

NORONHA ADVOGADOS GLOBAL LAWYERS

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Brazil, the Emerging Giant: Notes on the Economy, Foreign Trade and Investment Flows

Durval de Noronha Goyos Jr.
Senior Partner - Noronha Advogados
Hartford, Connecticut/USA - March 04th, 2009.

POINTS OF PRESENTATION

1. Geopolitical fundamentals

- 1.1 Strategic Advantages
- 1.2 Energy
- 1.3 Water
- 1.4 Population / Social Classes

2. The Economy

- 2.1 GDP
- 2.2 External Debt
- 2.3 International Reserves
- 2.4 Inflation
- Aspects**
- 2.5 Exchange rates
- 2.6 Interest rates
- 2.7 Problems
- 2.8 Current Account
- 2.9 Some industrial aspects
- 2.10 Unemployment

3. Foreign Trade

- 3.1 Overview of Brazil's foreign trade
- 3.2 Foreign Trade with Selected Partners
- 3.3 Trade in Agricultural products

4. Investment Flows

- 4.1 Inbound
- 4.2 Outbound

5. Foreign Policy - General

Map of Brazil



1.1 Strategic Advantages

Arable land over 20 millions hectares

Pop over 100 Million inhabitants



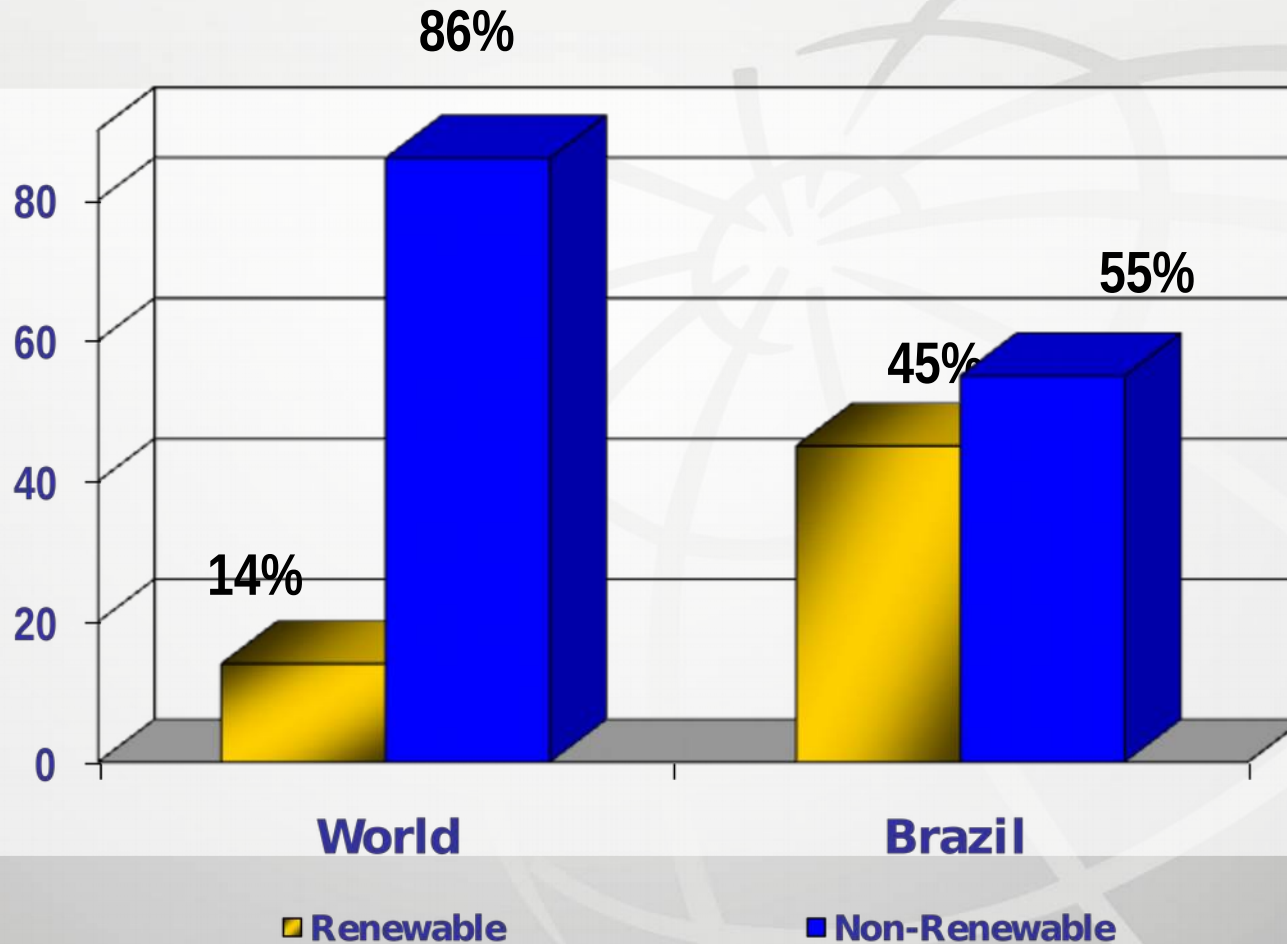
GDP, Population, Agriculture

GDP over US\$ 1 Trillion



Fundamentals of Brazil's Economy

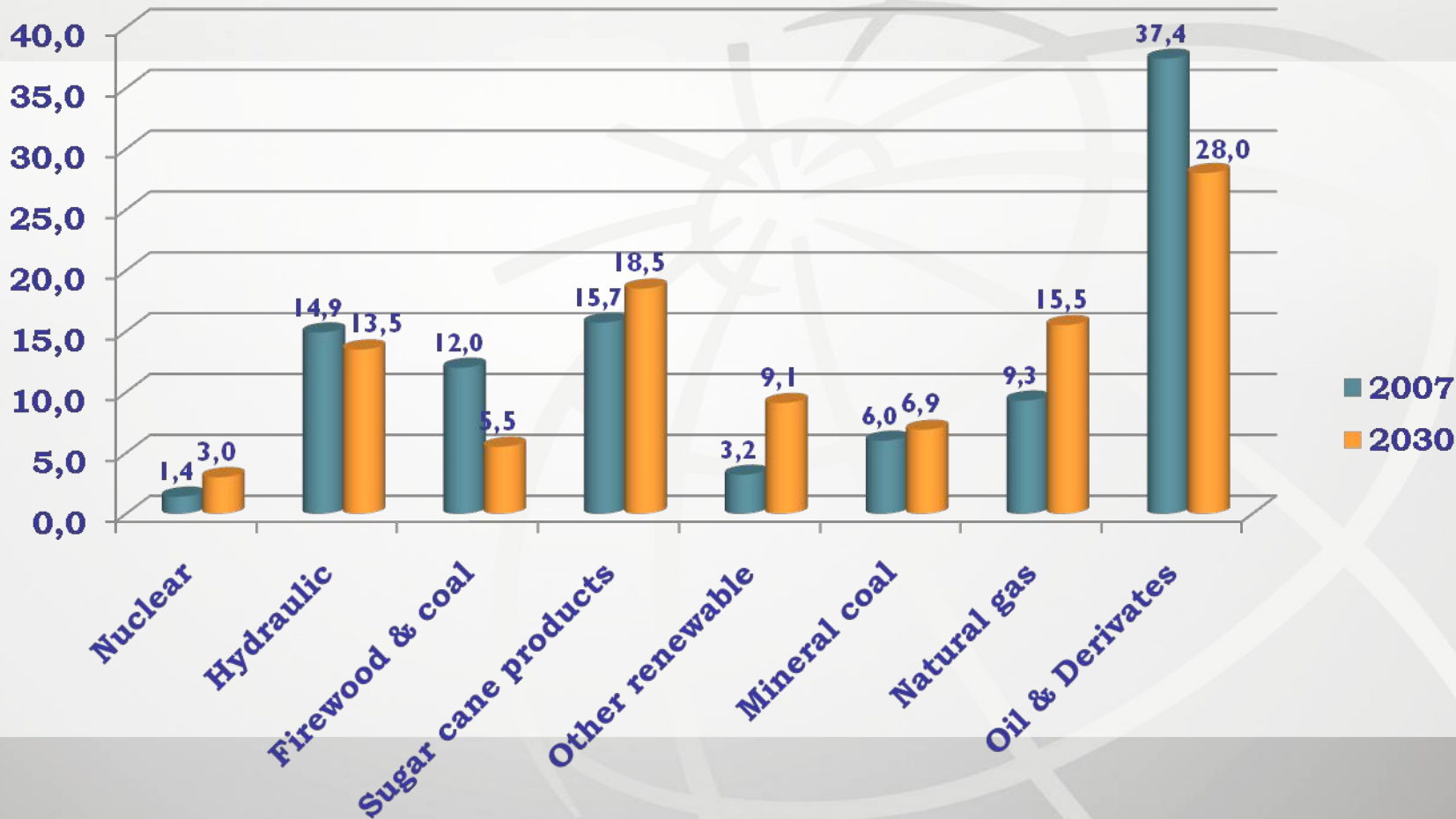
1.2 Sources of Energy



Source: Brazilian Ministry of Mines and Energy

Fundamentals of Brazil's Economy

1.2 Evolution of the Brazilian Energetic Matrix (%)



Source: MME/BEN (2008) and PNE 2030

Fundamentals of Brazil's Economy

1.2 World's Oil Reserves

In Billion of
Barrels

1	Saudi Arabia	266
2	Iran	138
3	Iraq	115
4	Kuwait	104
5	UAE	97
6	Brazil	94
7	Venezuela	87
8	Russia	79
9	Libya	41
10	Kazakhstan	39
11	Nigeria	36
12	USA	29

Source: Oil & Gas Journal - January, 2008

Fundamentals of Brazil's Economy

1.2 Oil Production

- **2005 - 1.85 million barrels a day**
- **2006 - Brazil achieves self sufficiency in oil**
- **2007 - Discovery of Tupi oilfield with estimated 10 billion of barrels of oil. The discovery could double the Brazilian reserves.**
- **2008 - Discovery of Carioca oilfield with estimated 70 billion barrels of oil. Discovery puts Brazil's oil reserves among the world's largest ¹**
- **2010 - 3.4 million barrels a day ²**

Source:

¹- Financial Times, July 8 2008

²- Petrobras estimate



Fundamentals of Brazil's Economy

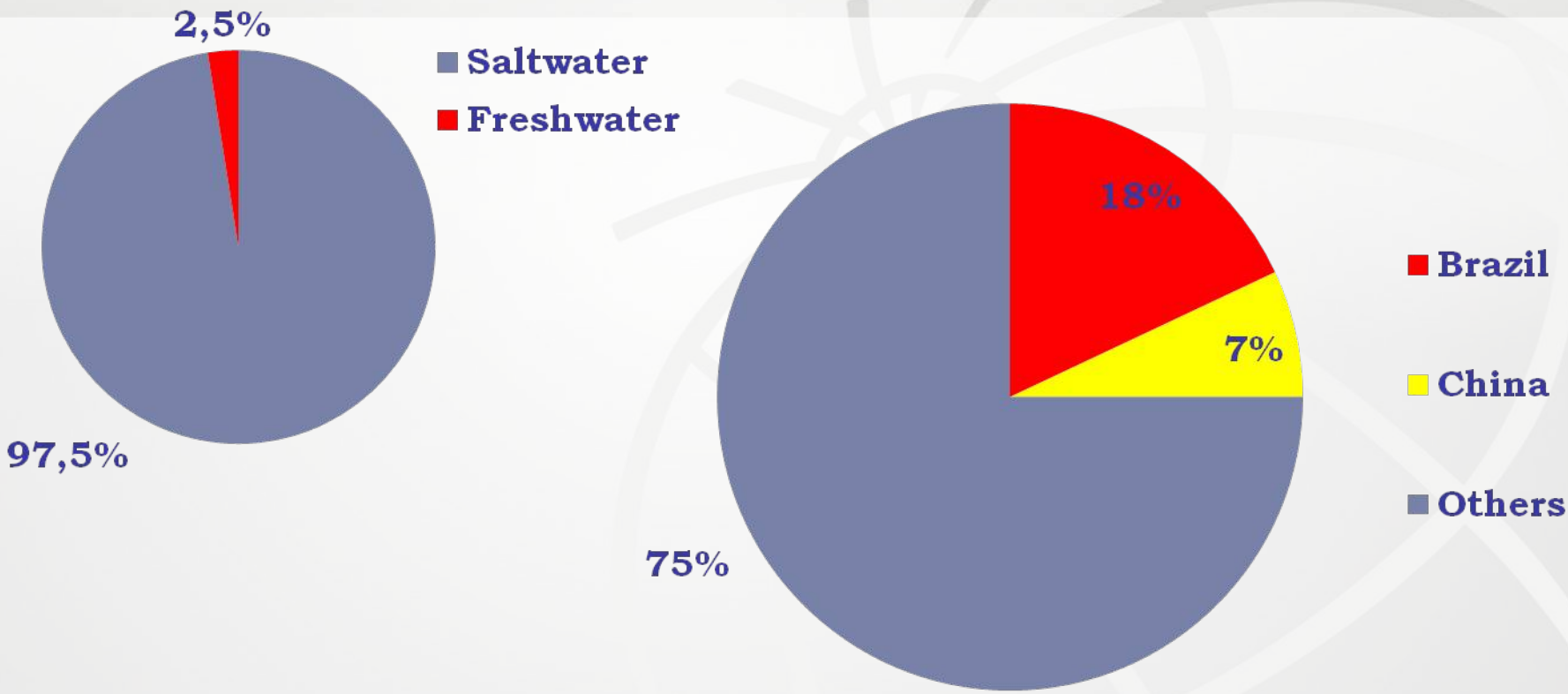
1.2 Ethanol Production

- 22 billion liters/year (2008)
- 70 billion liters/year (2020)* Estimate
- Increase in cultivated area by 67,000 hectares
- Creation of 20,000 direct jobs and 60,000 indirect jobs
- Investments in production chain estimated at around USD 1,5 billion for the next years
- CO₂ emission reduction by 3.5 million tons/year

