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Brazilian Foreign Trade and Investment Flows

Durval de Noronha Goyos Jr.
Senior Partner - Noronha Advogados
Johannesburg, 18 August 2008.

POINTS OF PRESENTATION

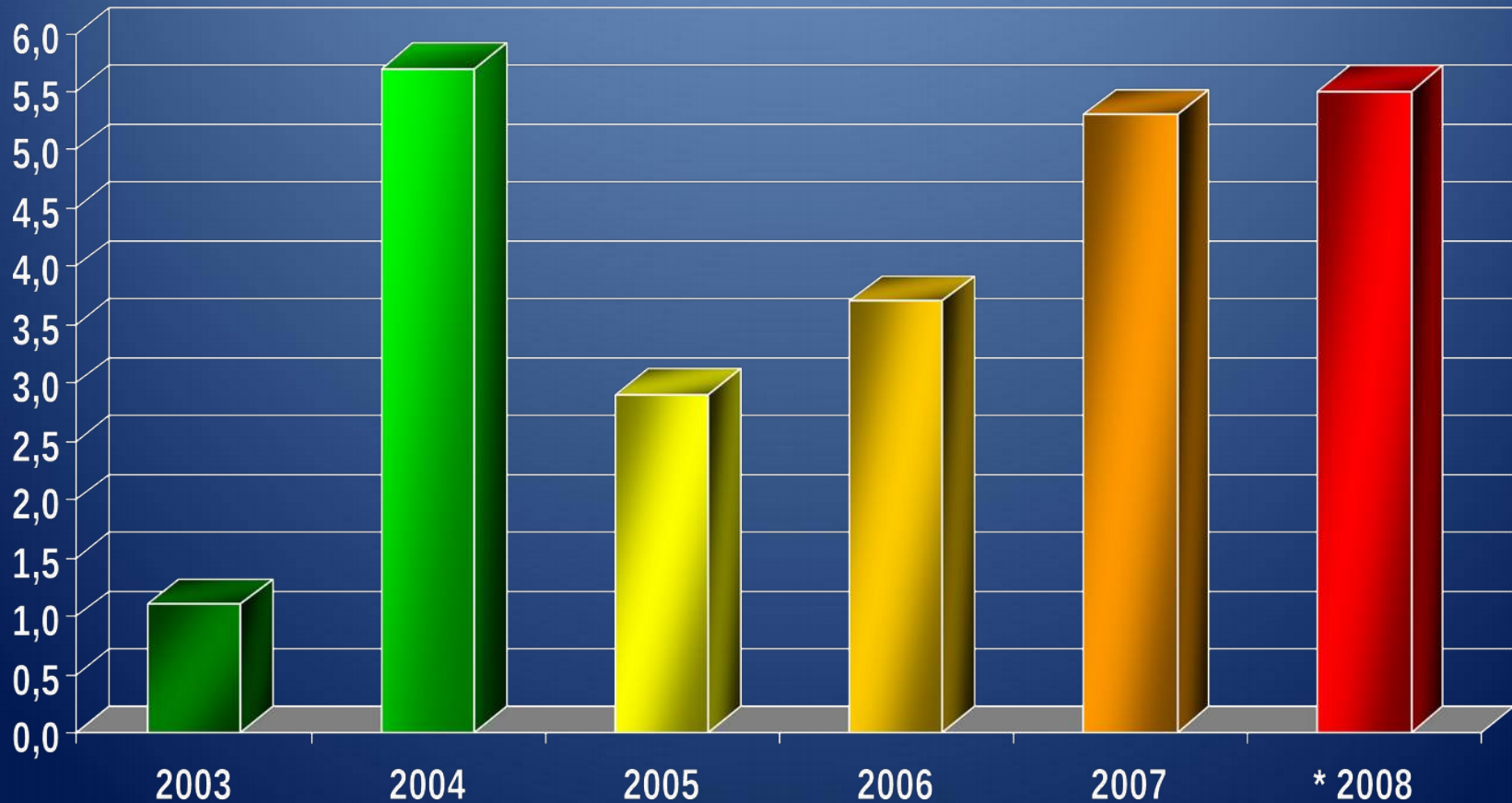
- 1. Fundamentals of Brazil's Economy**
- 2. Brazil's External Trade and Trade with Selected Partners**
- 3. General Aspects of Brazil's Foreign Policy**

Map of Brazil



Fundamentals of Brazil's Economy

Economic Growth %



Source: Brazilian Institute of Geography and Statistics - IBGE

* Central Bank estimate

Fundamentals of Brazil's Economy

Brazil's GDP

(incorporating purchase power parity rating)

- **Total GDP US\$ 1.929 trillion**
- **GDP per capita US\$ 9.700 (2007)**
- **GDP per capita US\$ 9.108 (2006)**

Fundamentals of Brazil's Economy

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	190.0
GDP per capita (Thousand)	3,10	3,66	4,77	5,41	6,91	7,25

Source: Brazilian Institute of Geography and Statistics - IBGE

In yellow – IBGE's new methodology .

