



BRAZIL AS A TRADE PARTNER FOR CHINA FUNDAMENTALS AND PROSPECTS FOR FURTHER COOPERATION

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**São Paulo, Rio de Janeiro, Brasília, Curitiba, Porto Alegre
London, Lisbon, Miami, Los Angeles, Buenos Aires, Shanghai**

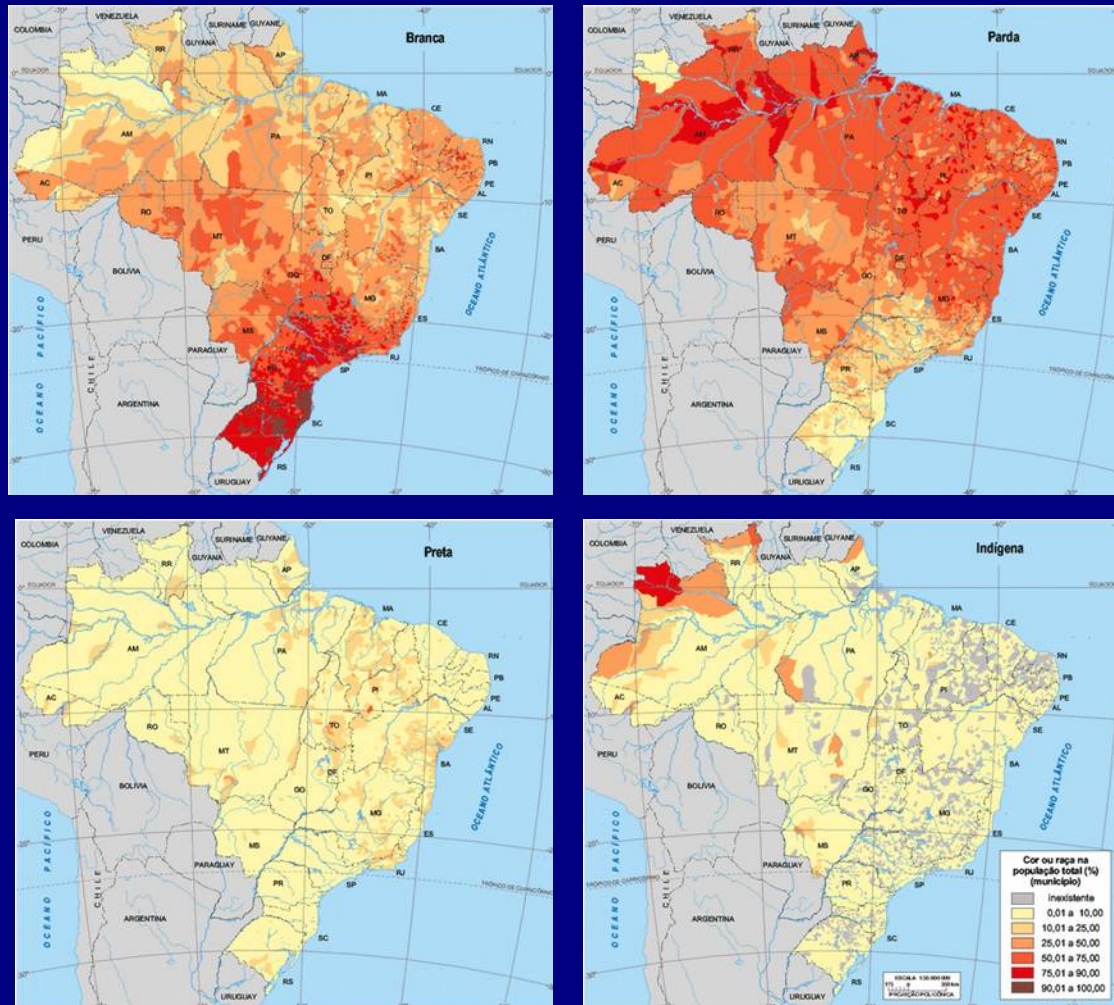
POINTS OF PRESENTATION

1. **BRAZIL: AN OVERVIEW (GEOGRAPHY, AND STATE ORGANIZATION)**
2. **PRESENT MACROECONOMIC FUNDAMENTALS OF BRAZIL**
3. **INTERNATIONAL TRADE – GENERAL DATA**
4. **TRADE BETWEEN CHINA AND BRAZIL**

BRAZIL GEOGRAPHIC CONSIDERATIONS



BRAZIL GEOGRAPHIC CONSIDERATIONS



Political considerations EXECUTIVE POWER



Palácio do Planalto

Political considerations **EXECUTIVE POWER** *(Federal Level)*

PRESIDENCY

Mandate of four years

President Mr. Luiz Inácio Lula da Silva

Mandate - 2003-2006



MINISTRIES - 23

Political considerations **EXECUTIVE POWER**



Ministeries' Avenue

Political considerations **LEGISLATIVE POWER**



National Congress

Political considerations JUDICIARY POWER



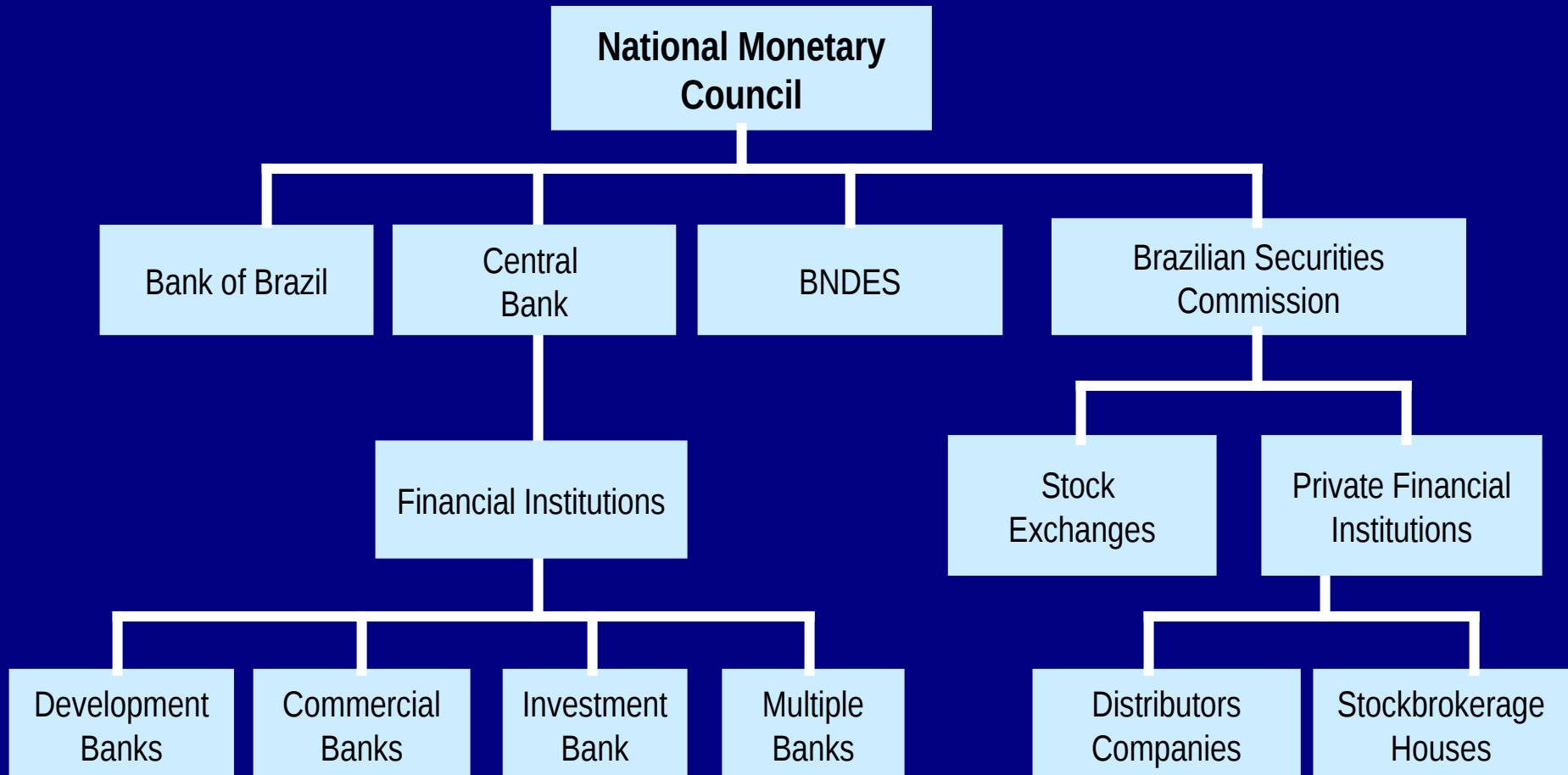
Federal Supreme Court

Political considerations THE FINANCIAL SECTOR



Central Bank

Political considerations THE BRAZILIAN FINANCIAL SYSTEM



MACROECONOMIC FUNDAMENTALS

Brazil's GDP in US\$

	1991	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006*
GDP (US\$ million)	418.0	534.0	550.0	552.0	531.1	594.2	503.9	456.5	506.8	599.0	612.7	643,3
Population (million)	149.1	161.3	163.7	166.2	169.7	171.2	173.8	176.3	178.9	181.5	185.5	188,1
GDP per capita (US\$)	2,803	3,310	3,359	3,321	3,129	3,470	2,899	2,589	2,832	3,300	3,330	3,42