Source: Sugar Cane Industry Union - UNICA

Fundamentals of Brazil's Economy

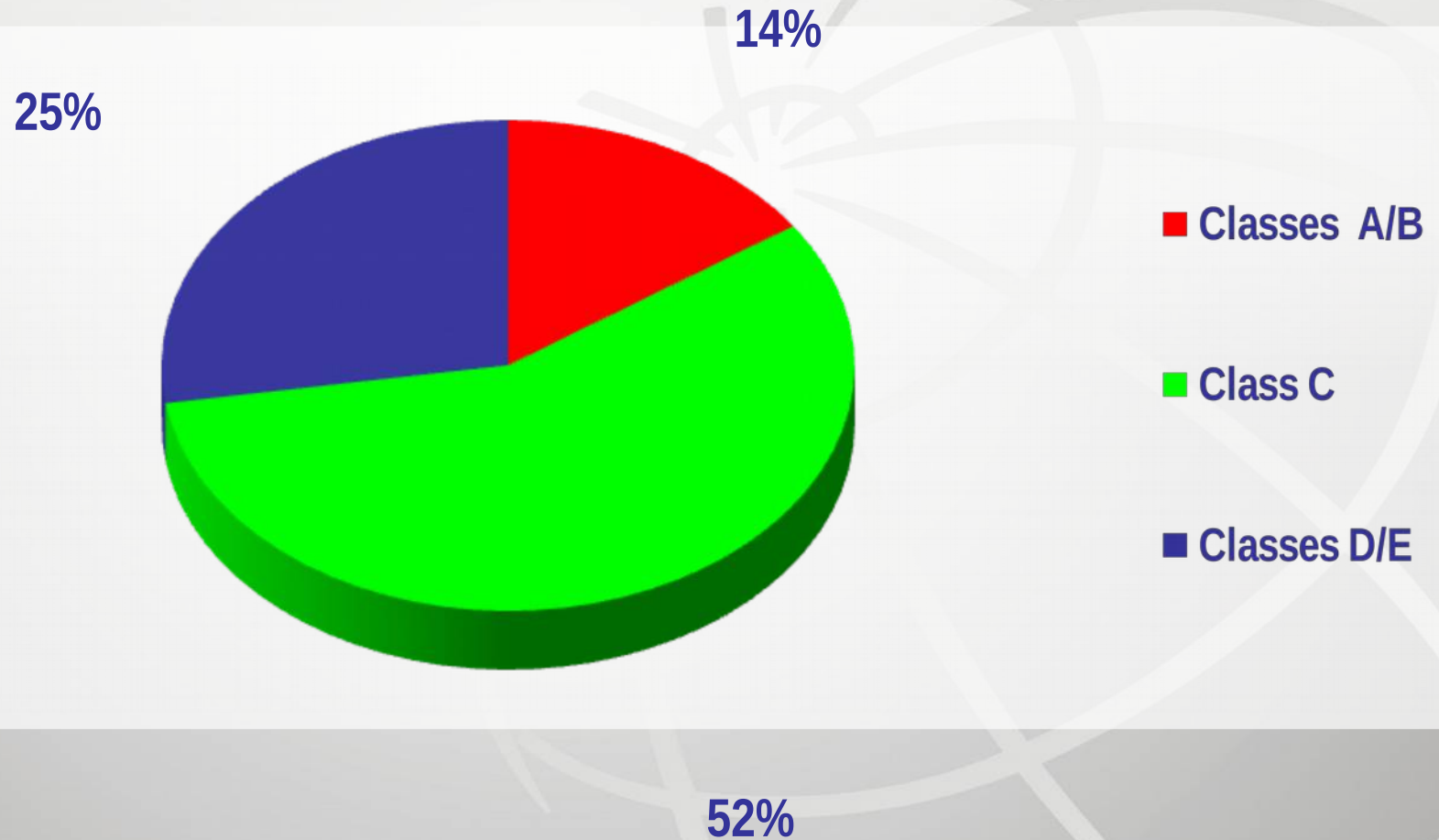
1.3 World's Availability of Fresh Water



Source: Brazilian National Agency of Water and Embassy of the Popular Republic of China

Fundamentals of Brazil's Economy

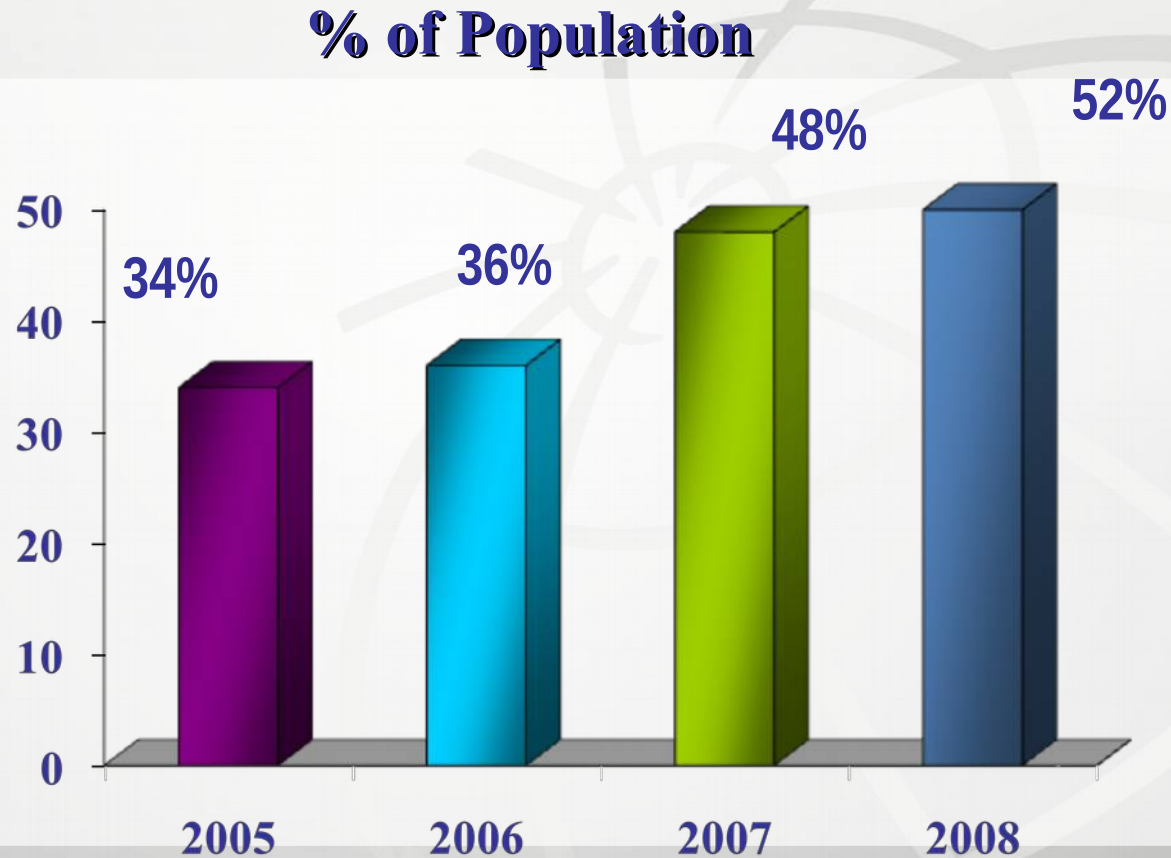
1.4 Brazil's Social Development: Division by Classes in 2008



Source: Brazilian Institute of Geography and Statistics - IBGE

Fundamentals of Brazil's Economy

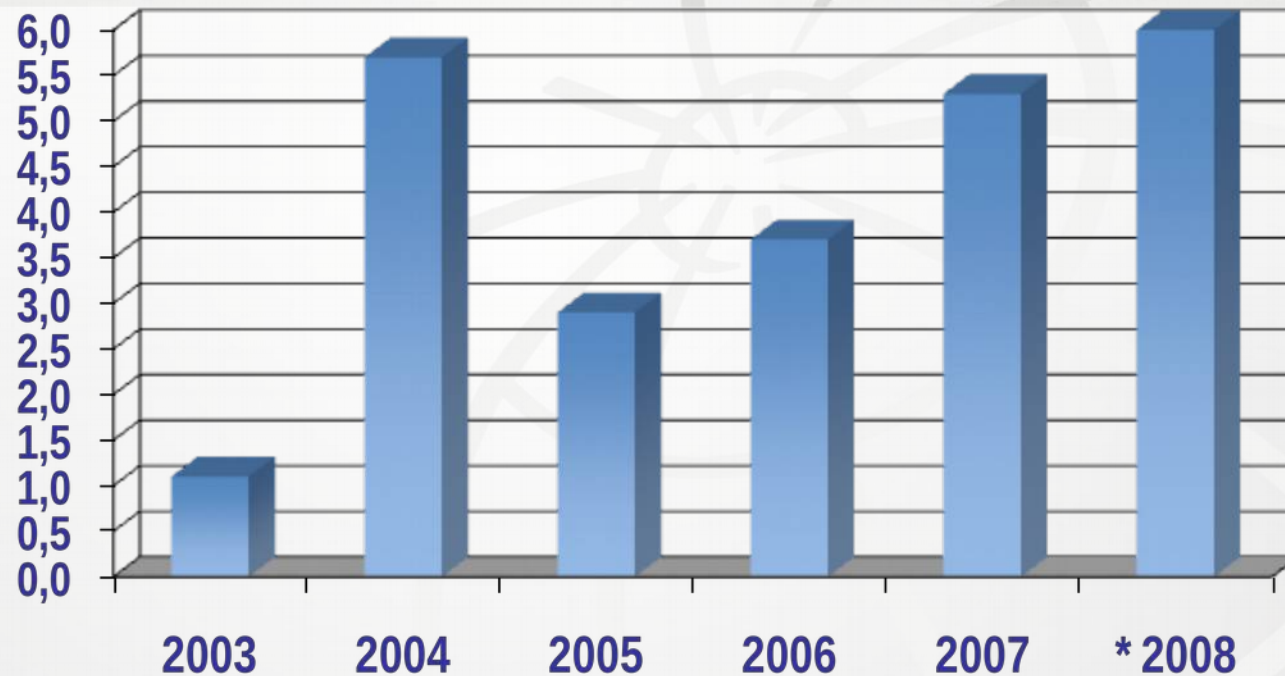
1.4 Brazil's Social Development: Growth of Class C



Source: Brazilian Institute of Geography and Statistics - IBGE

Fundamentals of Brazil's Economy

2.1 Economic Growth % (GDP)



Source: Brazilian Institute of Geography and Statistics - IBGE/IEDI

Fundamentals of Brazil's Economy

2.1 Brazil's GDP (incorporating purchase power parity rating)

- Total GDP US\$ 2 trillion
- GDP per capita US\$ 10,300 (2008)
- GDP per capita US\$ 9.700 (2007)

Source: CIA World Book

Fundamentals of Brazil's Economy

2.1 Brazil's GDP in US\$

	2003	2004	2005	2006	2007	2008
GDP (Billion)	552	663.4	882	1,006	1,300	1,378
Population (Million)	178.9	181.5	185.5	186.7	188.9	196.0
GDP per capita (Thousand)	3,10	3,66	4,77	5,41	6,91	7,030

Source: Brazilian Institute of Geography and Statistics - IBGE

Fundamentals of Brazil's Economy

2.2 Development of External Debt

Year	Gross Amount (US\$ Billion)	Net Amount (US\$ Billion)
1998	235,1	
1999	223,9	
2000	216,9	
2001	209,9	
2002	210,7	
2003	214,9	165,6
2004	201,4	148,4
2005	169,4	115,6
2006	172,6	86,76
2007	193,2	12,86
* 2008	200,2	(-6,6)

Source: Central Bank

* JAN/2009

Fundamentals of Brazil's Economy

2.3 Brazilian International Reserves

Year	US\$ Billion
2003	49,296
2004	52,935
2005	53,799
2006	85,839
2007	180,334
*2008	206,800