*Projection

Fundamentals of Brazil's Economy

Development of External Debt

Year	Amount (US\$ Billion)
1998	233,8
1999	241,5
2000	216,9
2001	209,8
2002	210,7
2003	214,9
2004	201,4
2005	191,3
2006	156,0
2007	4,3
* 2008	-18,8

Fundamentals of Brazil's Economy

Brazilian International Reserves

Year	US\$ Billion
2003	49,296
2004	52,935
2005	53,799
2006	85,839
2007	180,334
* 2008	202,185

Fundamentals of Brazil's Economy

Brazilian International Reserves

US\$ Billion



Source: Central Bank

*JULY/2008

Fundamentals of Brazil's Economy

Foreign Direct Investment in Brazil

US\$ Billion

Year	Total
2001	21,0
2002	18,7
2003	12,9
2004	20,2
2005	21,5
2006	22,7
2007	36,0
* 2008	35,0

Source: Central Bank.

* Estimate

Fundamentals of Brazil's Economy

Foreign Direct Investment in Brazil

US\$ Billion



Source: Central Bank.

* Estimate

Fundamentals of Brazil's Economy

Brazil: Inflation rate %



Source: Central Bank

* Estimate

Fundamentals of Brazil's Economy

Brazilian Direct Investment Abroad

US\$ Billion

Year	Total
2002	4,7
2003	0,5
2004	14,3
2005	10,1
2006	34,9
2007	12,1
* 2008	28,0

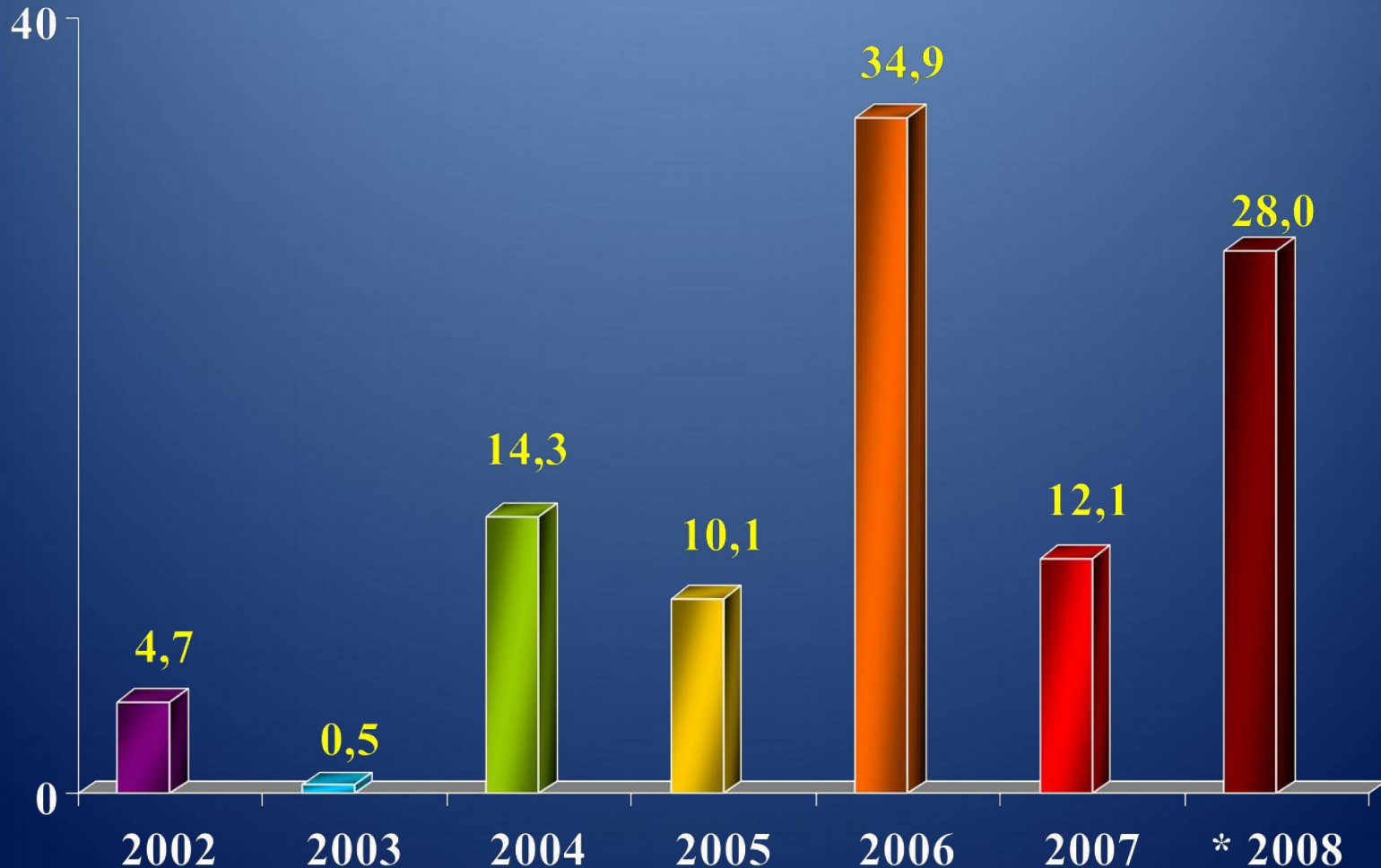
Source: Central Bank

*Estimate

Fundamentals of Brazil's Economy

Brazilian Direct Investment Abroad

US\$ Billion

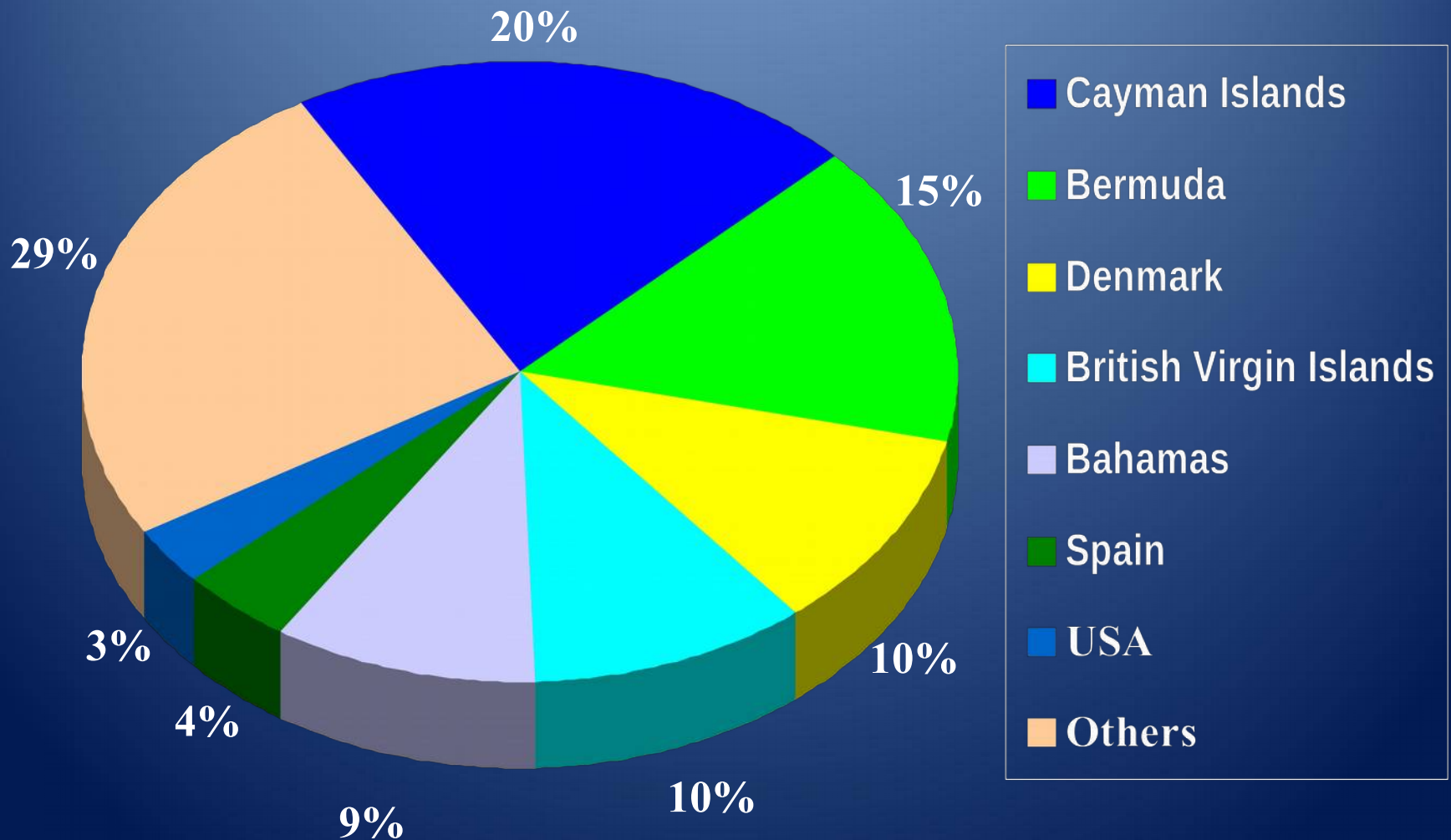


Source: Central Bank

*Estimate

Fundamentals of Brazil's Economy