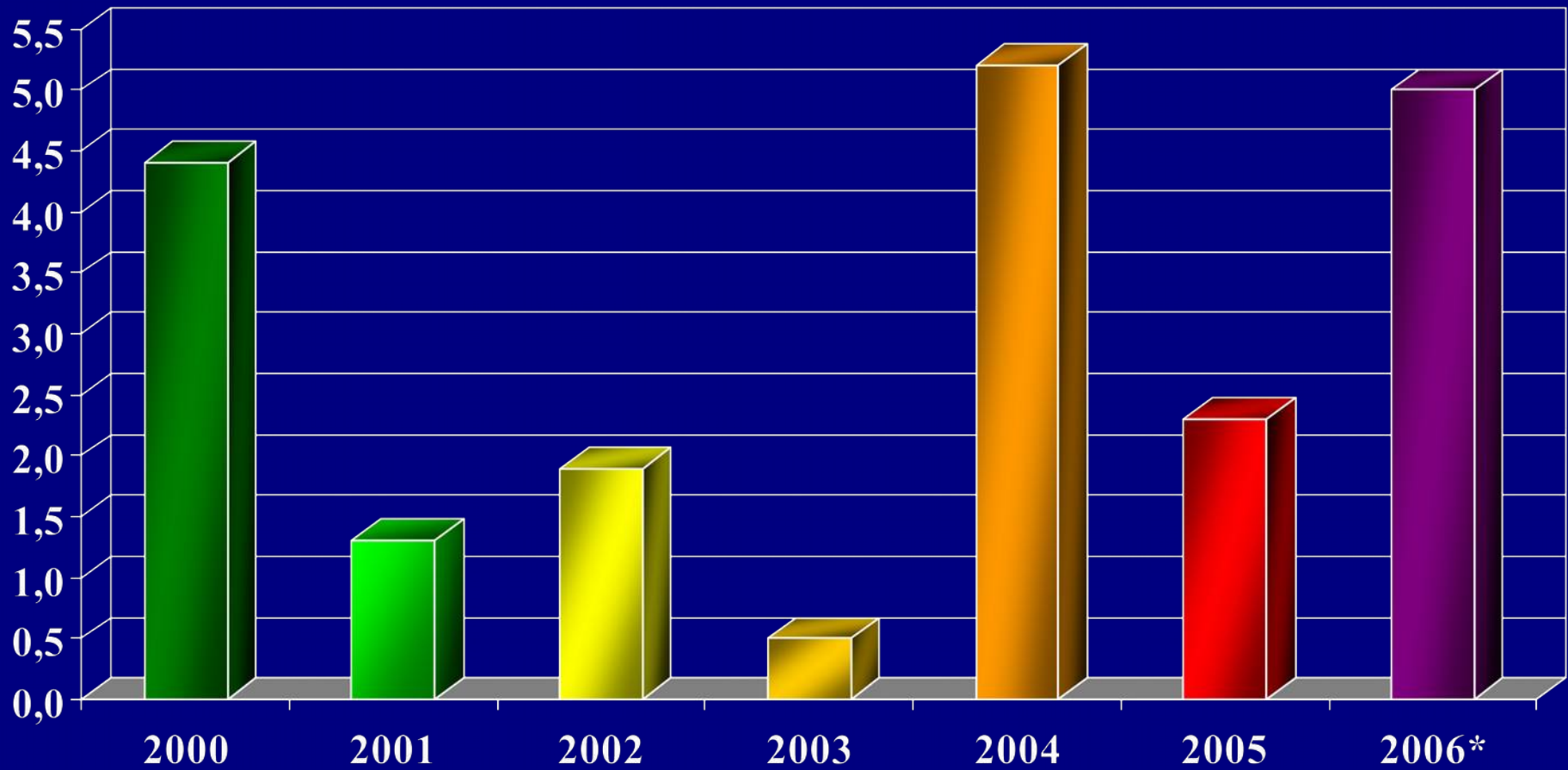
MACROECONOMIC FUNDAMENTALS

Brazil's GDP in purchase power parity

- ➔ **Total purchase power parity is US\$ 1,460 billion**
- ➔ **Purchase power parity per capita is US\$ 8,100**