Source: Central Bank

*December/2008

Fundamentals of Brazil's Economy

2.3 Brazilian International Reserves

US\$ Billion

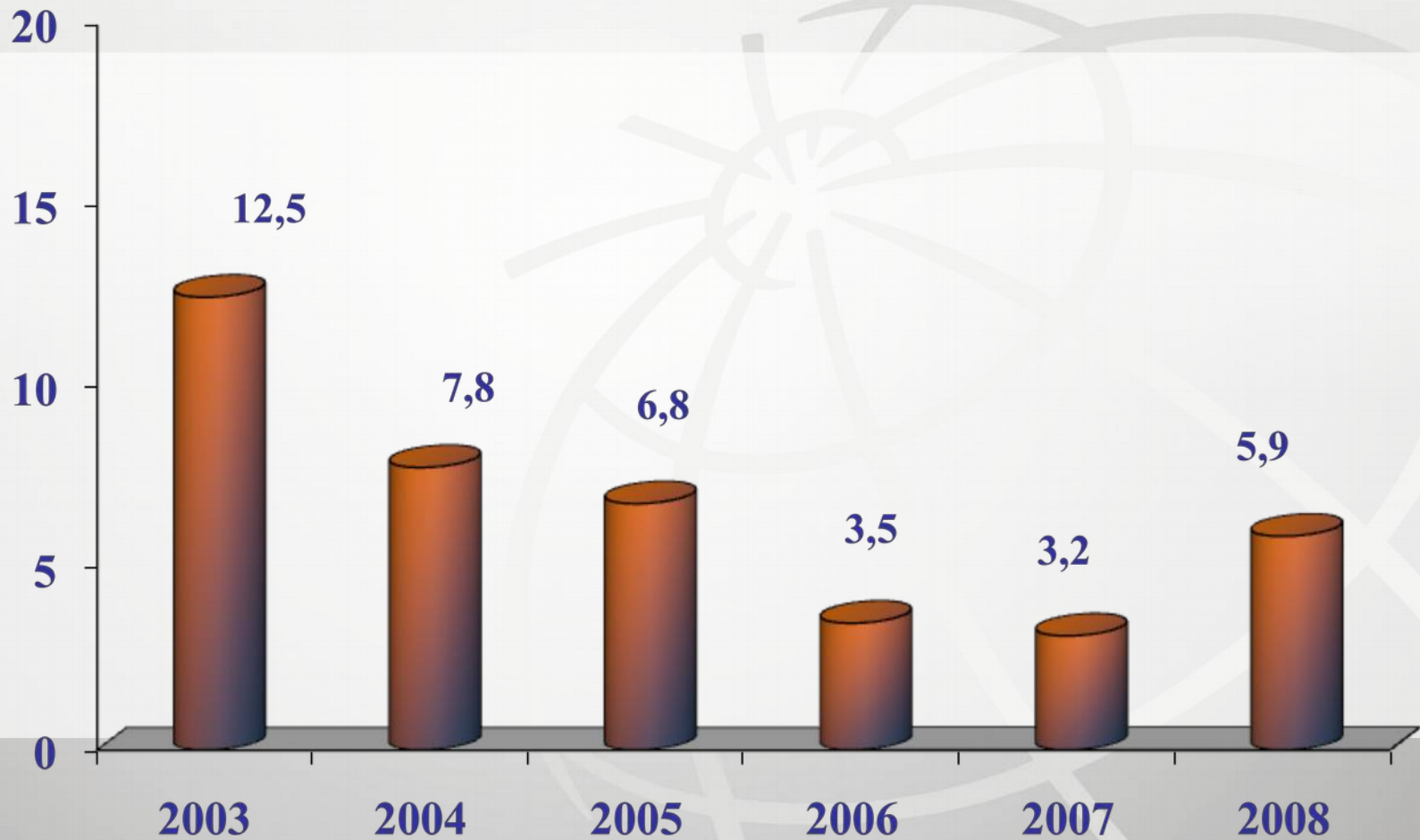


Source: Central Bank

*December/2008

Fundamentals of Brazil's Economy

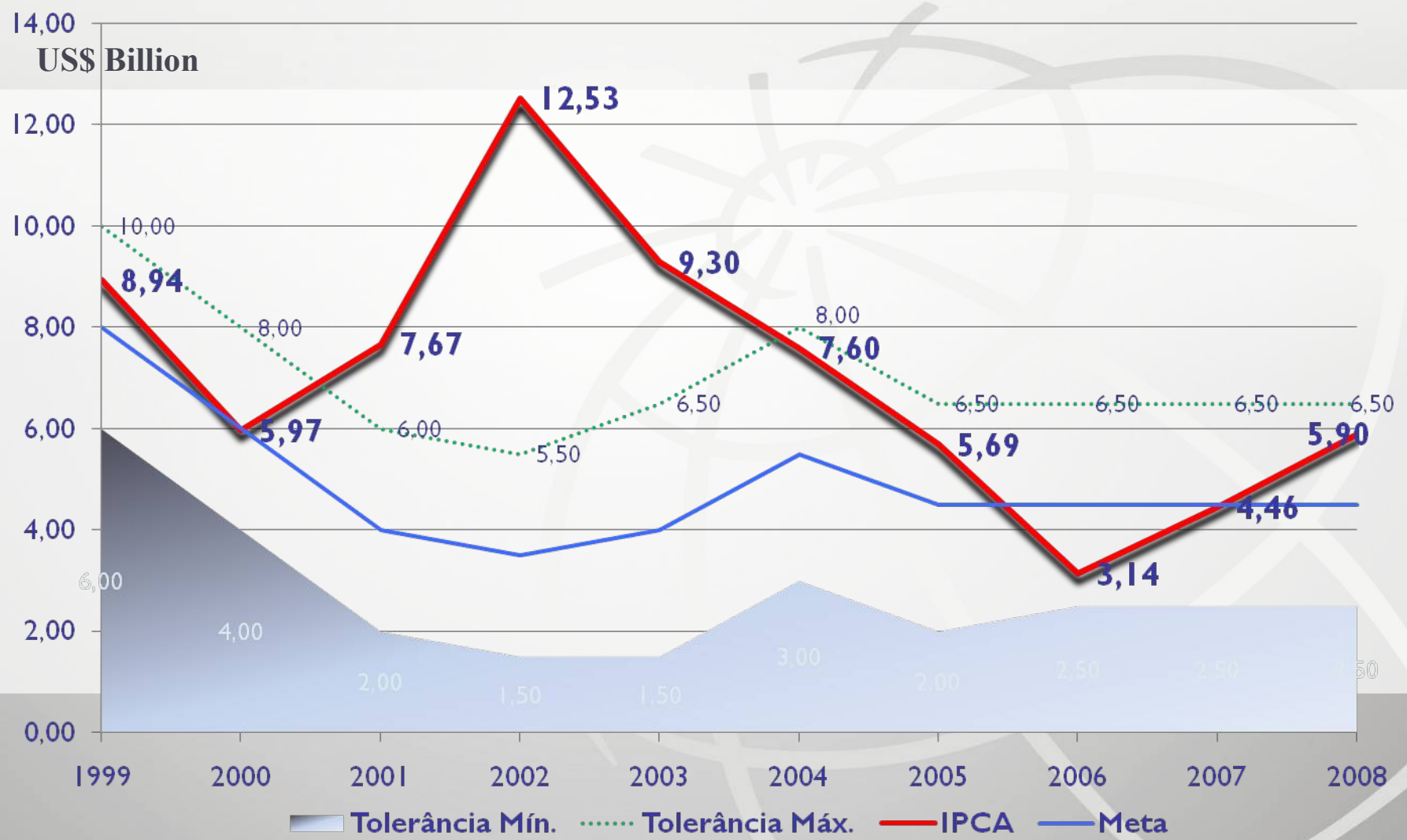
2.4 Brazil: Inflation rate %



Source: Central Bank

Fundamentals of Brazil's Economy

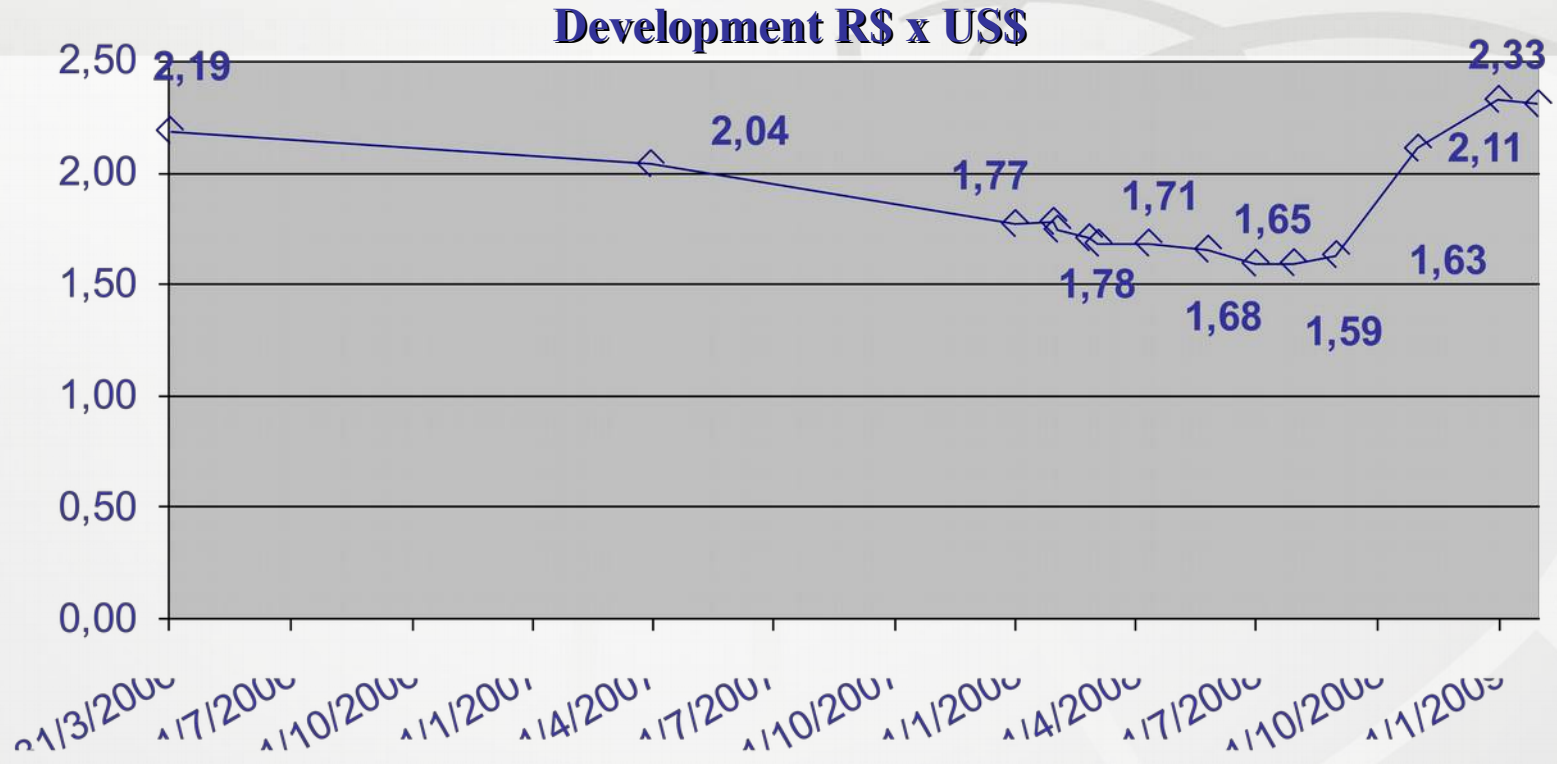
2.4 Brazil's Inflation Rate Targeting



Source: Central Bank / IBGE

Fundamentals of Brazil's Economy

2.5 Exchange Rates



Source: Central Bank

Fundamentals of Brazil's Economy

2.6 World's Interest Rates

Country	Nominal Rate	Inflation	Real Rate
Turkey	14,31%	10,5%	3,81%
Russia	13,0%	14,1%	(-1,1%)
Brazil	12,66%	5,8%	6,86%
South Africa	10,95%	11,4%	(-0,45%)
Mexico	7,31%	5,1%	2,21%
India	4,65%	8,1%	(-3,45%)
Euro Area	5%	4%	3%
China	1,38%	5,9%	(-4,52%)
)Japan	0,61%	1,5%	(-0,89%)
USA	0,27%	3,7%	(-3,43%)