Brazilian Direct Investment Abroad: Main Countries in 2007

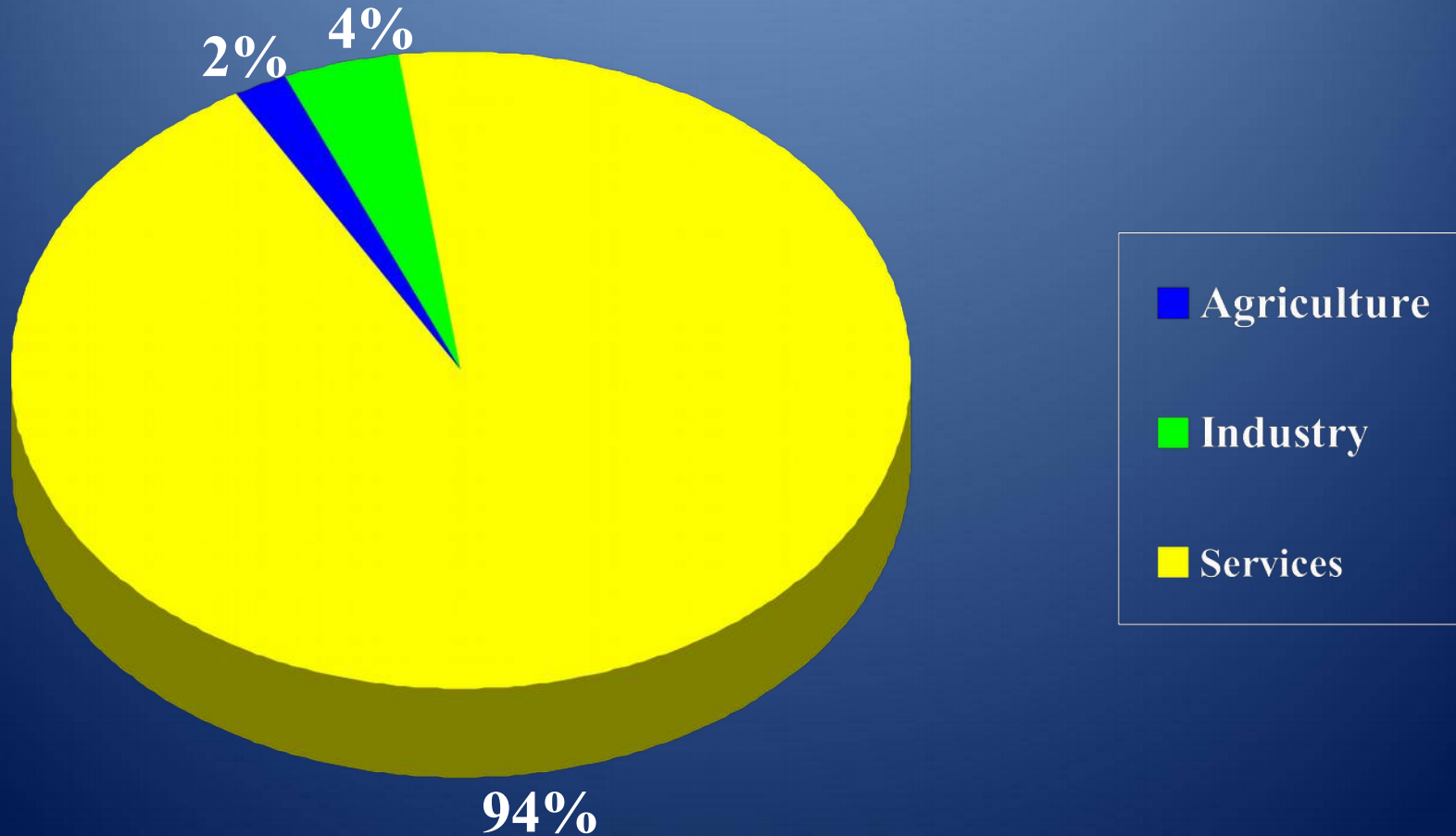


Source: Central Bank

Fundamentals of Brazil's Economy

Brazilian Direct Investment Abroad

By Sector in 2007



Fundamentals of Brazil's Economy

Some Brazilian Acquisitions Abroad

- 2008 – Budweiser by Inbev (US\$ 52 billion) ¹
- 2008 – Mirab (Argentina) by Marfrig (US\$ 36 million) ²
- 2007 – Swift Foods by Friboi (US\$ 1.5 billion) ³
- 2007 – Chaparral Steel by Gerdau (US\$ 4.2 billion)⁴
- 2007 - Acerías Paz (Colombia) by the Votorantim Group (US\$ 491 million)⁵
- 2006 – INCO (Canada) by Vale do Rio Doce (US\$ 13.4 billion)⁶
- 2005 – Loma Negra (Argentina) by Camargo Correa (US\$ 1.025 billion) ⁷

Sources:

¹ Folha de São Paulo, 14 July 2008

² Estado de São Paulo, 3 January 2008

³ www.jbs.com.br

³ www.gerdau.com.br

⁵ Valor Econômico, 27 December 2007

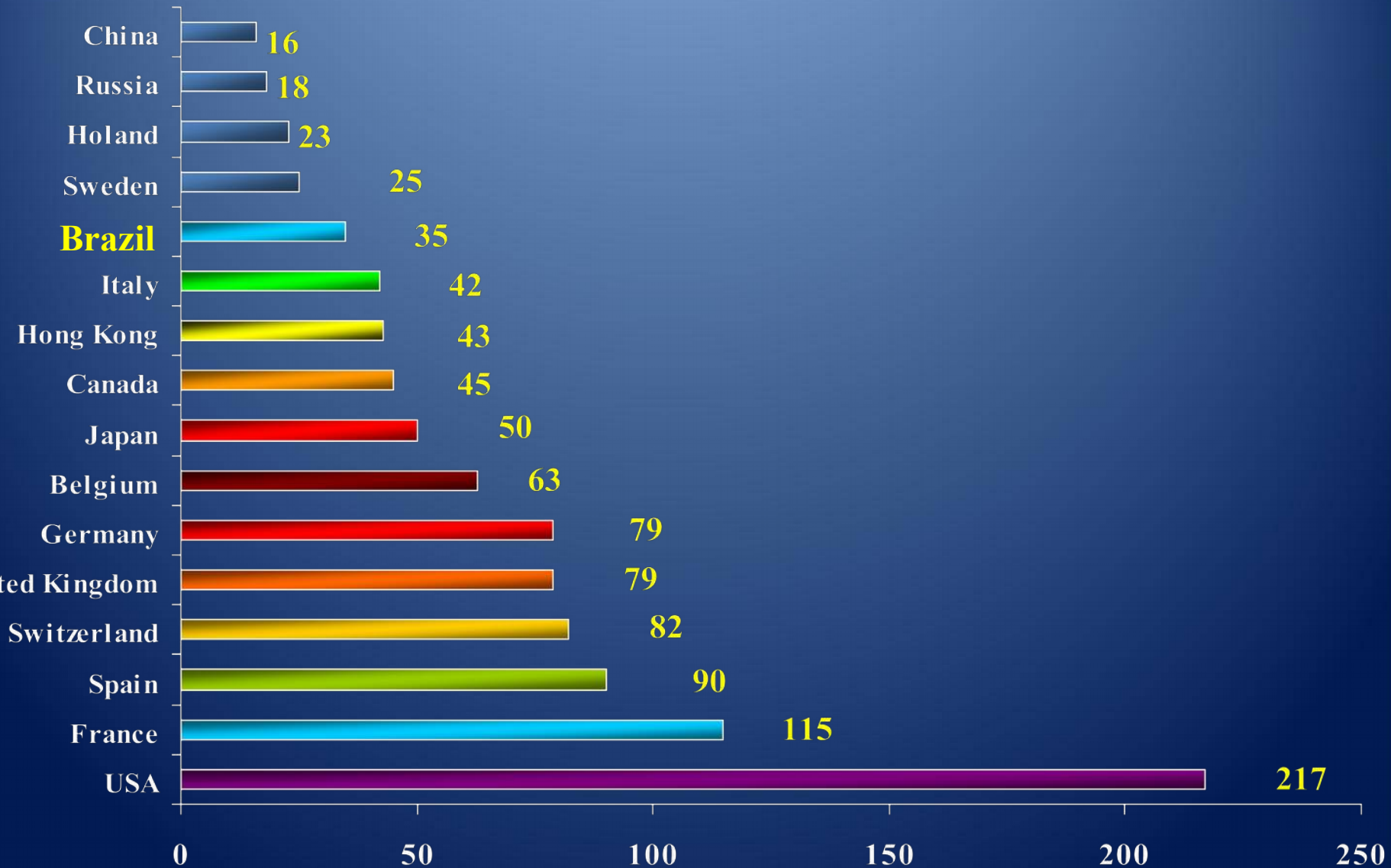
⁶ www.vale.com.br

⁷ www.camargocorrea.com.br

Fundamentals of Brazil's Economy

Foreign Direct Investments: Outflows by Country

US\$ Billion