MACROECONOMIC FUNDAMENTALS

Economic Growth

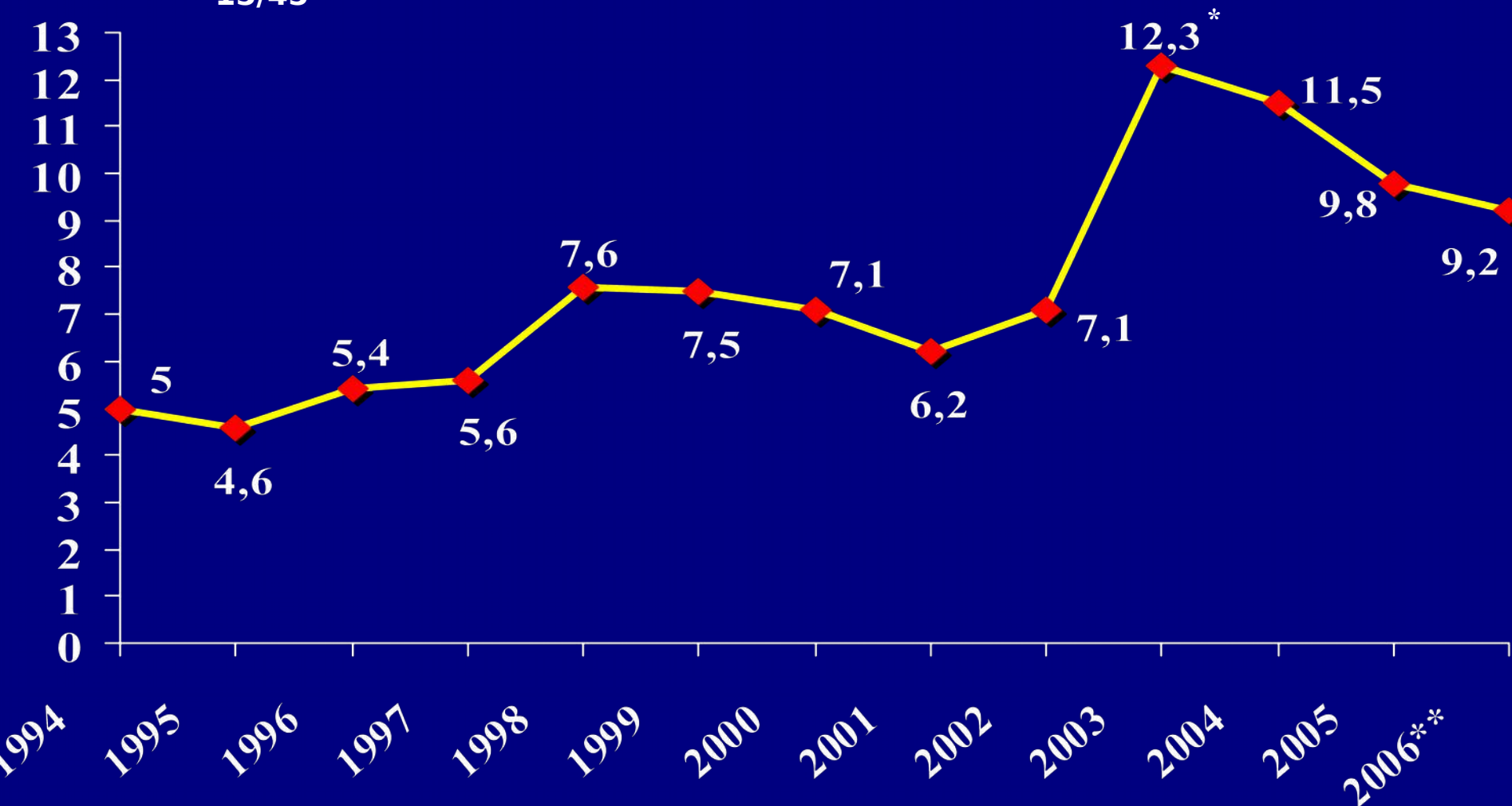




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MACROECONOMIC FUNDAMENTALS

Evolution of Unemployment



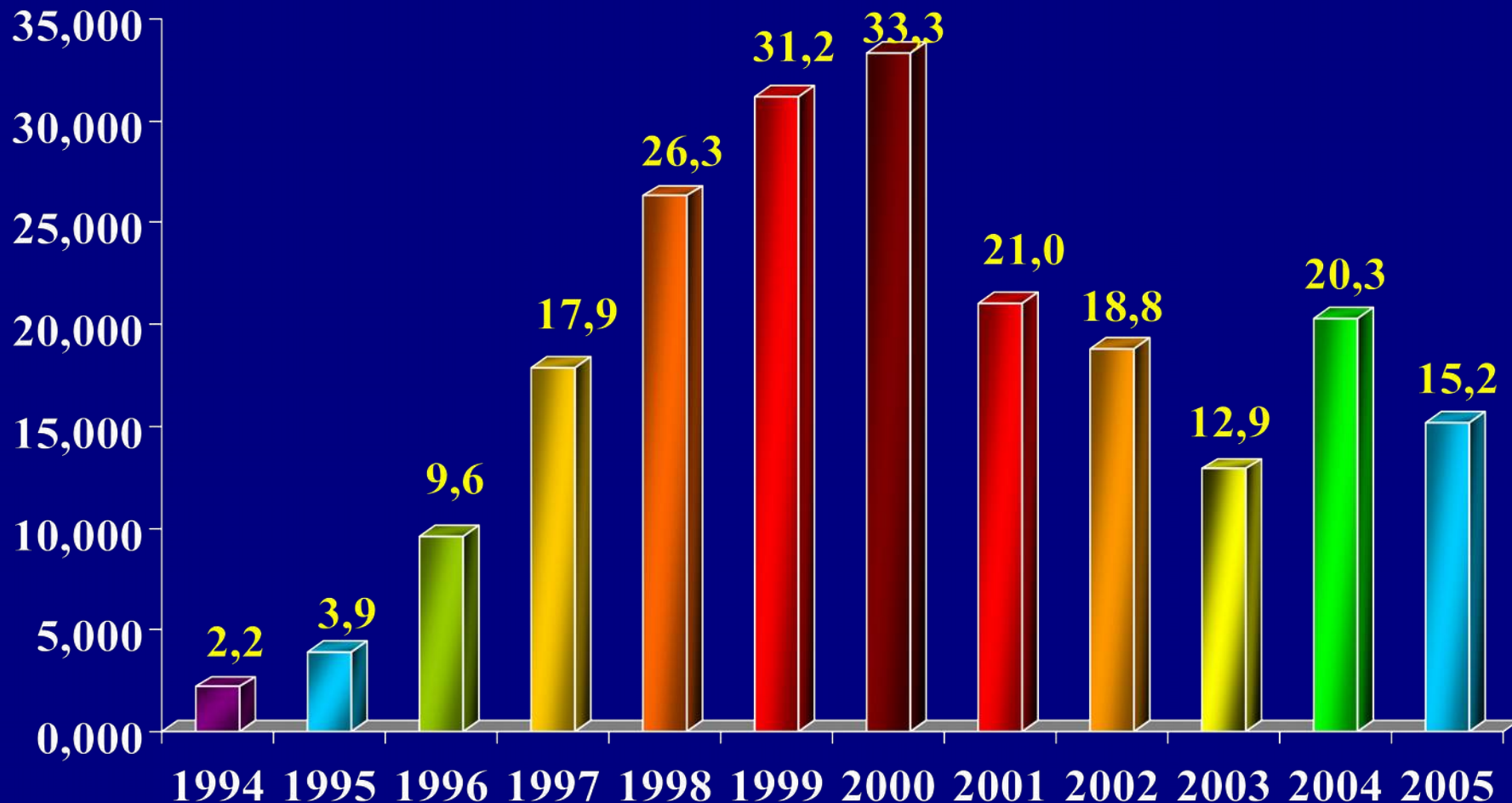
* In 2003 IBGE has implemented a new methodology to calculate / ** value of January Source: IBGE



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MACROECONOMIC FUNDAMENTALS

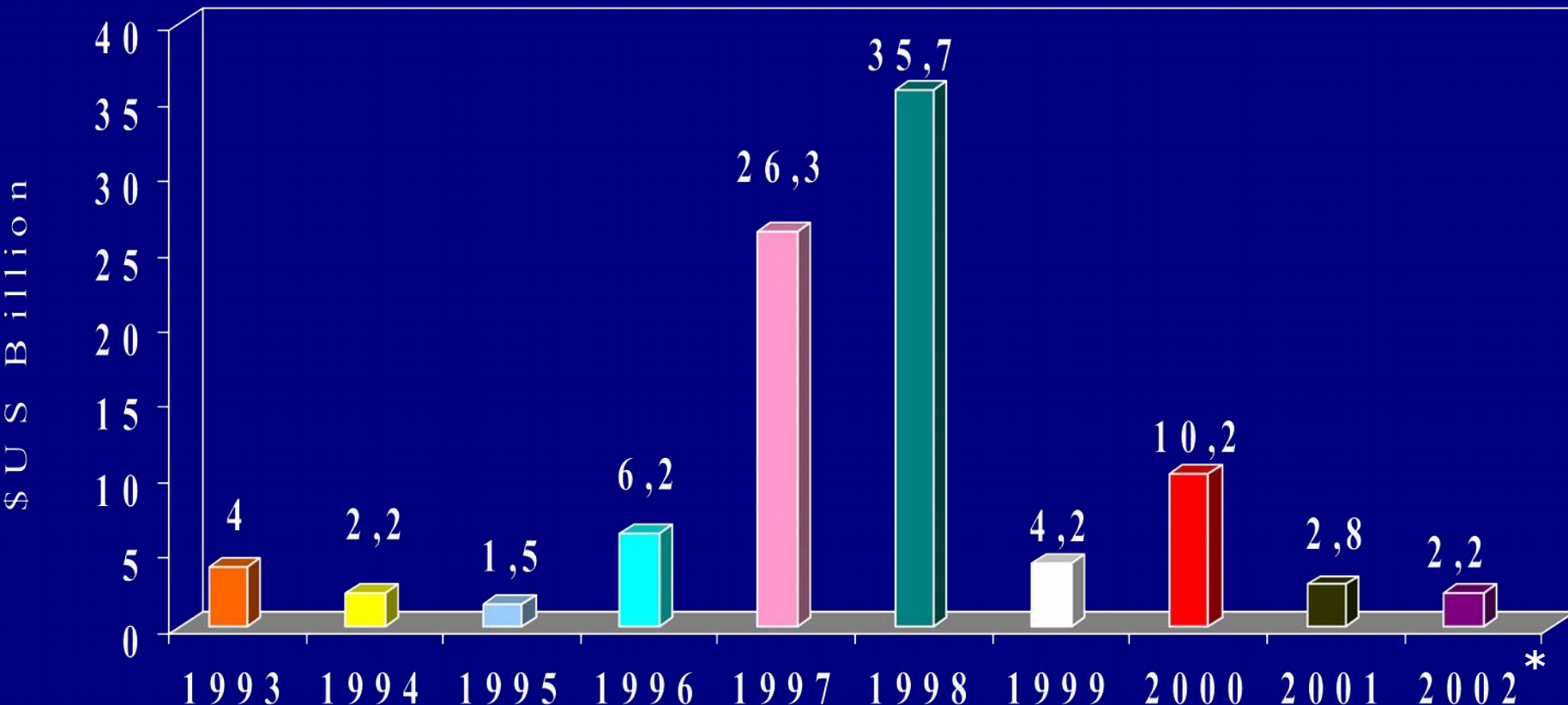
Brazil: Foreign Direct Investment



Source: Central Bank of Brazil / Treasury Department

MACROECONOMIC FUNDAMENTALS

Revenue from Privatisation



Source: BNDES

*** After 2002 there were no more privatisations, which were substituted by Public-Private Partnerships - PPPs.**

MACROECONOMIC FUNDAMENTALS

Year	Value (n US\$ Billion)
1997	199,9
1998	233,8
1999	240,0
2000	233,0
2001	209,5
2002	210,7
2003	214,9
2004	202,0
2005	169,4



Brazil - Evolution of External Debt

MACROECONOMIC FUNDAMENTALS

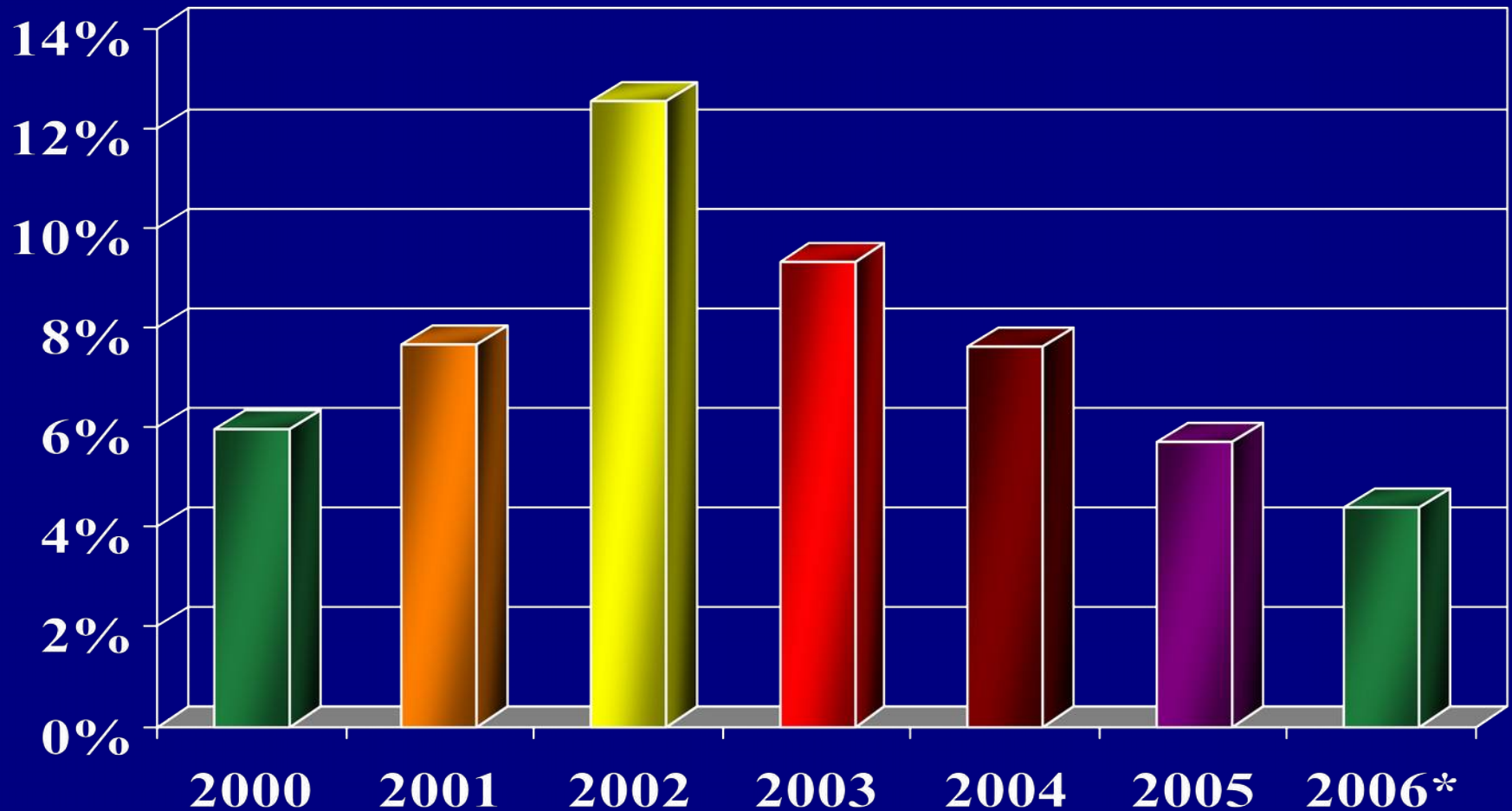
Evolution of International Capital Reserves