Source: Economist - January 2009

Fundamentals of Brazil's Economy

2.7 Main problems yet to be solved

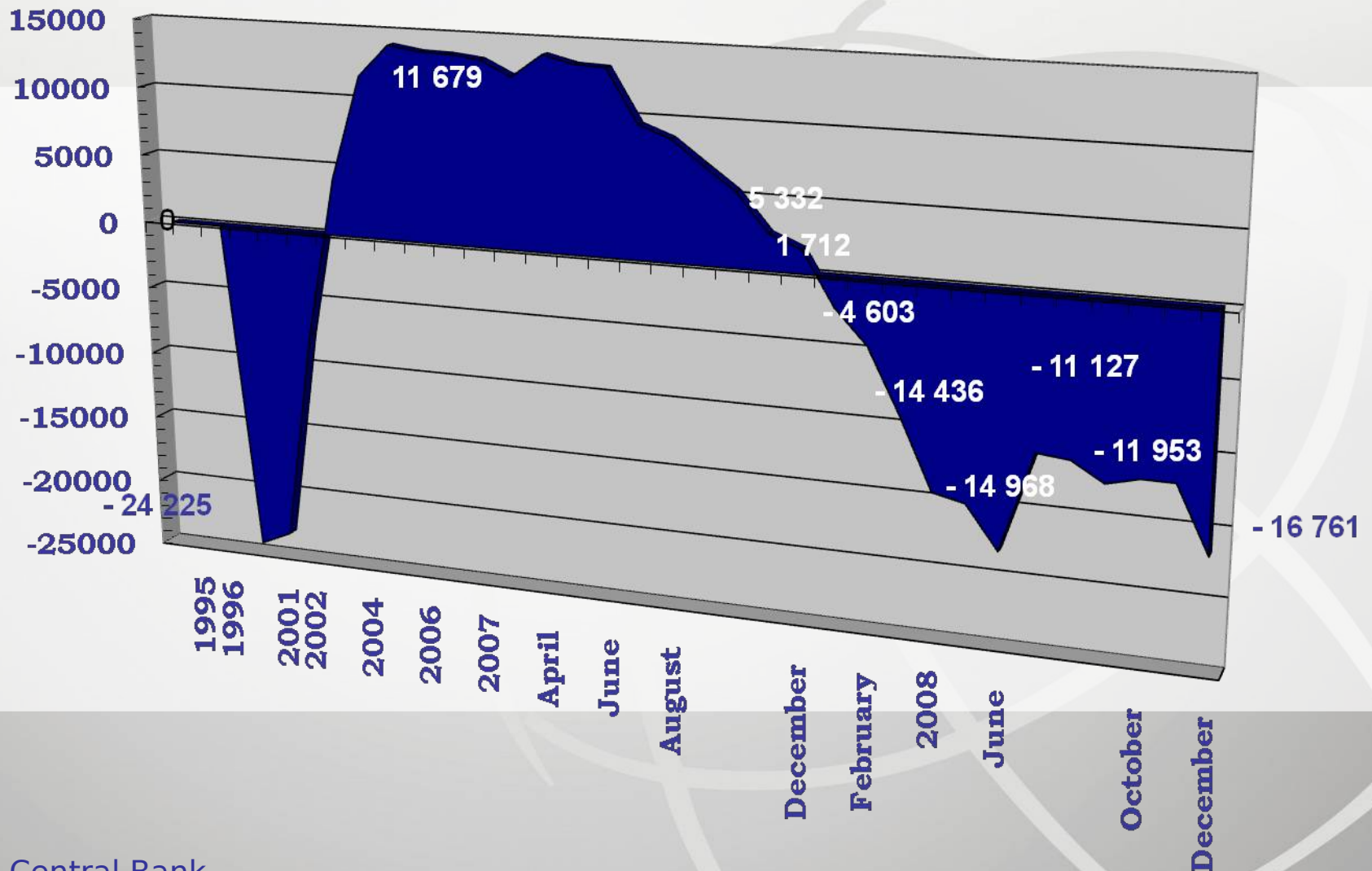
- taxes are not competitive;
- interest rates are very high;
- Brazilian currency overvalued.



Fundamentals of Brazil's Economy

2.8 Brazil's Current Account

US\$ Billion



Source: Central Bank

Fundamentals of Brazil's Economy

2.9 Some Industrial Aspects: Automotive Production

Year	Cars and light commercial vehicles	Trucks	Buses	Total
2003	1,721.110	78,938	26,990	1,827.038
2004	2,181.131	107,338	28,758	2,317.227
2005	2,375.142	117,892	35,266	2,528.300
2006	2,471.224	106,001	33,809	2,611.034
2007	2,653.275	133,904	35,084	2,822.263
2008	2,848.706	163,681	38,223	3,050.610

Source: National Automotive Industry Association – ANFAVEA

Fundamentals of Brazil's Economy

2.9 Some Industrial Aspects: Aeroplane Trade

US\$ million	2003	2004	2005	2006	2007	2008
Exports	2,050	3,371	3,302	3,442	4,367	6,064
Imports	591	888	967	1,234	1,593	4,950
Balance	1,458	2,482	2,335	2,208	2,774	1,114
Flow of Commerce	2,641	4,260	4,270	4,676	5,960	11,014

Source: Development, Industry and Trade Ministry - MDIC

Fundamentals of Brazil's Economy

2.9 Some Industrial Aspects: Ship Industry

- The Brazilian ship program is under expansion and it includes new yards and investments at the order of US\$ 4 billion/year. Nowadays, Brazil has 82 ships under construction and new other 154 constructions under approval.
- The 26 Brazilian main yards have a capacity of processing of 600 thousand tons of steel/year.
- In 2008 the Brazilian ship industry kept the direct jobs of 40,000 people.
- By October 2007, the total of the loans from BNDES* was in the amount of R\$ 3,6 billion in relation to the ship industry.
- This positive scenario is part of an even most promising market with the new oil reserves in the called “Pre-Salt” coat.

Source: National Trade Union of the Marine Reparation and Offshore Industry

Fundamentals of Brazil's Economy

2.9 Some Industrial Aspects: Base Industries

Steel :

- In 2008, Brazilian production reached record levels, closing at 33,7 million tons.
- The estimate for 2009 is a decrease of 3%

Cement :

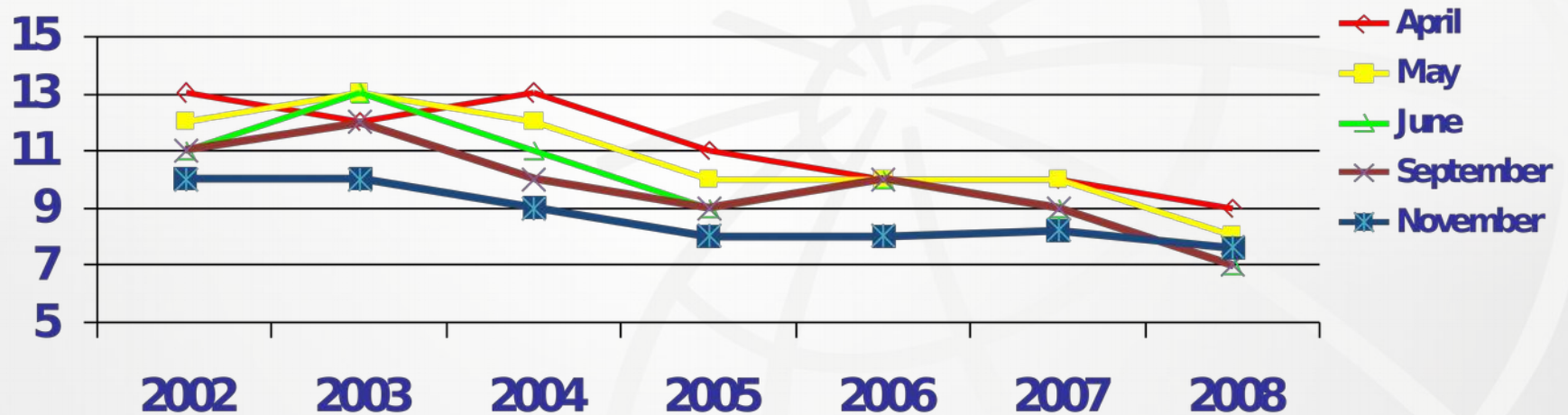
- In 2009, according estimates Brazil will maintain the production of 2008, which had an increase of 15% over 2007.

Source: Brazilian Cement Association and Brazilian Iron Institute

Fundamentals of Brazil's Economy

2.10 Unemployment rate in Brazil

Months of April, May, June, September and December – 2002 to 2008



Source: Brazilian Institute of Geography and Statistics - IBGE

Foreign Trade

3.1 Overview of Brazilian Foreign Trade

US\$ Billion

Brazilian Trade Overall

Year	Exports US\$ FOB	Imports US\$ FOB	Balance US\$ FOB	Flow of Trade US\$ FOB
2004	96,67	62,83	33,84	159,51
2005	118,52	73,60	44,93	192,12
2006	137,80	91,35	46,45	229,15
2007	160,64	120,62	40,03	281,27
* 2008	197,94	173,19	24,74	371,13

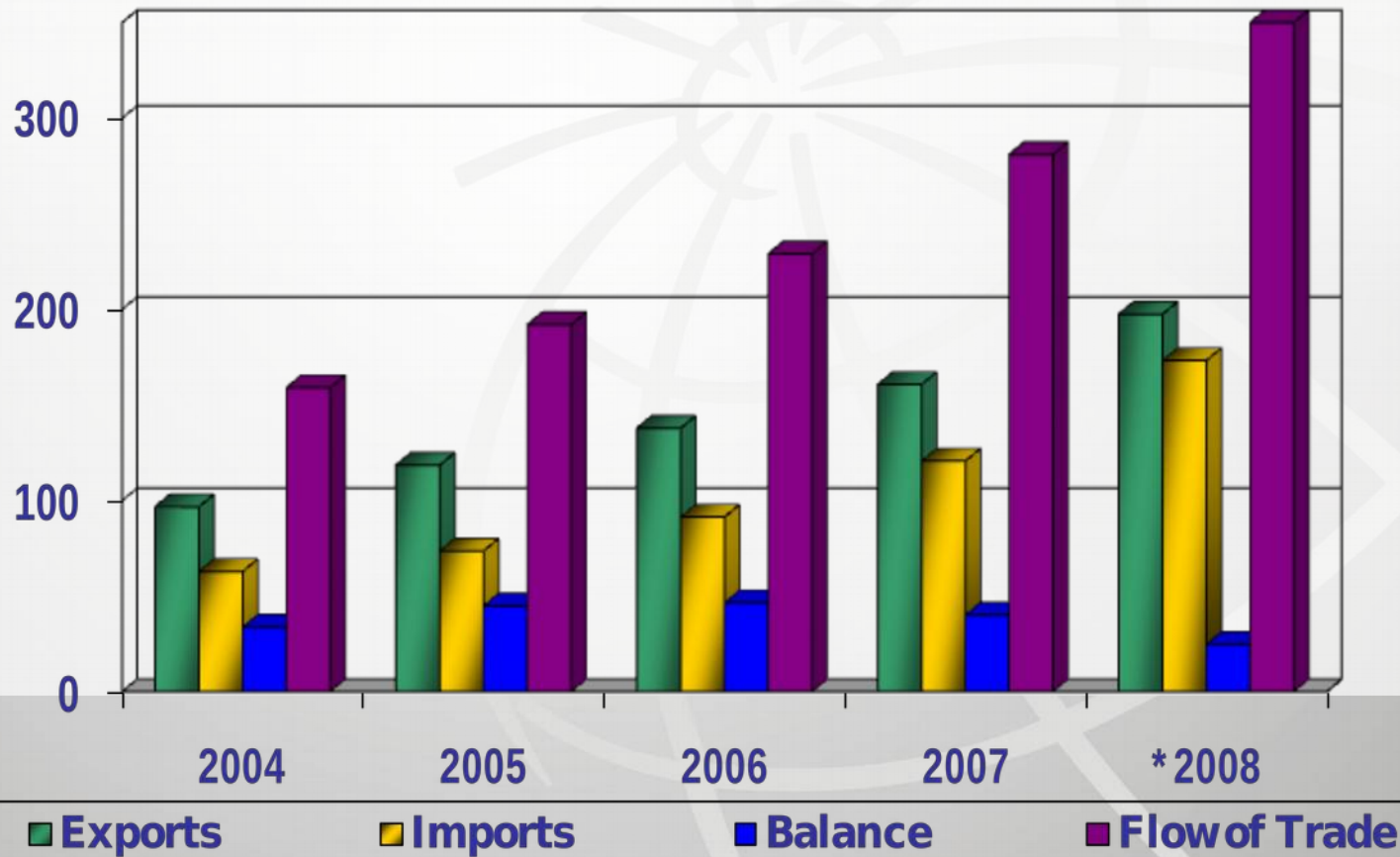
Source: Development, Industry and Trade Ministry - MDIC

* Up to December 31 2008

Foreign Trade

3.2 Brazil's Balance of Trade

US\$ Billion

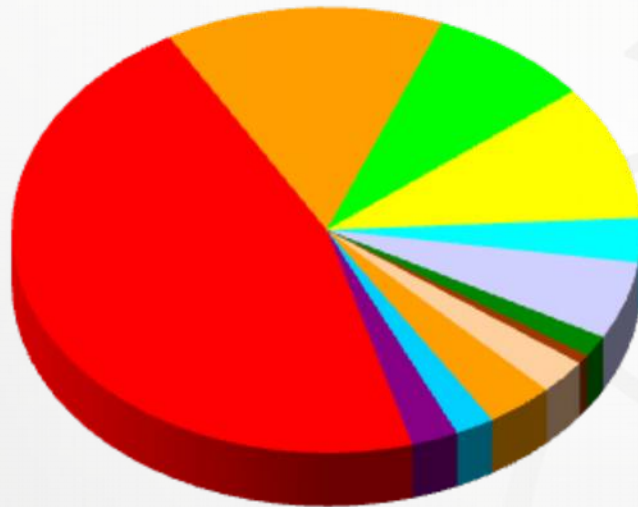


Source: Development, Industry and Trade Ministry - MDIC * estimate

Foreign Trade

3.2 Brazilian Trade with Selected Partners

Brazilian Flow of Trade



- USA
- Argentina
- China
- Netherlands
- Germany
- Venezuela
- South Africa
- Italy
- Japan
- Mexico

