, transparency, and above all integration between state and municipal administrations.

to build up sectors that could diversify the Rio de Janeiro economy. "We offer seven times more jobs than the Espírito Santo state, but there agriculture absorbs 300,000 jobs, against 150,000 in Rio. We could encourage small farms to meet the local consumer market," he suggests. He also believes that in addition to the oil and gas sector, other hubs such as health care should be encouraged. That would take advantage of such local factors as a significant share of the national pharmaceutical industry (12%), and a well-developed research center, Fiocruz. "Health and defense are sectors that have potential and can generate transfer or development of technology," he says.

Tourism is another underdeveloped sector. Food and hospitality sectors in such tourist cities as Cabo Frio and Petropolis in Rio de Janeiro state could employ many more people. Osório cites the example of Rio Grande do Sul state, where partnerships between municipalities have created products and services to convince tourists to extend their length of stay. Rio de Janeiro state, he says, is well known for its touristic potential, and building up tourism "could have great results." Finally, he believes the Port of Itaguai container terminal and Açu Port could change the face of the region.