Evolution of the Reserves of International Capital (in US\$ Million)

	2002	2003	2004	2005			2006*
				Jan-Sep	Oct-Dec	Year*	
Gross Reserves	37,823	49,296	52,935	57,008	58,094	58,094	70,000
Net Reserves**	16,339	20,525	27,541	42,950	44,036	44,036	70,000

MACROECONOMIC FUNDAMENTALS

Inflation



MACROECONOMIC FUNDAMENTALS

Oil Production

- 2005 – 1.85 million barrels a day
- 2006 - Brazil achieves self sufficiency in oil
- 2010 – 3.4 million barrels a day*



MACROECONOMIC FUNDAMENTALS

Automotive production – 2000-2005

Year	Cars	Light commercials	Trucks	Buses	Total
2000	1,361,721	235,161	71,686	22,672	1,691,240
2001	1,501,586	214,936	77,431	23,163	1,817,116
2002	1,520,285	179,861	68,558	22,826	1,791,530
2003	1,505,139	216,702	78,960	26,990	1,827,791
2004	1,756,594	318,351	107,038	28,758	2,210,741
2005	2,009,494	365,648	117,892	35,266	2,528,300

MACROECONOMIC FUNDAMENTALS

Airplane Trade (US\$ Million FOB)

	2000	2001	2002	2003	2004	2005	2006*
Exports	3,574.5	3,553.6	2,799.2	2,050.0	3,371.3	3,302.84	395.47
Imports	1,073.3	807.6	685.0	591.3	888.3	967.70	181.54
Balance	2,501.1	2,745.9	2,114.2	1,458.6	2,482.6	2,335.13	213.93
Flow of Commerce	4,647.9	4,361.3	3,484.2	2,641.3	4,260.0	4,270.55	577.02