Source: Development, Industry and Trade Ministry - MDIC December/2008

Foreign Trade

3.2 Brazilian Trade with Selected Partners



- EUROPEAN UNION
- NAFTA
- MERCOSUR
- AFRICA
- ASIA
- OTHERS

Source: Development, Industry and Trade Ministry - MDIC December/2008

Foreign Trade

3.2 Brazilian Trade with Selected Partners: European Union

US\$ Billion

Year	Exports US\$ FOB	Imports US\$ FOB	Balance US\$ FOB	Flow of Trade US\$ FOB
2004	24,67	15,99	8,68	40,66
2005	27,03	18,23	8,80	45,26
2006	31,04	20,20	10,84	51,24
2007	40,42	26,73	13,69	67,15
* 2008	46,39	36,19	10,20	82,58

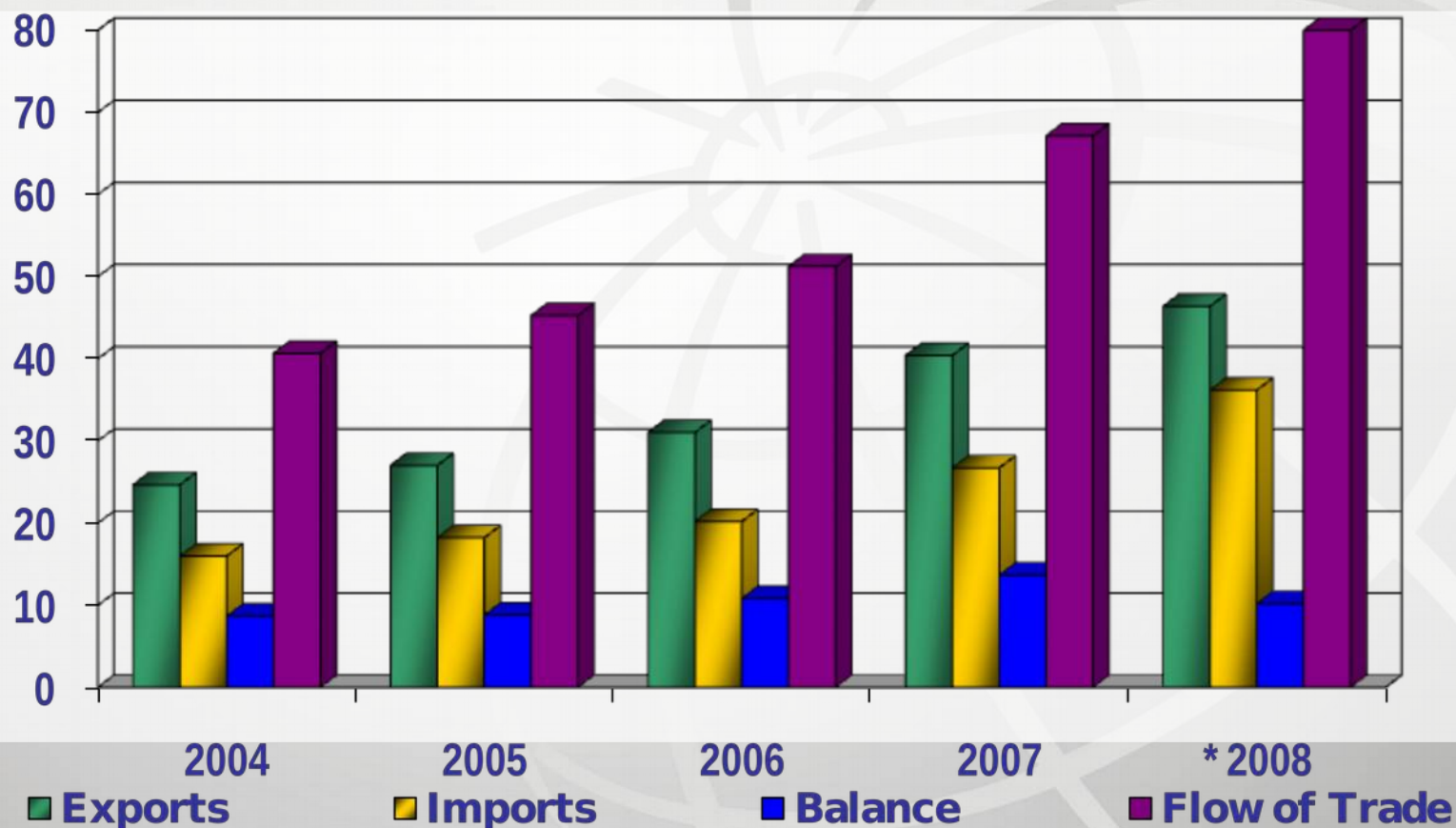
Source: Development, Industry and Trade Ministry - MDIC

* December 2008

Foreign Trade

3.2 Brazilian Trade with Selected Partners: European Union

US\$ Billion



Source: Development, Industry and Trade Ministry - MDIC

* estimate

Foreign Trade

3.2 Brazilian Trade with Selected Partners: China

US\$ Billion

Year	Exports FOB	Imports FOB	Balance FOB	Flow of Trade FOB
2004	5,44	3,71	1,73	9,15
2005	6,83	5,35	1,48	12,18
2006	8,40	7,99	0,41	16,39
2007	10,74	12,61	-1,86	23,36
* 2008	16,40	20,04	- 3,63	36,44

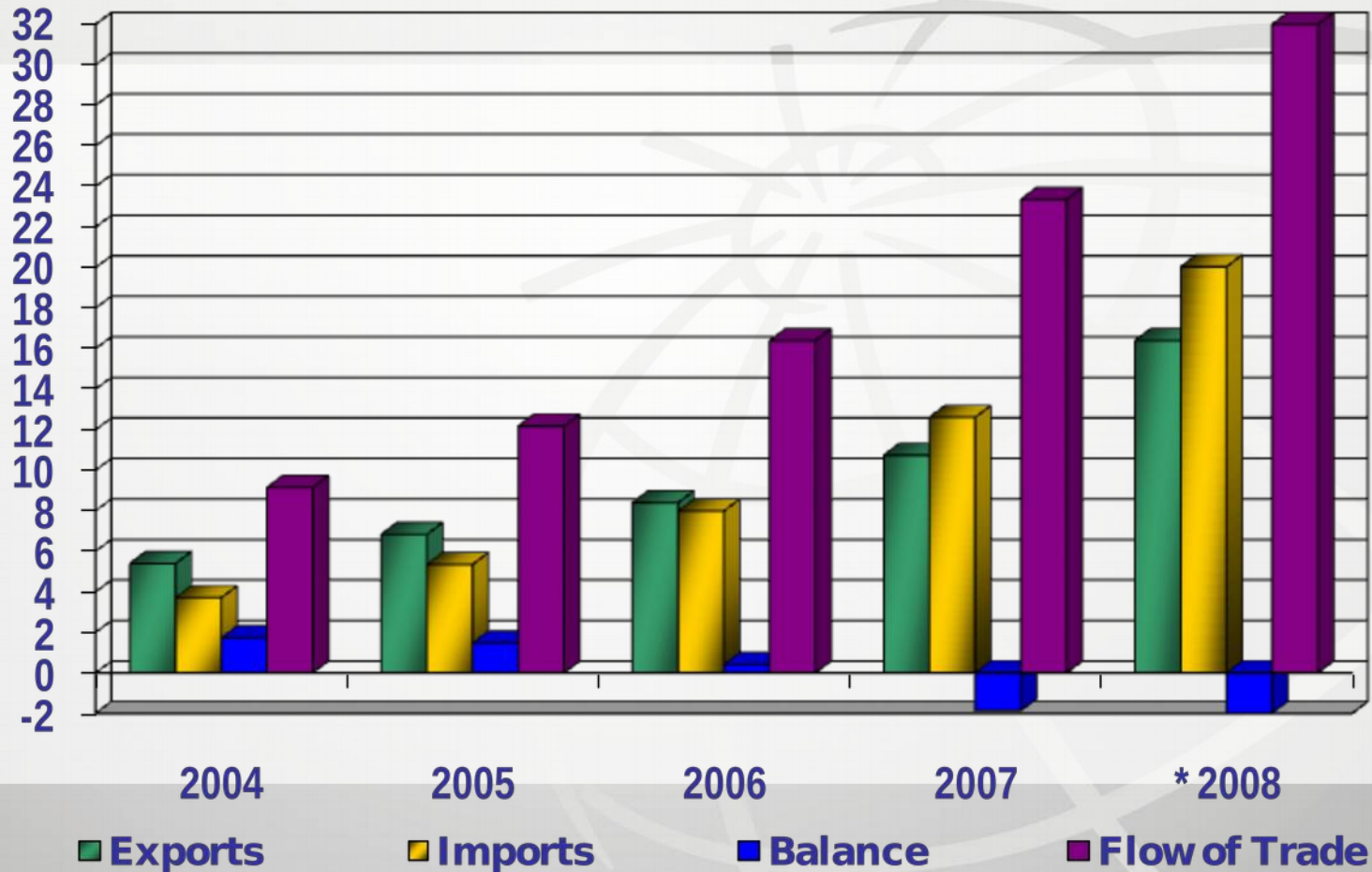
Source: Development, Industry and Trade Ministry - MDIC

* January 2009

Foreign Trade

3.2 Brazilian Trade with Selected Partners: China

US\$ Billion



Source: Development, Industry and Trade Ministry - MDIC

* estimate

Foreign Trade

3.2 Brazilian Trade with Selected Partners: USA

US\$ Billion

Year	Exports FOB	Imports FOB	Balance FOB	Flow of Trade FOB
2004	20,09	11,35	8,74	31,45
2005	22,53	12,66	9,87	35,20
2006	24,52	14,65	9,86	39,18
2007	25,06	18,72	6,34	43,78
* 2008	27,42	25,62	1,79	53,04

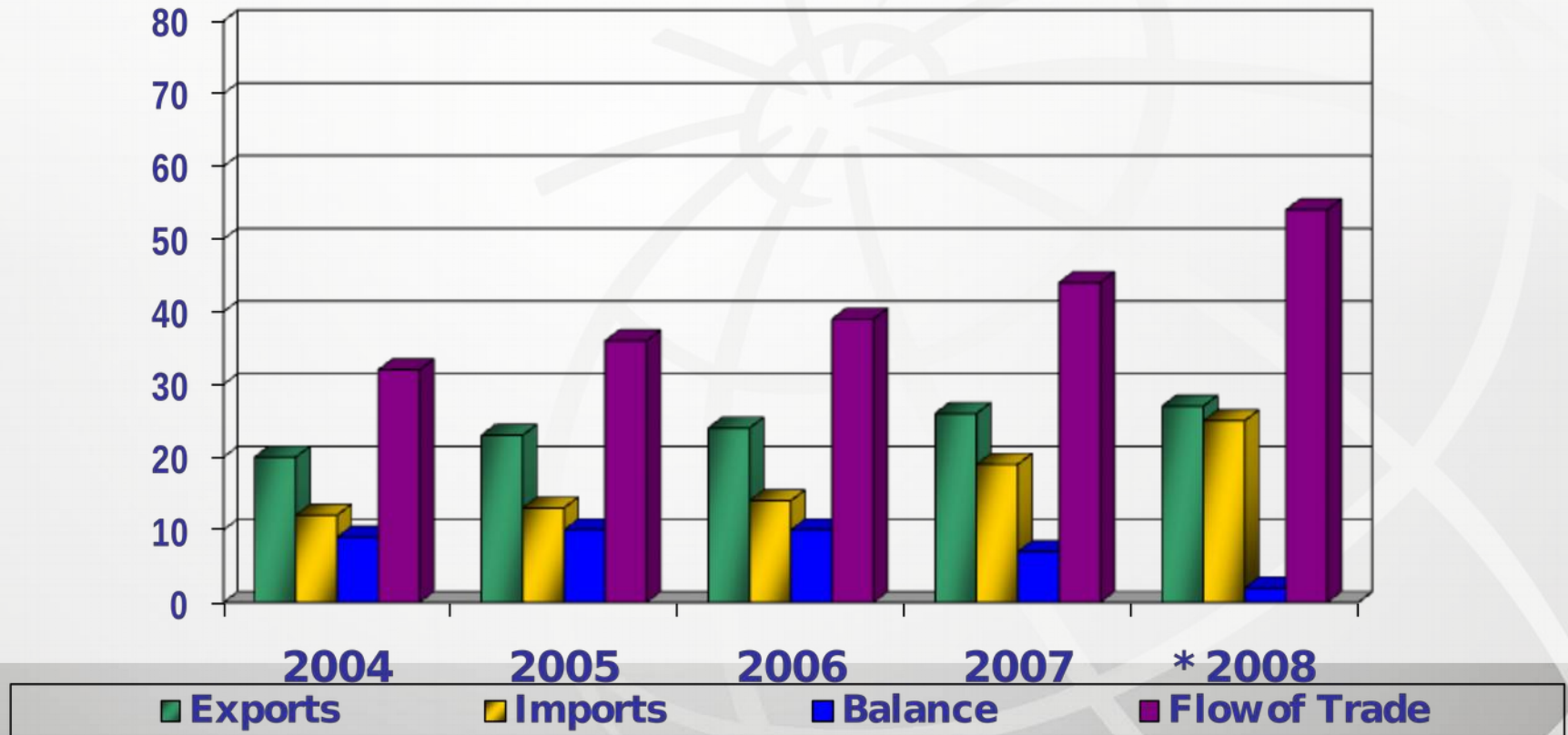
Source: Development, Industry and Trade Ministry - MDIC