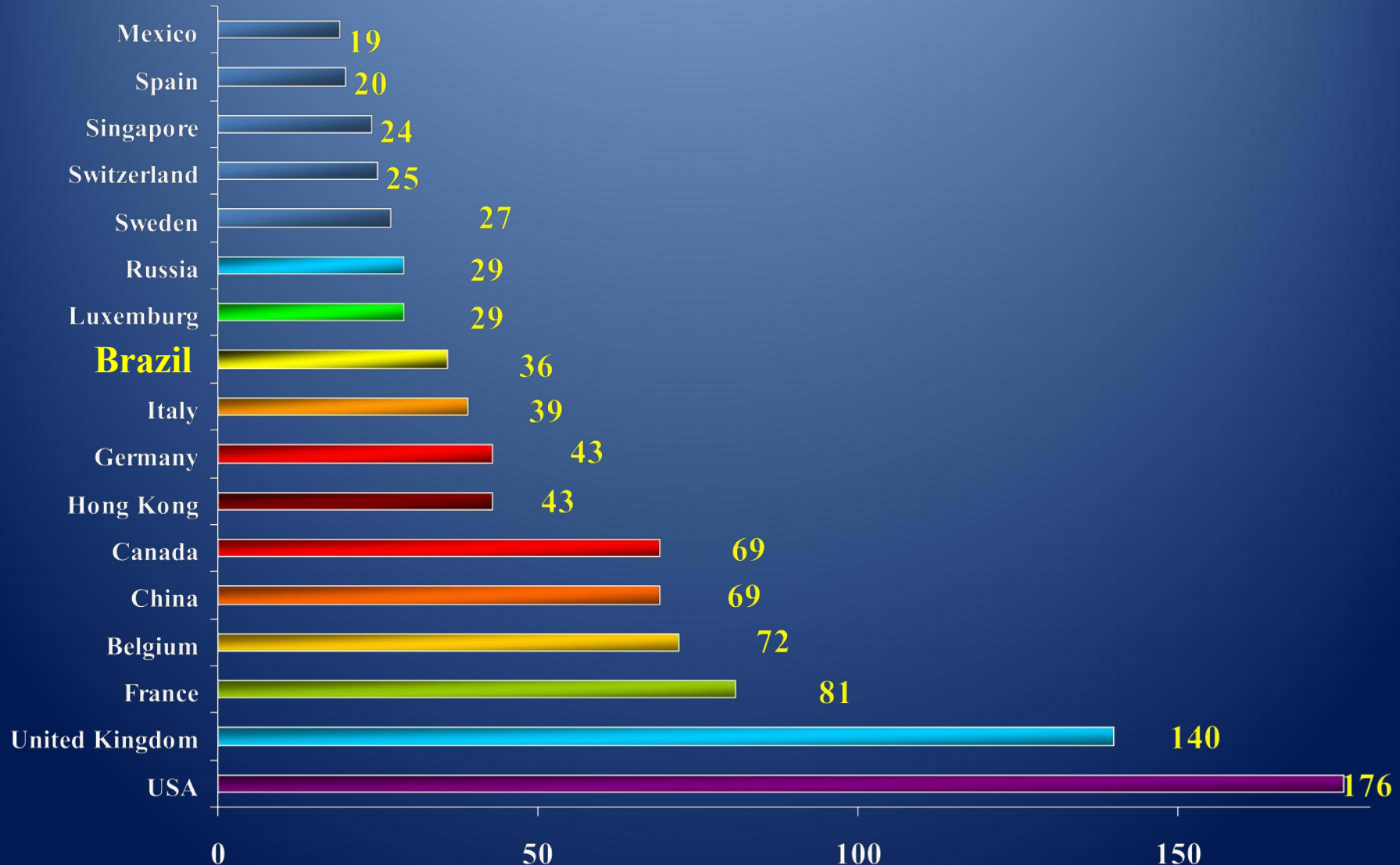


Source: Unctad, World Investment Report 2007

Fundamentals of Brazil's Economy

Foreign Direct Investments: Inflows by Country

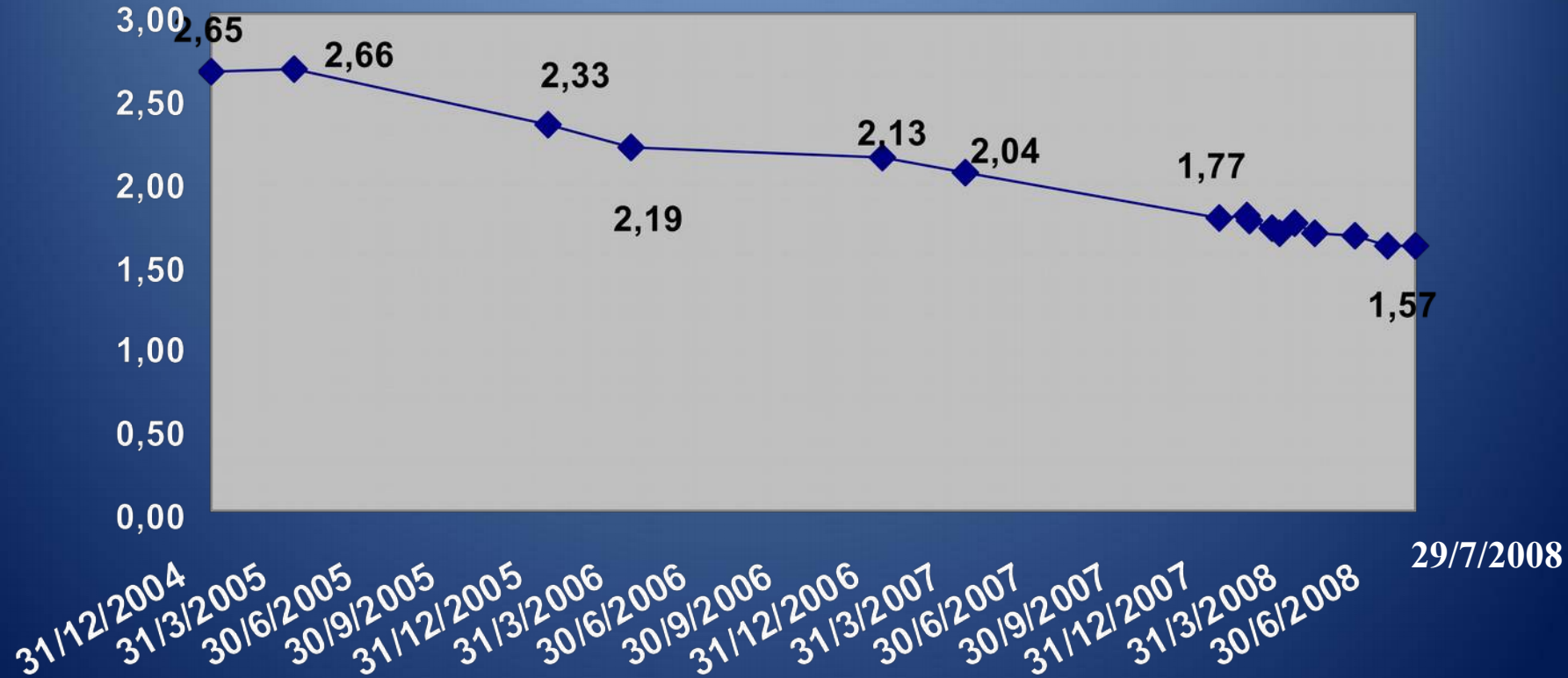
US\$ Billion



Source: Unctad, World Investment Report 2007

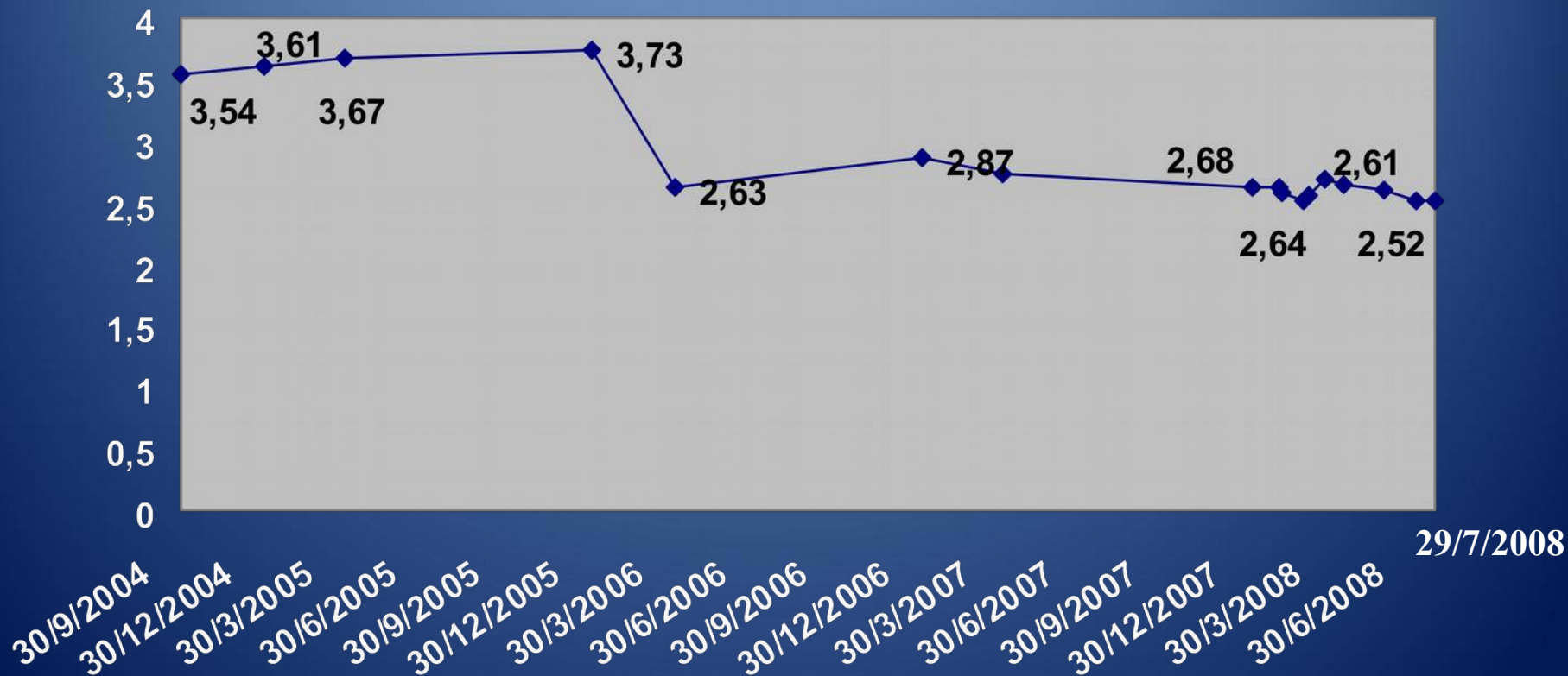
Fundamentals of Brazil's Economy