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MACROECONOMIC FUNDAMENTALS

Brazilian Imports in billion of US dollars



Source: SECEX

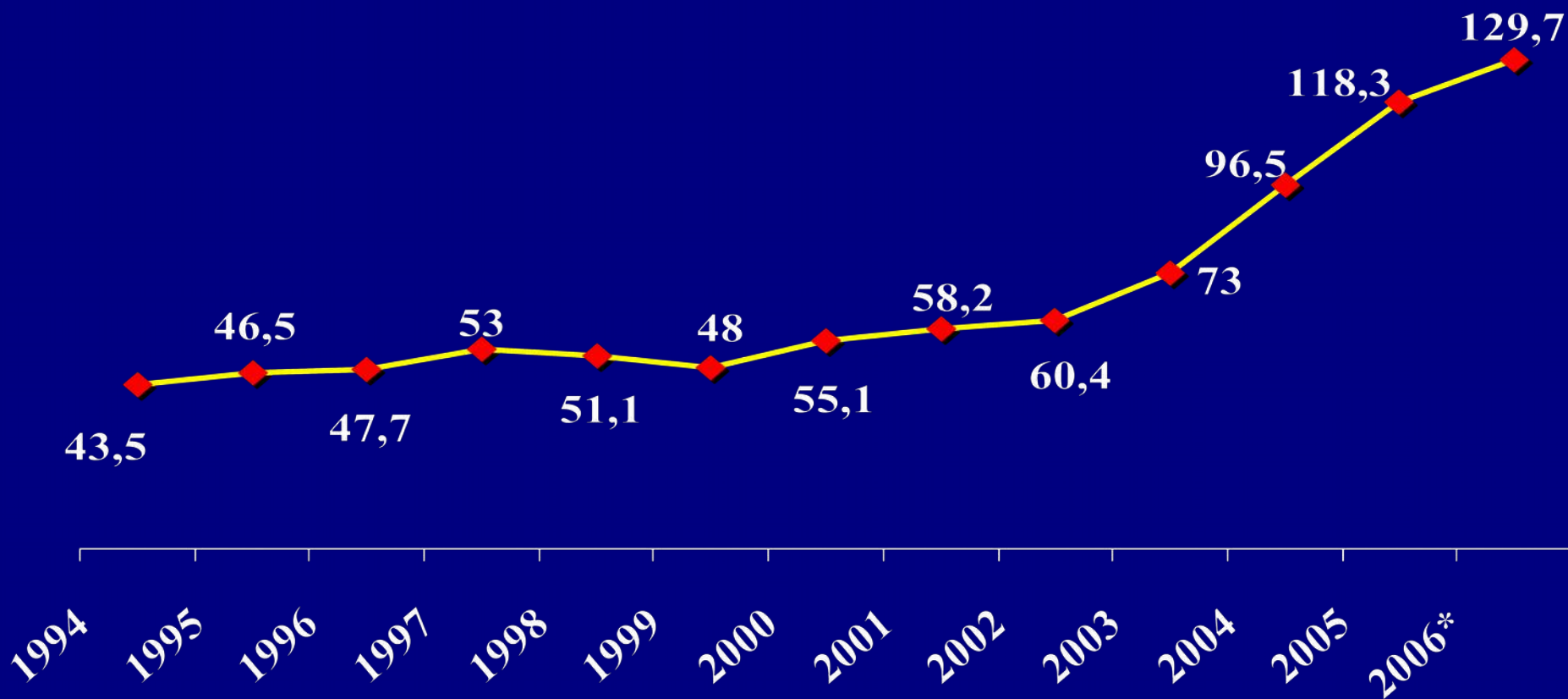
* estimate



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MACROECONOMIC FUNDAMENTALS

Brazilian Exports in billion of US dollars



Source: SECEX

* estimate

MACROECONOMIC FUNDAMENTALS

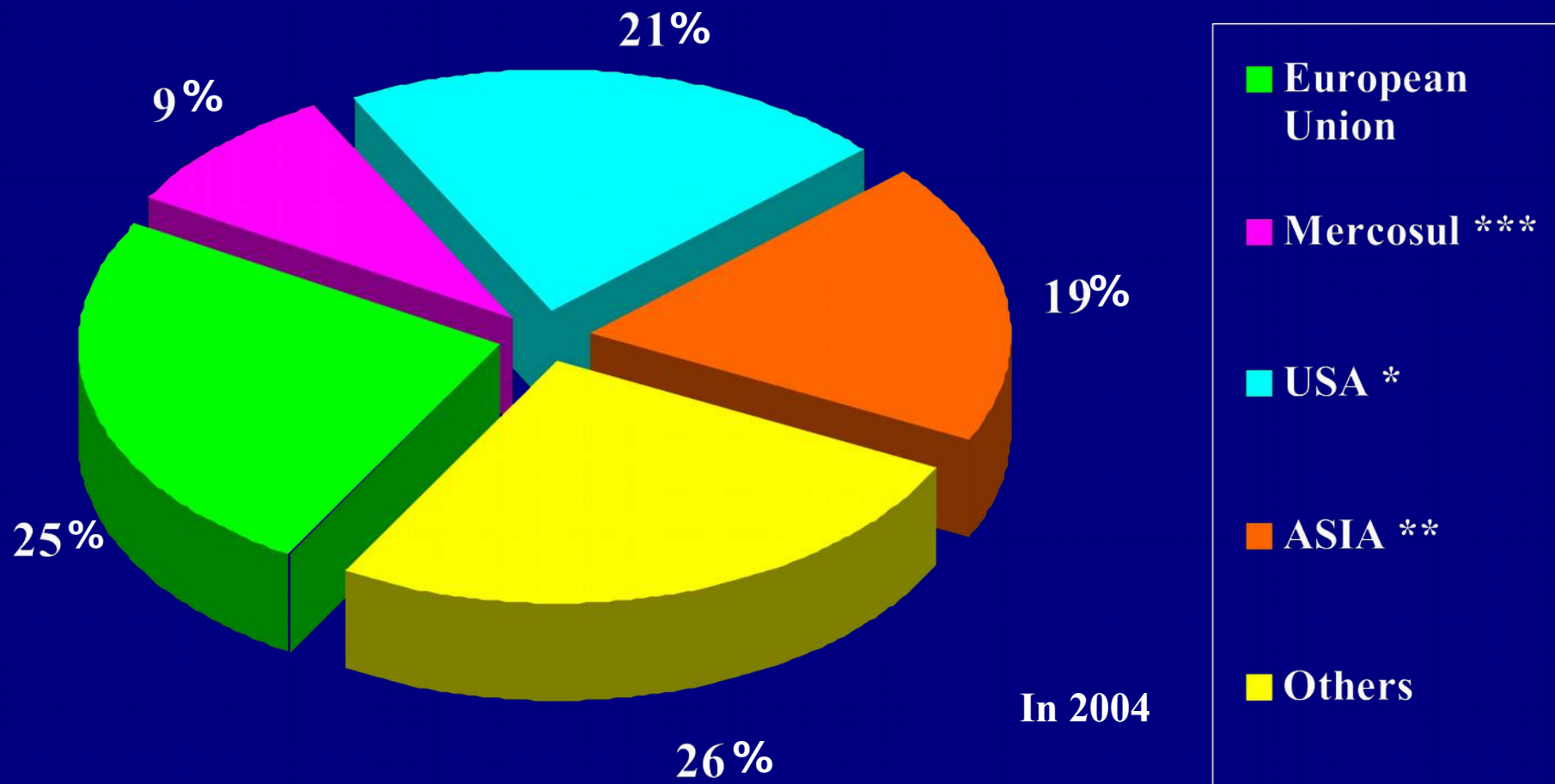
Foreign Trade – prospects to Brazil

⇒ Estimates per 2006

US\$ Billion	Estimate
Imports	87.9
Exports	129.7
Balance	41.8

MACROECONOMIC FUNDAMENTALS

Brazil's Export Markets



* *USA including Puerto Rico*

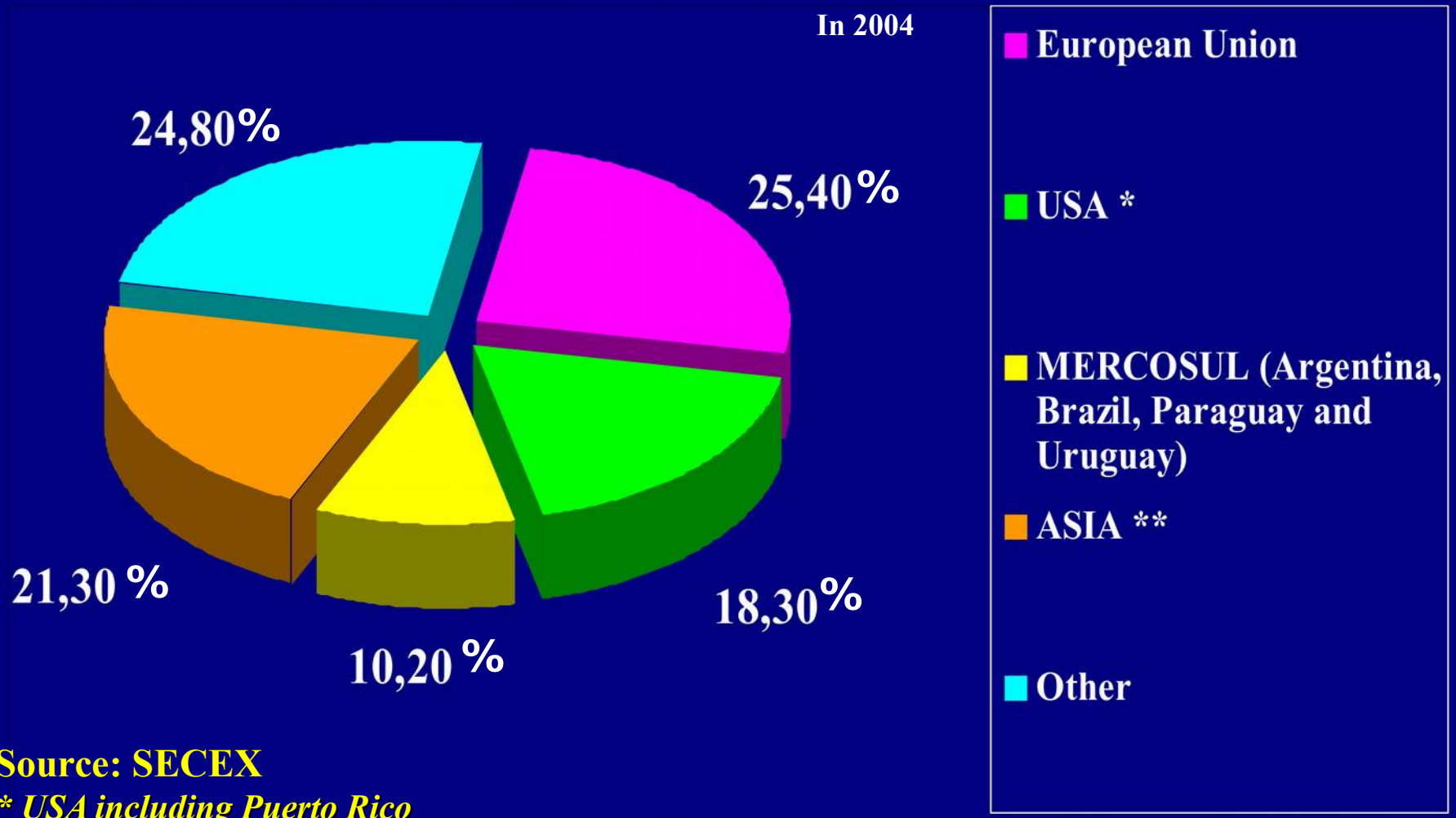
** *ASIA excluding Middle East*

*** *Argentina, Brazil, Paraguay and Uruguay*

Source: SECEX

MACROECONOMIC FUNDAMENTALS

Sources of Brazil's Imports



Source: SECEX

* USA including Puerto Rico

** ASIA excluding Middle East



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MACROECONOMIC FUNDAMENTALS

The Brazilian Economy in the 21st Century

- consolidation of democracy
- stabilisation of the economy
- trade liberalisation
- resumption in foreign direct investment
- massive privatization program
- pre-emptive strengthening of financial sector
- end of distinction between foreign and domestic companies
- resumption of economic growth
- end of monopoly in telecommunications, oil and gas
- great development of services sector
- leadership in agribusiness
- massive trade surplus



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MACROECONOMIC FUNDAMENTALS

The Brazilian Achievements

During the First 3 Years of Lula's Presidency

- major investments on power plants: production and transmission
- resumption of train and shipping industry
- aircraft industry exports reached US\$ 11 billion in 2005
- development of flexible fuel vehicles - biofuel
- over 10,000 new doctors will graduate in Brazil this year
- over 50 Brazilian companies opened international branches and facilities in Europe and Asia
- nearly 30 Brazilian companies opened business at the New York Stock Exchange
- Brazilian Risk Rating dropped almost 1,000 points reaching the lowest level in January 2006 (220 points)
- Brazilian inflation dropped from 30% (2002) to 5% (2005)

MACROECONOMIC FUNDAMENTALS

Main problems to be solved

- 1. taxes are not competitive**
- 2. interest rates are very high**
- 3. exchange rates are overestimated**

INTERNATIONAL TRADE

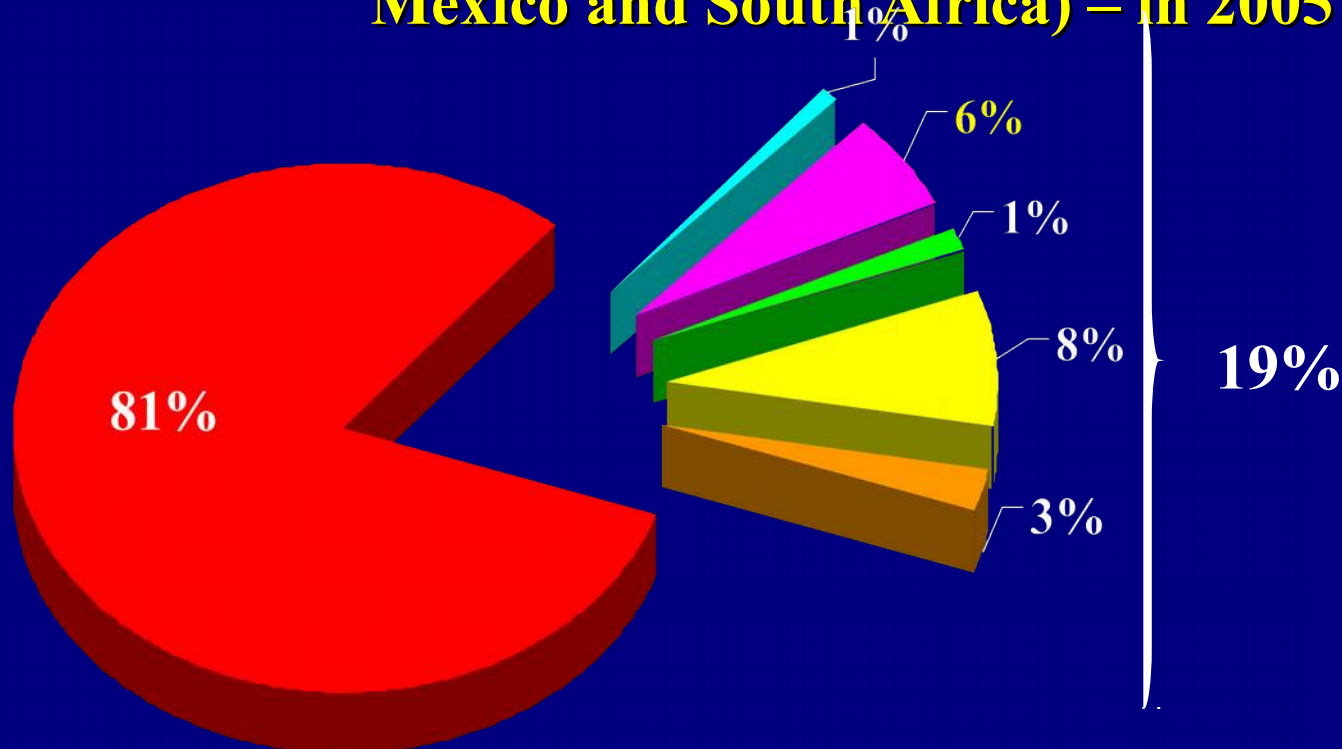
Prospects for trade between China and Brazil

Trade between Brazil
and developing
countries is a priority
for Brazilian
Government.