* December 31 2008

Foreign Trade

3.2 Brazilian Trade with Selected Partners: USA

US\$ Billion

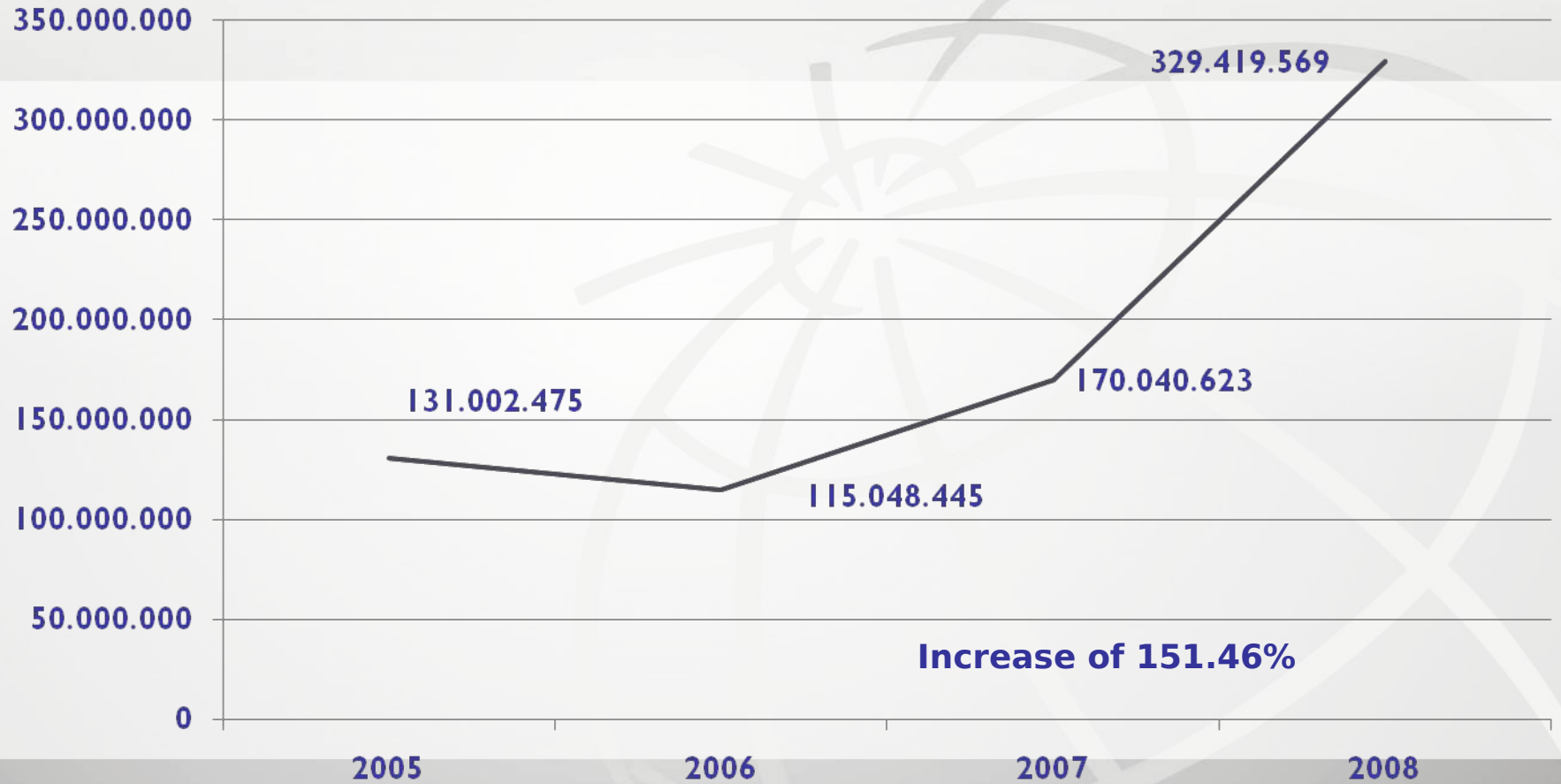


Source: Development, Industry and Trade Ministry - MDIC

*estimate December 31, 2008

Foreign Trade

3.2 Brazilian Trade with State of Connecticut: % Increase 2005-2008

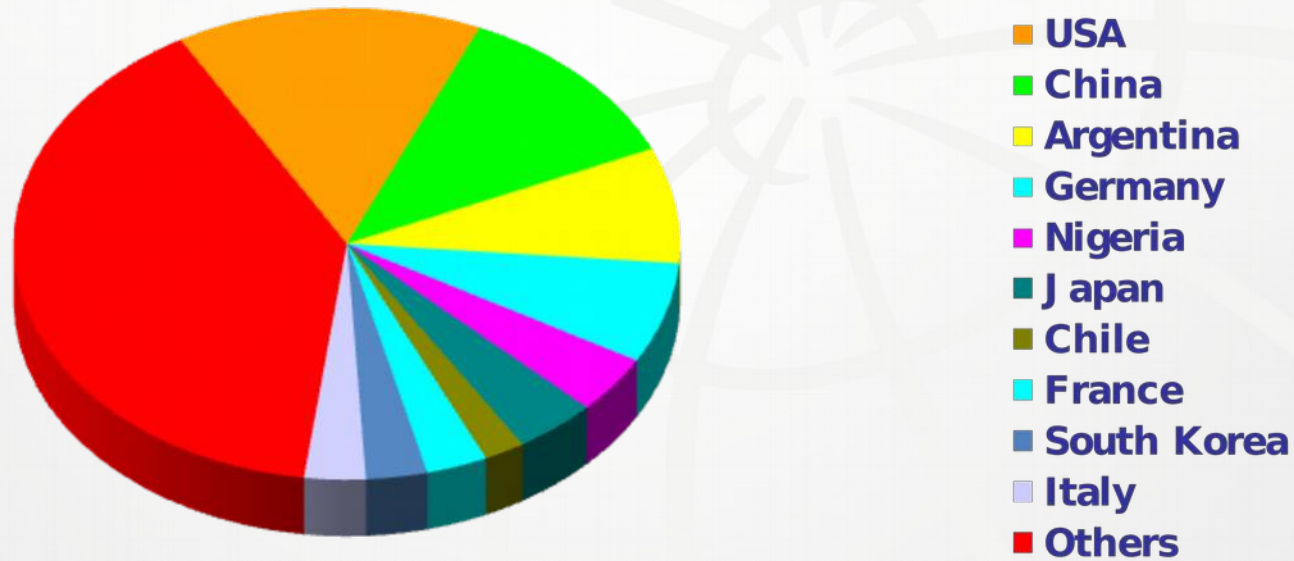


Source: US Trade

*estimate December 2008

Foreign Trade

3.2 Brazilian Trade with Selected Partners: Sources of Imports



Source: Development, Industry and Trade Ministry - MDIC - December/2008

Foreign Trade

3.3 Brazilian Trade in Agricultural products

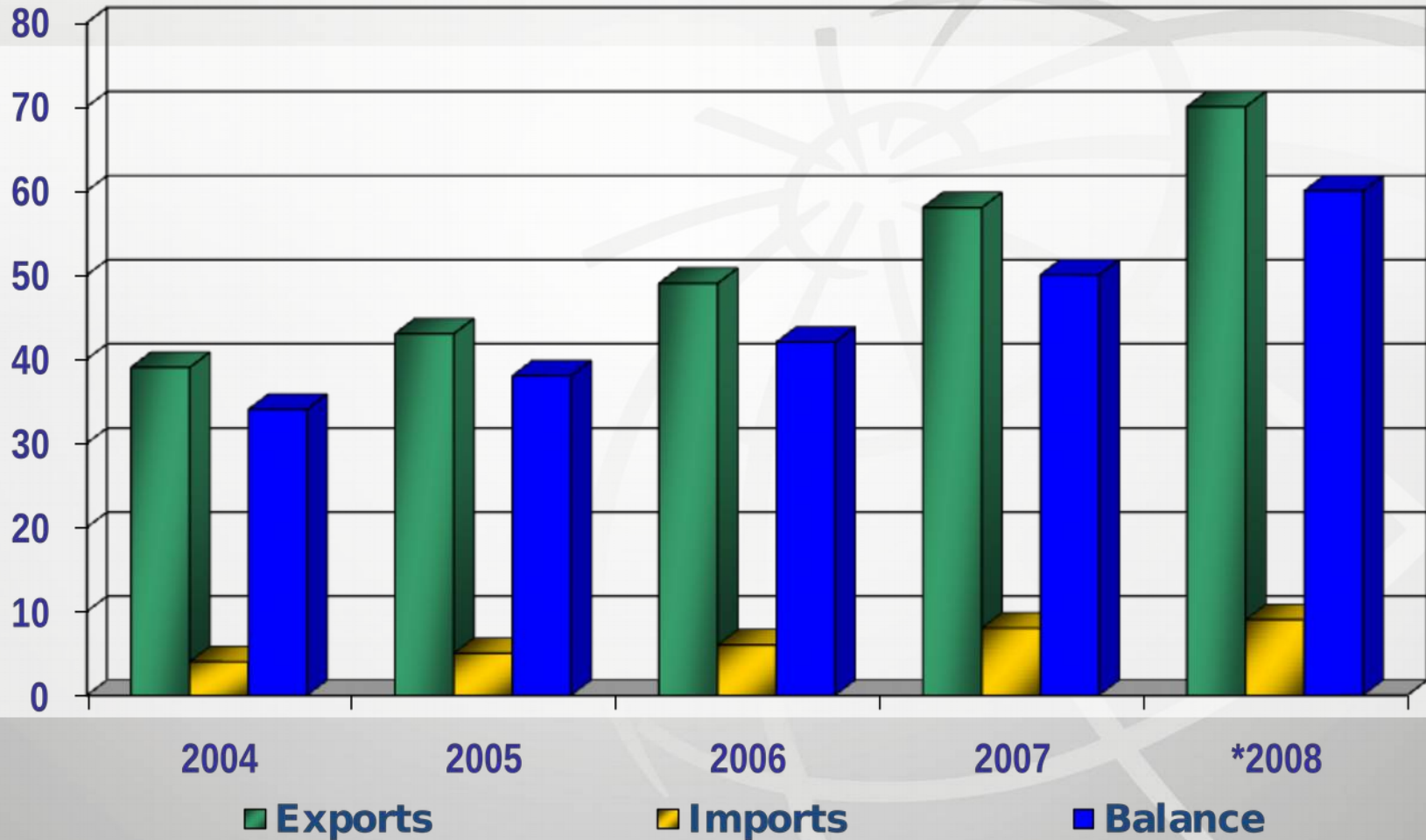
Products	Position between main exporters	% of Total Global Exports
Orange juice	1°	81%
Poultry	1°	35%
Sugar	1°	33%
Coffee	1°	30%
Tobacco	1°	27%
Bovine Meat	1°	24%
Ethanol	1°	13%
Soy	2°	32%
Soy Oil	2°	28%
Pork	3°	11%
Cotton	3°	5%

Source: International Relations and Trade Institute - Icone Brasil

Foreign Trade

3.3 Brazilian Trade in Agricultural products

US\$ Billion



Source: Brazilian Confederation of Agriculture and Livestock - CAN *Estimate

Foreign Trade

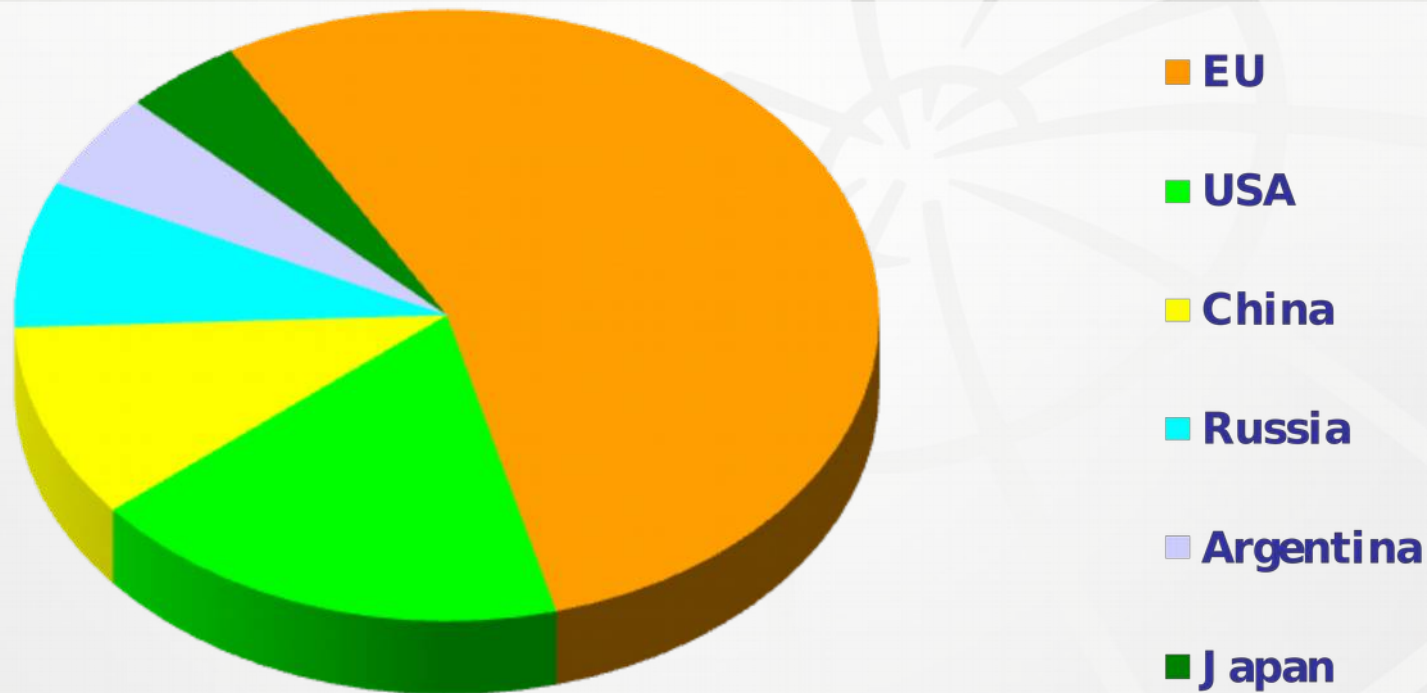
3.3 Brazilian Trade in Agricultural products