INTERNATIONAL TRADE

Flow of trade between Brazil and selected developing countries (Argentina, China, India, Mexico and South Africa) – in 2005



■ South Africa ■ China ■ India ■ Argentina ■ Mexico ■ Other Countries

INTERNATIONAL TRADE

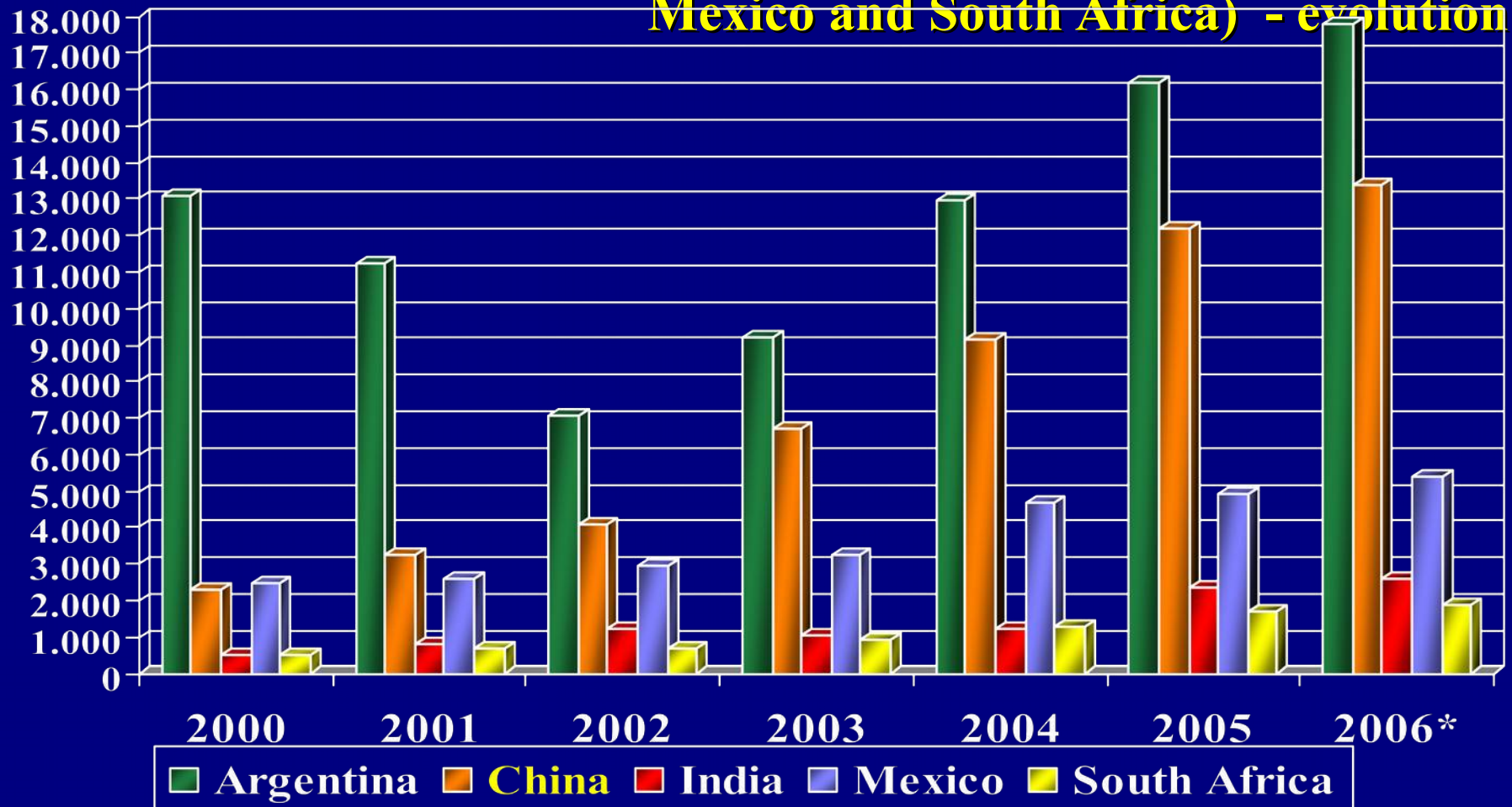
Evolution of the flow of trade between Brazil and selected developing countries

Evolution of the Flow of Trade Between Brazil and Selected Developing Countries Over the Last 5 Years (in US\$ Million)

Country / Year	2000	2001	2002	2003	2004	2005	2006*
Argentina	13,075	11,208	7,085	9,233	12,942	16,153	17,768
China	2,307	3,230	4,074	6,680	9,150	12,187	13,406
India	488	828	1,226	1,038	1,207	2,339	2,572
Mexico	2,465	2,563	2,922	3,274	4,651	4,907	5,397
South Africa	529	709	659	935	1,303	1,710	1,881

INTERNATIONAL TRADE

Flow of trade between Brazil and selected developing countries (Argentina, China, India, Mexico and South Africa) - evolution

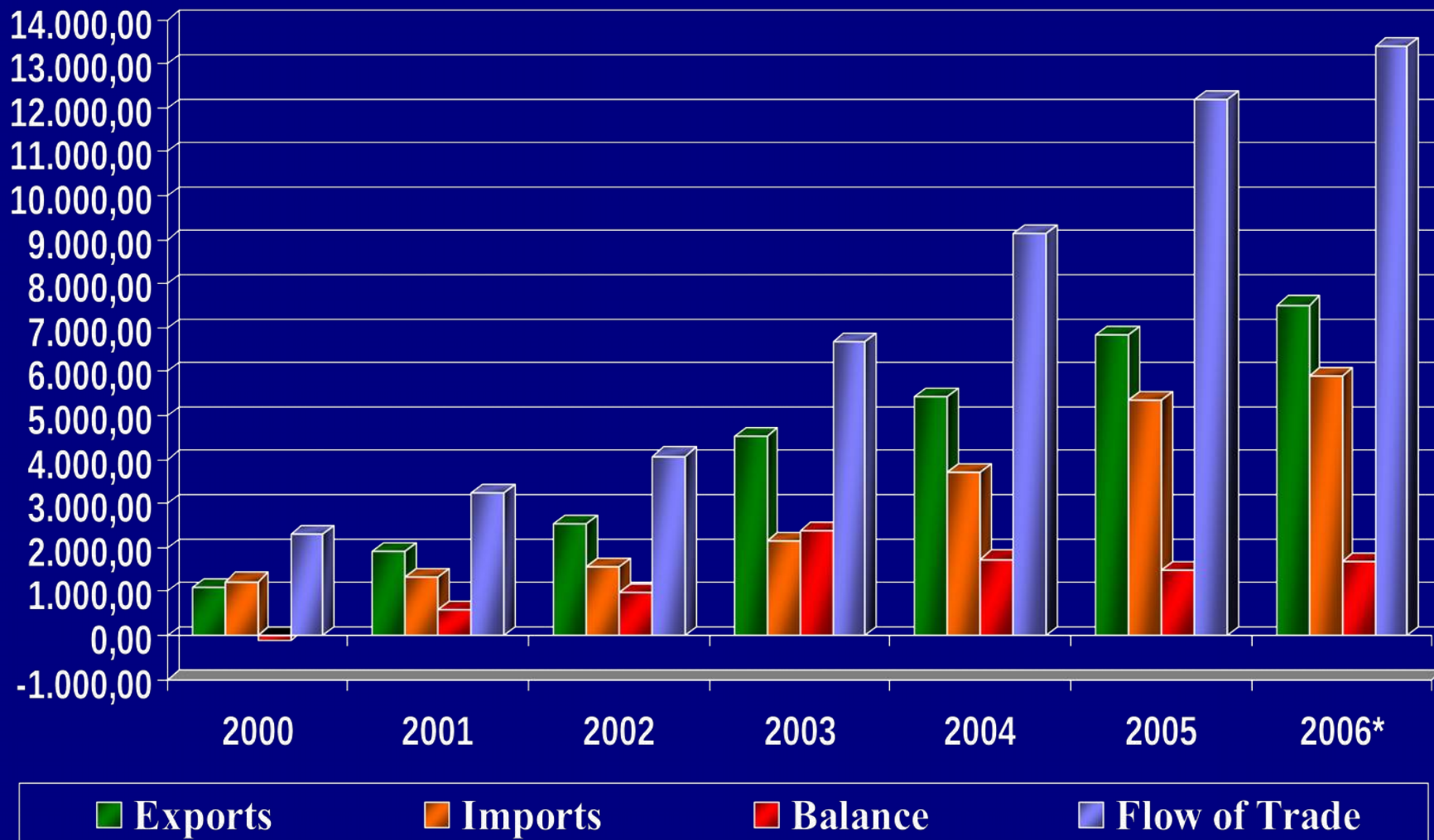


TRADE BETWEEN BRAZIL x CHINA

Overview

	2000	2001	2002	2003	2004	2005	2006*
Exports	1,085.2	1,902.1	2,520.4	4,532.5	5,439.9	6,833.6	7,516.9
Imports	1,222.1	1,328.4	1,554.0	2,147.4	3,710.4	5,353.8	5,889.1
Balance	-136.9	573.6	966.4	2,385.1	1,729.4	1,479.8	1,672.8
Flow of Trade	2,307.3	3,230.5	4,074.5	6,680.0	9,150.4	12,187.5	13,406.2