Destinations	Agribusiness Exports (US\$ million)		Var. % 07/06 (b/a)	Total Exp. (c)	Increased Value %		
	2006 (a)	2007 (b)			Basic	Semi	Manufactured
1.EU	16.153	21.232	31,44	40.357	57,43	14,53	28,04
2. USA	7.370	6.840	-7,19	25.065	19,55	19,70	60,75
3. China	3.802	4.691	23,38	10.749	67,69	29,23	3,09
4. Russia	3.156	3.402	7,80	3.741	64,37	30,72	4,92
5. Argentina	1.571	1.917	21,97	14.417	11,19	6,31	82,50
6. Japan	1.491	1.768	18,57	4.321	58,42	14,65	26,93

Source: Brazilian Confederation of Agriculture and Livestock - CAN *Estimate

Foreign Trade

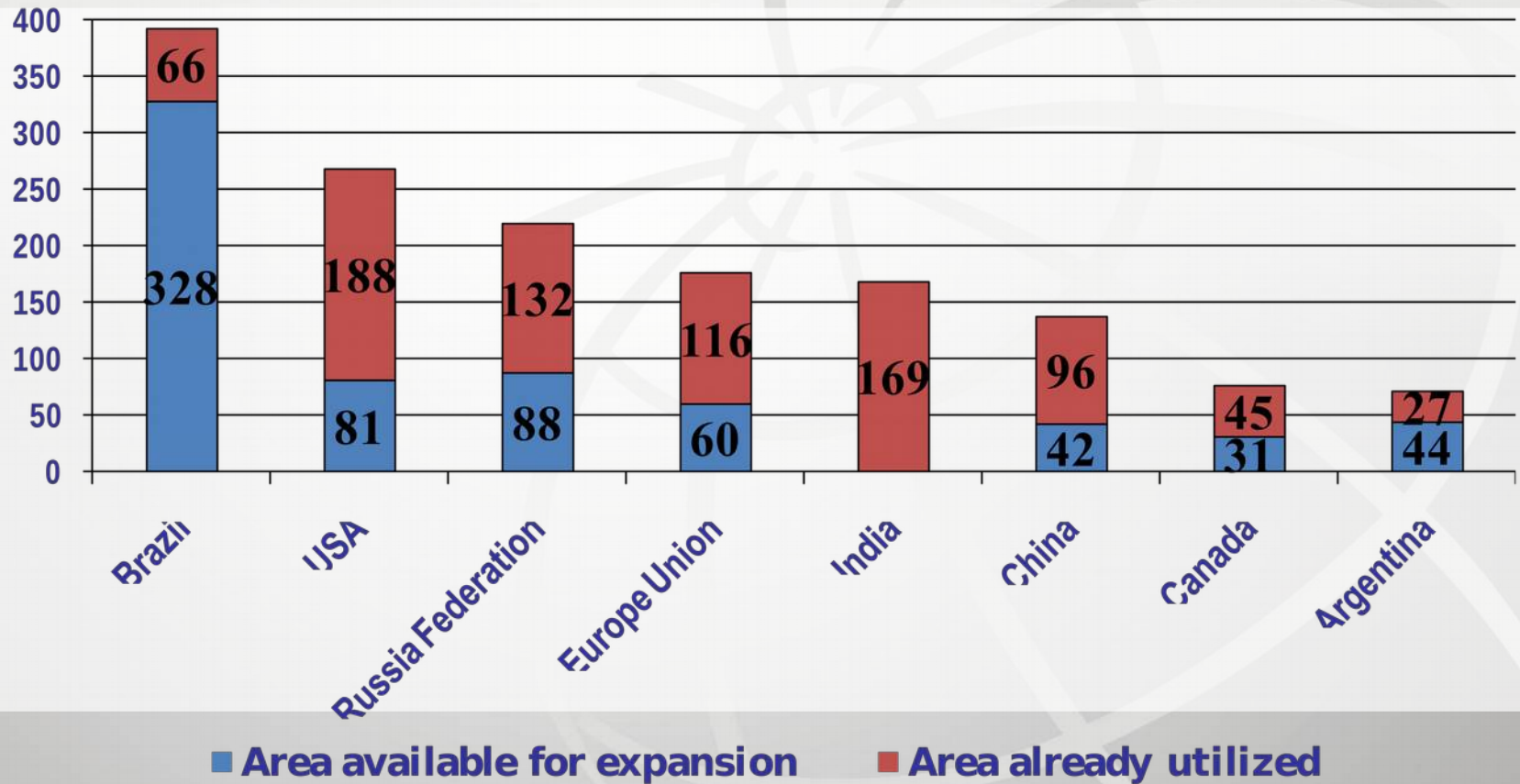
3.3 Brazilian Trade in Agricultural products: Main Destinations