TRADE BETWEEN BRAZIL x CHINA



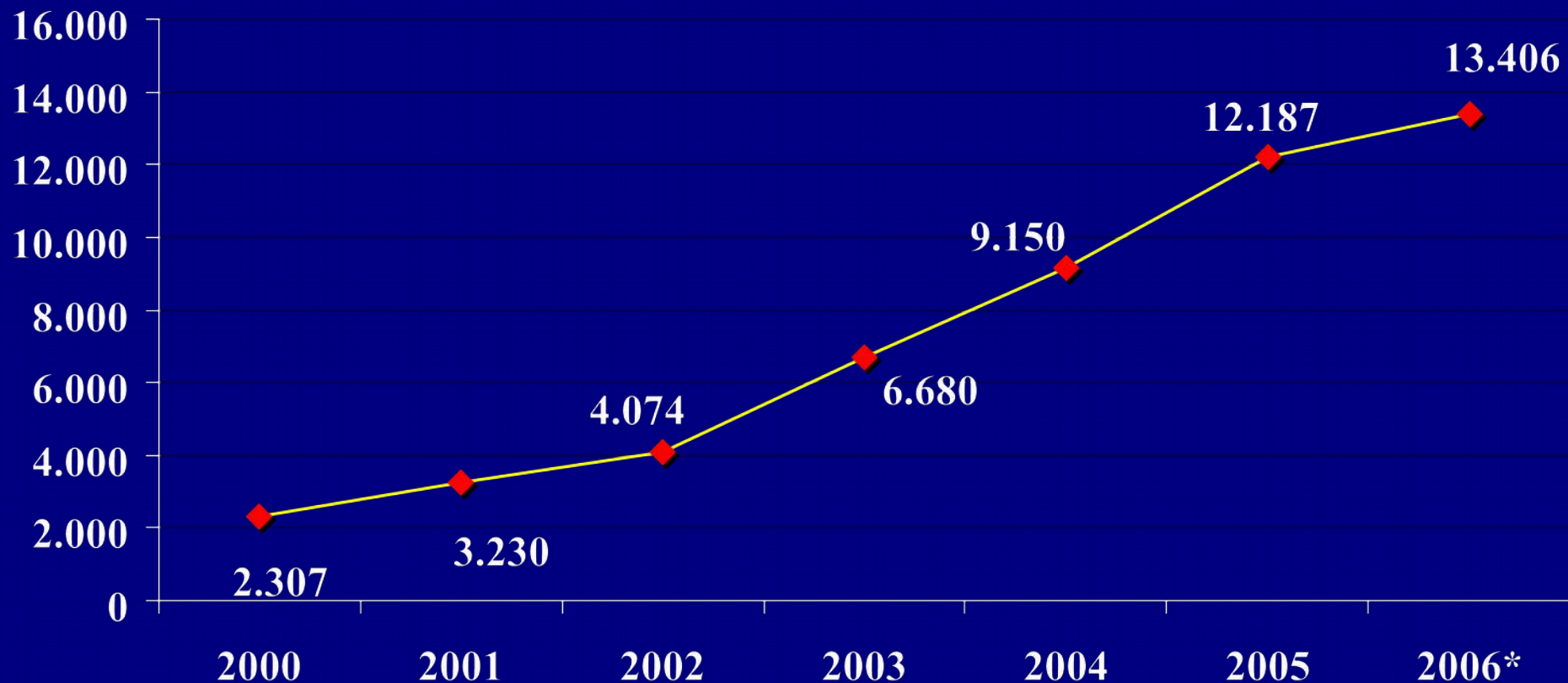


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TRADE BETWEEN BRAZIL x CHINA

Flow of Trade

Flow of Trade Between Brazil and China (in US\$ Million)



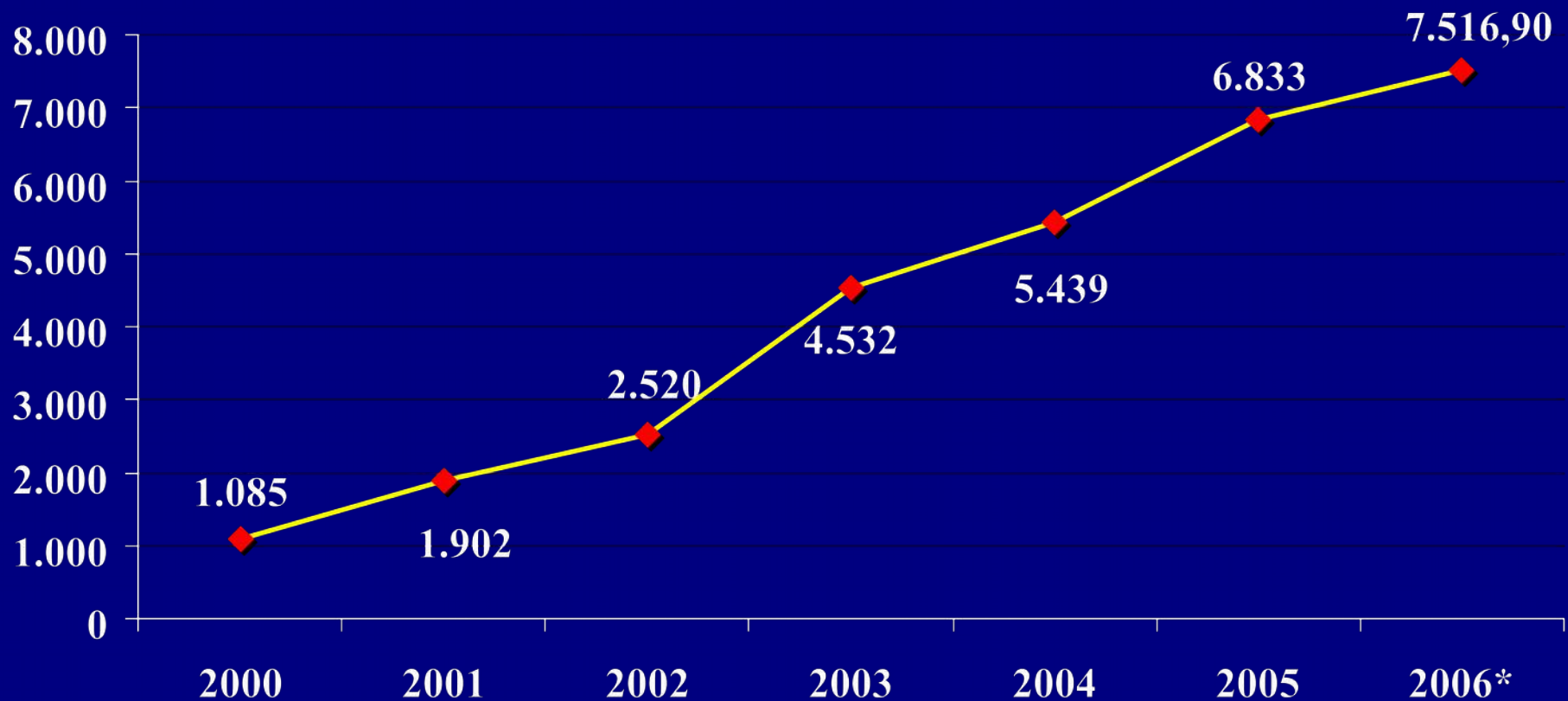
Source: SECEX

*estimate

TRADE BETWEEN BRAZIL x CHINA

Exports

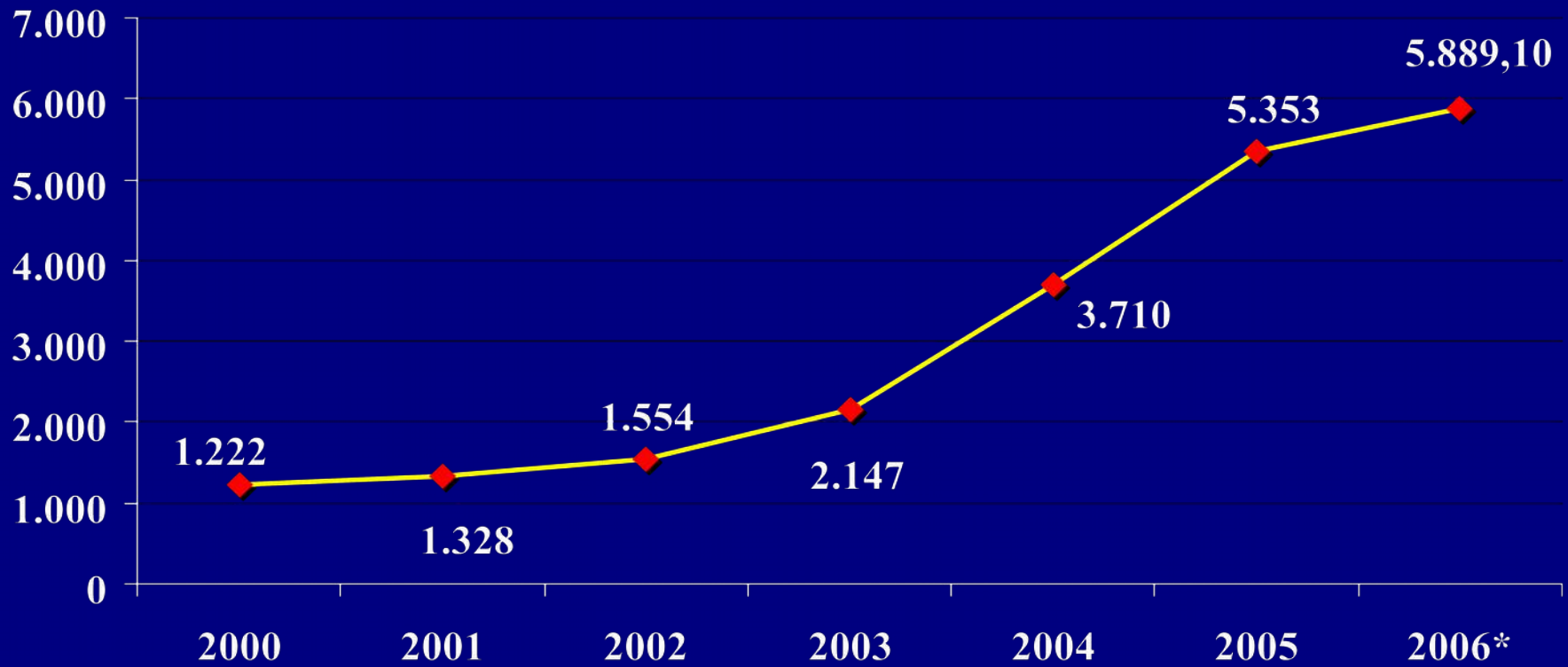
Brazilian Exports to China (in US\$ Million)



TRADE BETWEEN BRAZIL x CHINA

Imports

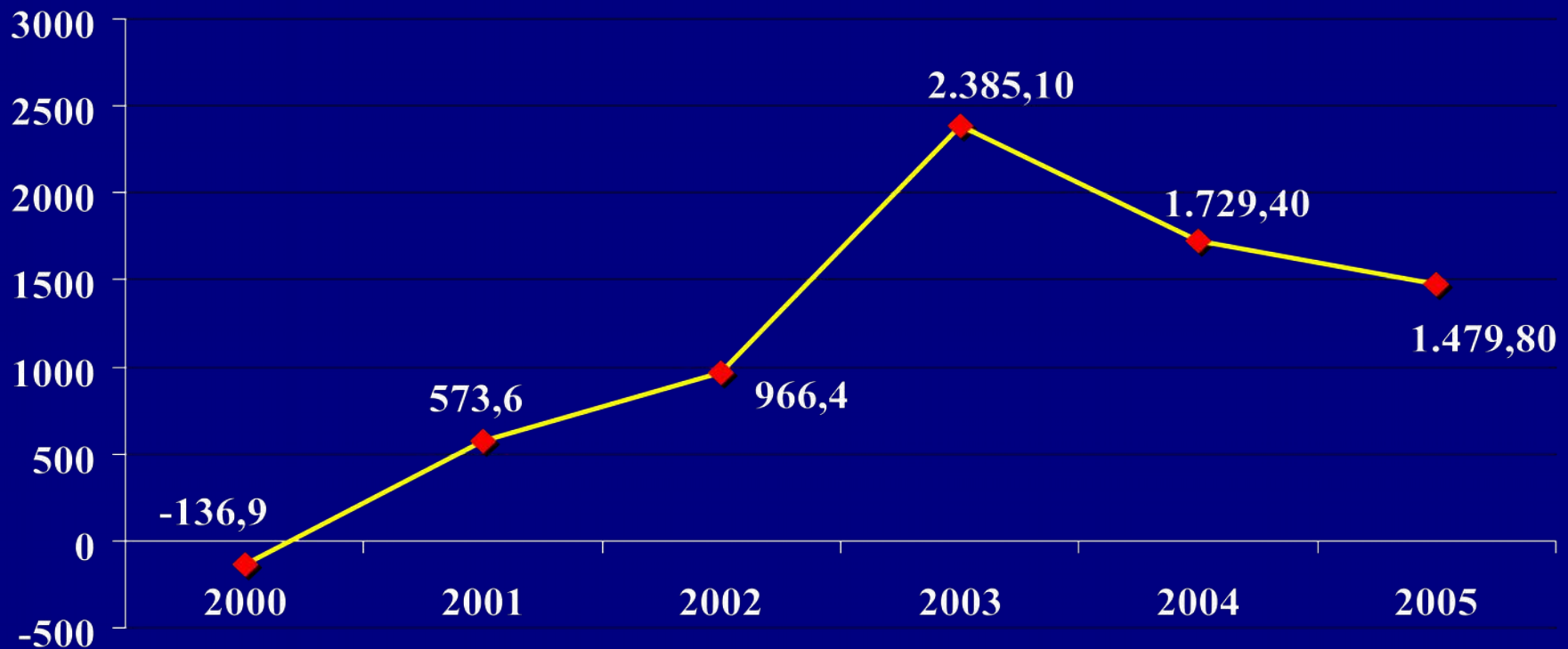
Brazilian Imports from China (in US\$ Million)



TRADE BETWEEN BRAZIL x CHINA

Trade Balance

Balance of the Trade Between Brazil and China



TRADE BETWEEN CHINA AND BRAZIL

Main products exported by Brazil to China

	2005 (Jan/Dec)		2004 (Jan/Dec)	
Product	US\$ FOB	Participation	US\$ FOB	Participation
Other Soy Beans	1,716,921,127	25.12%	1,621,735,722	29.81%
Non-agglomerated iron ore	1,242,540,969	18.18%	781,363,202	14.36%
Agglomerated iron ore	542,090,156	7.93%	333,592,598	6.13%
Crude oil	541,629,596	7.93%	210,130,456	3.86%
Dry tobacco leaves	246,666,746	3.61%	101,740,185	1.87%
Non pine wood paste	230,104,456	3.37%	252,164,081	4.64%
Cold rolled iron/steel	165,024,471	2.41%	49,961,065	0.92%
Crude degummed soy oil	144,044,173	2.11%	422,870,334	7.77%
Other laminated wood	100,579,491	1.47%	81,941,651	1.51%
Frozen chicken parts	78,305,568	1.15%	33,692,003	0.62%

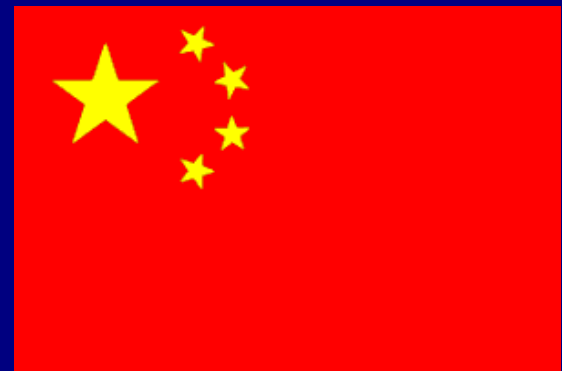
TRADE BETWEEN INDIA AND BRAZIL

Main products imported by Brazil from China

Product	2005 (Jan/Dec)		2004 (Jan/Dec)	
	US\$ FOB	Participation	US\$ FOB	Participation
Transmitter/Receiver parts	396,487,975	7.41%	162,158,081	4.37%
LCD (liquid crystal) devices	255,936,201	4.78%	159,177,419	4.29%
Coke (coal, lignite, peat)	163,572,577	3.06%	338,914,421	9.13%
Audio-video player/recorder	121,186,164	2.26%	51,707,513	1.39%
Mobile telephone terminal	101,972,689	1.90%	25,658,310	0.69%
Parts for TV, radio, etc.	90,829,821	1.70%	99,203,116	2.67%
Polyester cloth > = 85% dyed	74,345,394	1.39%	68,742,968	1.85%
Printed circuit	69,576,855	1.30%	40,679,285	1.10%
Other electrical accumulator	58,877,925	1.10%	51,686,458	1.39%
Disc player mechanism	58,595,829	1.09%	38,650,934	1.04%

TRADE AGREEMENTS BETWEEN BRAZIL AND CHINA

Although frequent, contacts between Southern Common Market (Mercosul) and Asian countries, still embrionary. Nevertheless, a very productive dialogue was established with Japan, China and Korea.



BRAZIL

PROSPECTS FOR INTERNATIONAL TRADE