Source: Brazilian Confederation of Agriculture and Livestock - CAN *Estimate

Foreign Trade

3.3 Brazilian Trade in Agricultural products

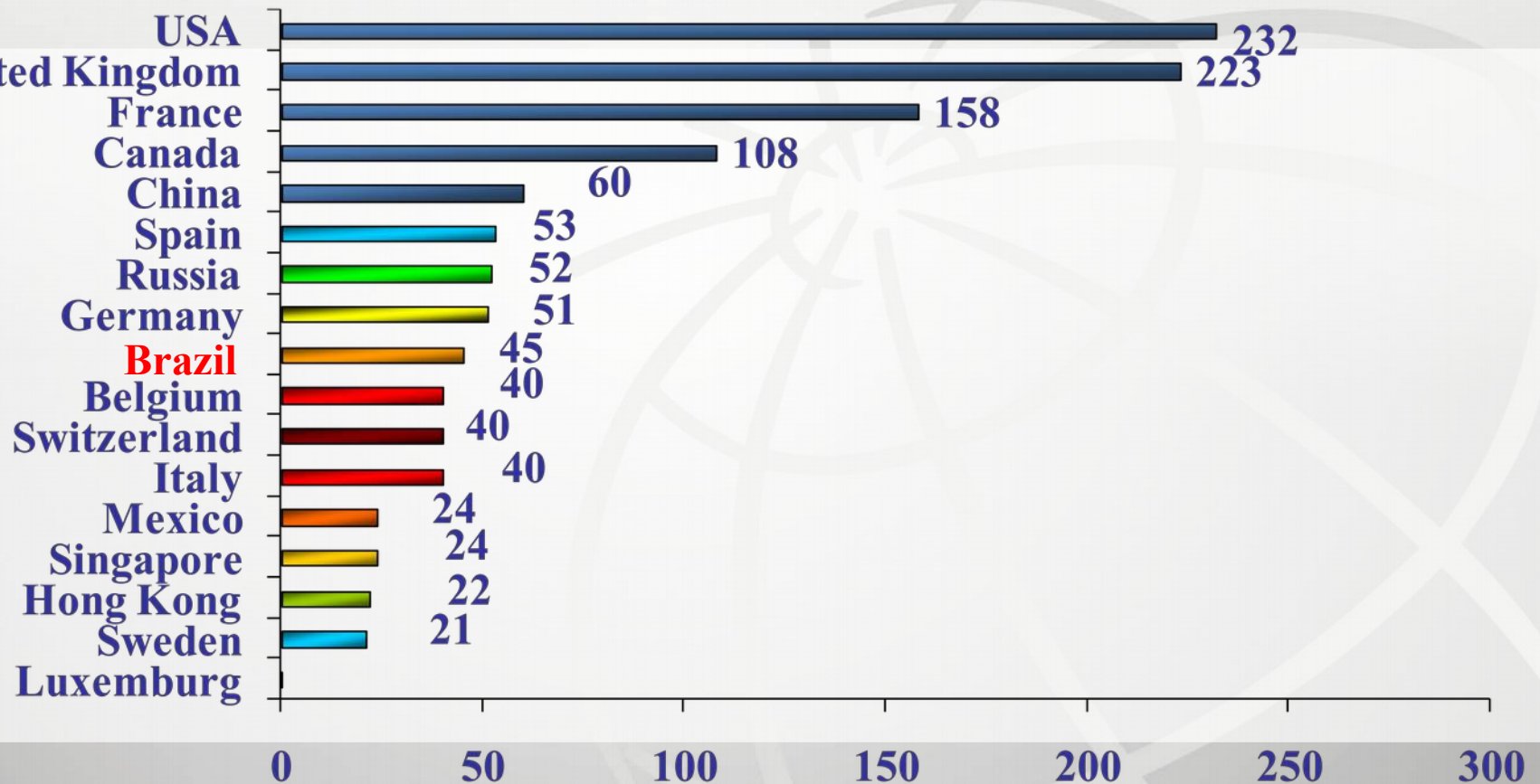


Source: FAO/IBGE

Investment Flows

4.1 Foreign Direct Investments: Inflows by Country

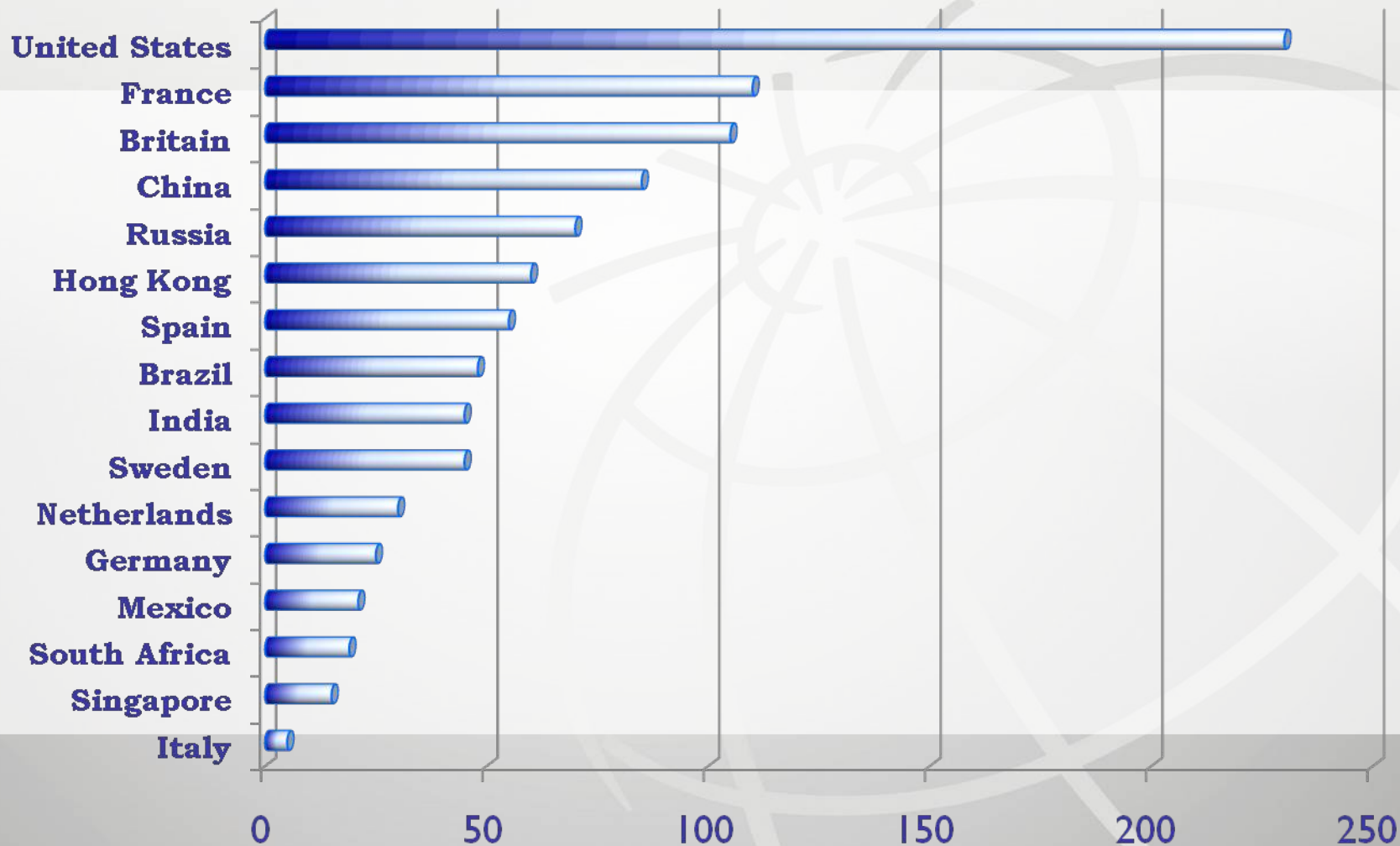
US\$ Billion



Source: Unctad, World Investment Report 2008

Investment Flows

4.1 Foreign Direct Investments: Inflows, 2008 estimate, \$bn

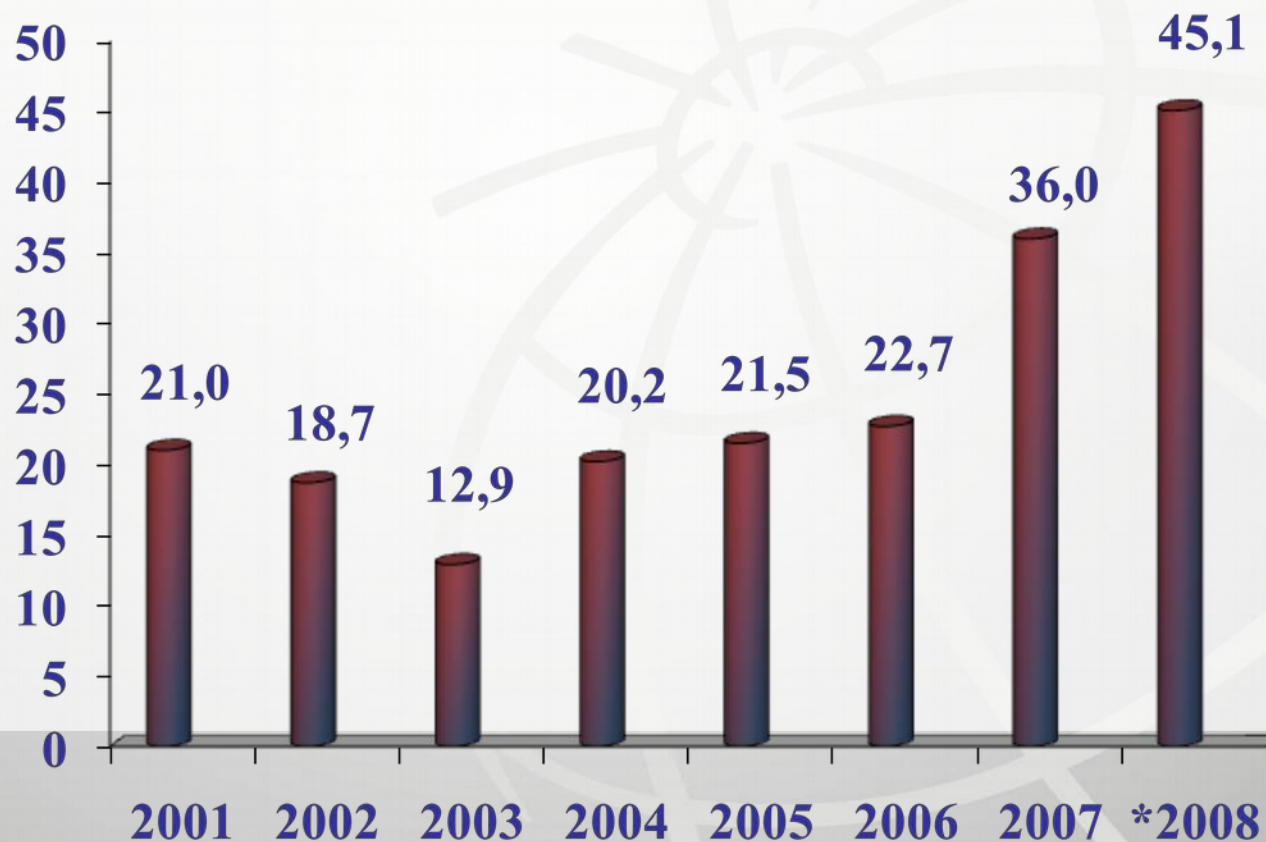


Source: The Economist - January 31, 2009

Investment Flows

4.1 Foreign Direct Investment: Inflows

US\$ Billion



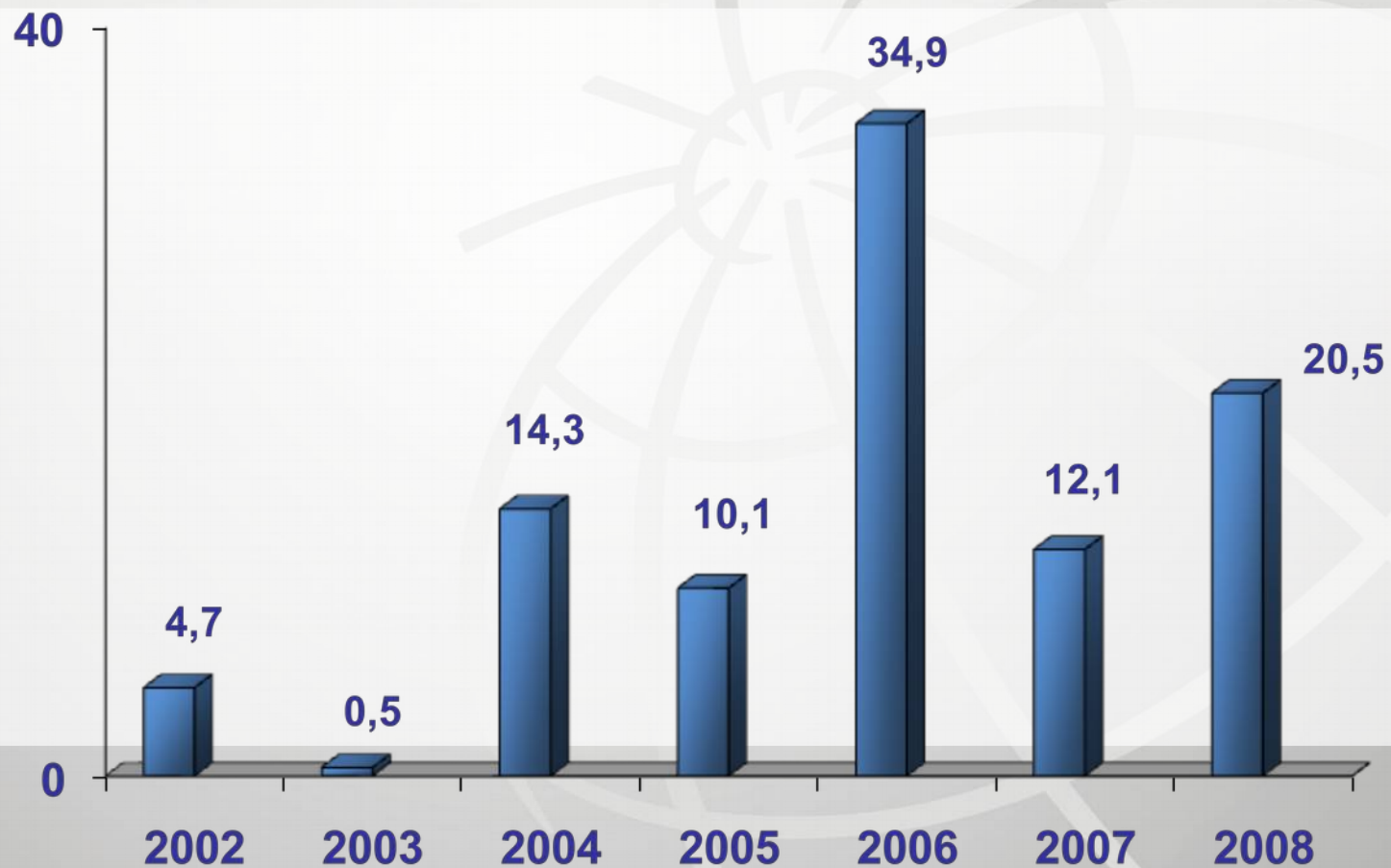
Source: Central Bank

* December/2008

Investment Flows

4.2 Foreign Direct Investment: Outbound

US\$ Billion

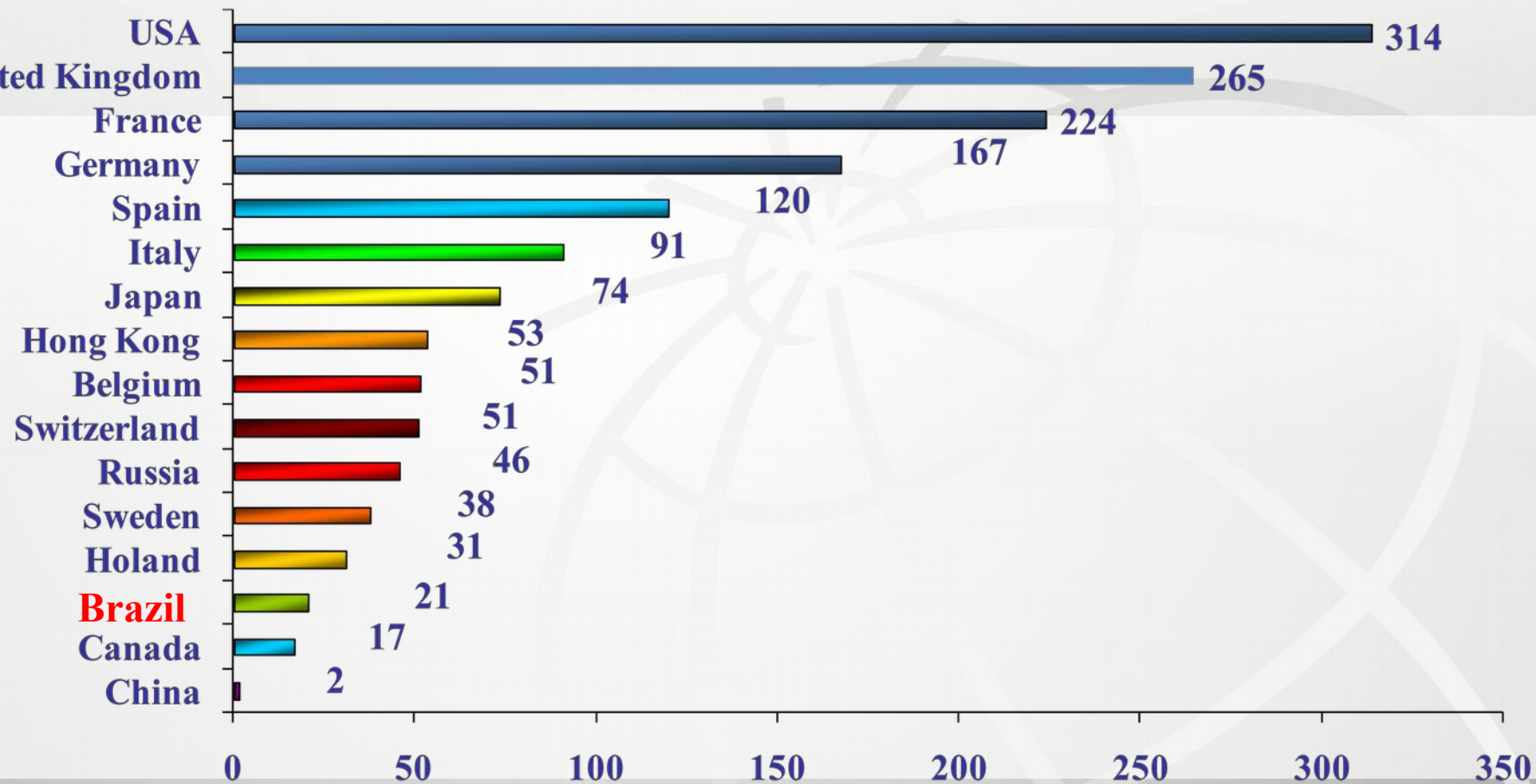


Source: Central Bank

Investment Flows

4.2 Foreign Direct Investment: Outflows by Country

US\$ Billion



Source: Unctad, World Investment Report 2008

General Aspects of Brazil Foreign Policy

5. Foreign Policy - General Aspects

Brazil's prevailing foreign policy doctrine recognizes the vulnerability of the country in a number of areas:

- Economic;
- Technological;
- Political;
- Commercial; and
- Military.



Source: Brazilian Ministry of Foreign Affairs

General Aspects of Brazil Foreign Policy

5. Foreign Policy - General Aspects

Brazil's present foreign policy doctrine recommends alliances with other major developing countries such as:

- ✓ China;
- ✓ India;
- ✓ Russia; and
- ✓ South Africa

In order to minimize such vulnerabilities.

Source: Brazilian Ministry of Foreign Affairs

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It concentrates the highest number of professionals and is the centre for the firm's administrative and financial departments. The São Paulo office houses an efficient and up-to-date library and computer network, fully connected to the other offices, in Brazil and abroad.



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