Development R\$ x US\$



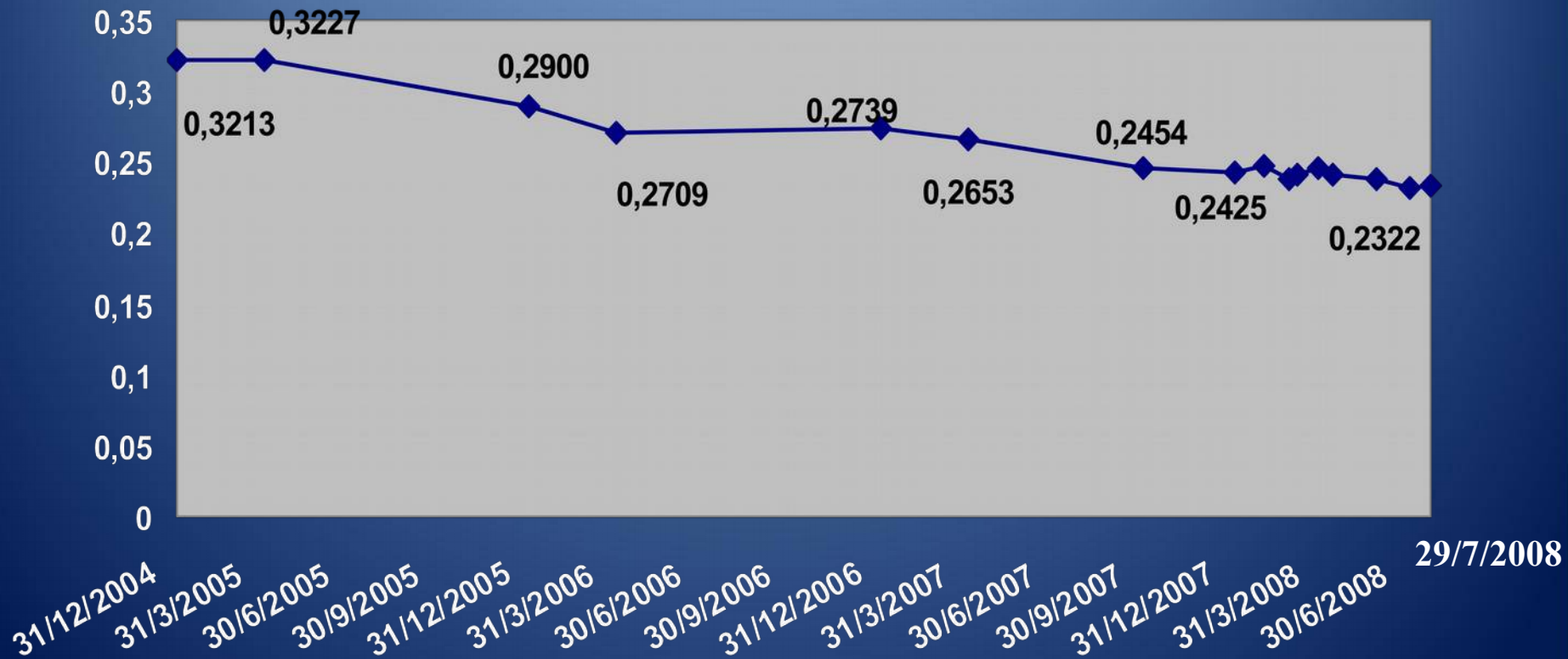
Fundamentals of Brazil's Economy

Development R\$ x €



Fundamentals of Brazil's Economy

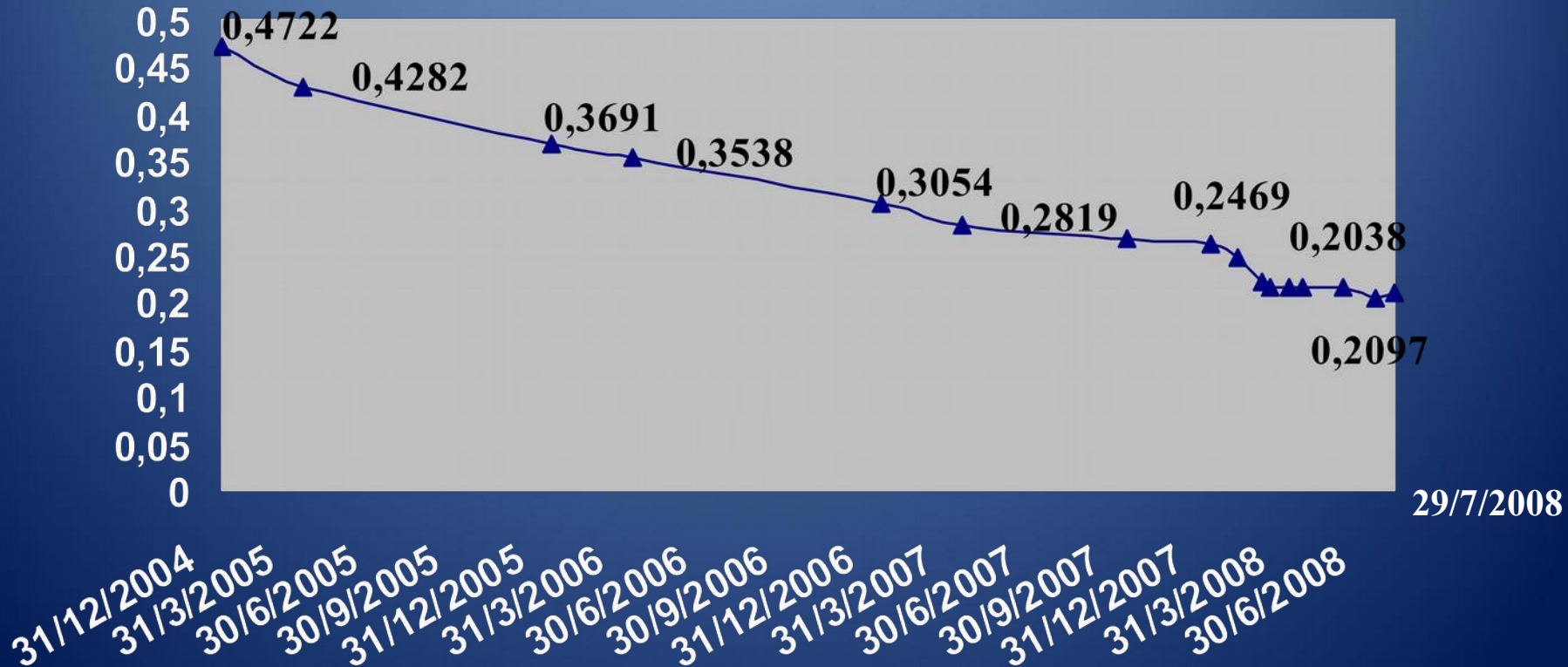
Development R\$ x RMB



Source: Central Bank

Fundamentals of Brazil's Economy

Development R\$ x RAND



Source: Central Bank

Fundamentals of Brazil's Economy

World's Interest Rates

July 2008

Country	Nominal Rate	Inflation	Real Rate
Turkey	19%	11%	8%
Brazil	13%	6%	7%
Mexico	8%	4,8%	3,2%
South Africa	12,5%	9,5%	3%
India	9%	7%	2%
Euro Area	5%	4%	1%
Japan	0,70%	1,41%	(0,7%)
China	4,5%	6,5%	(2%)
USA	2,3%	4,3%	(2%)
Russia	11%	13,9%	(2,9%)

Fundamentals of Brazil's Economy

Main problems yet to be solved

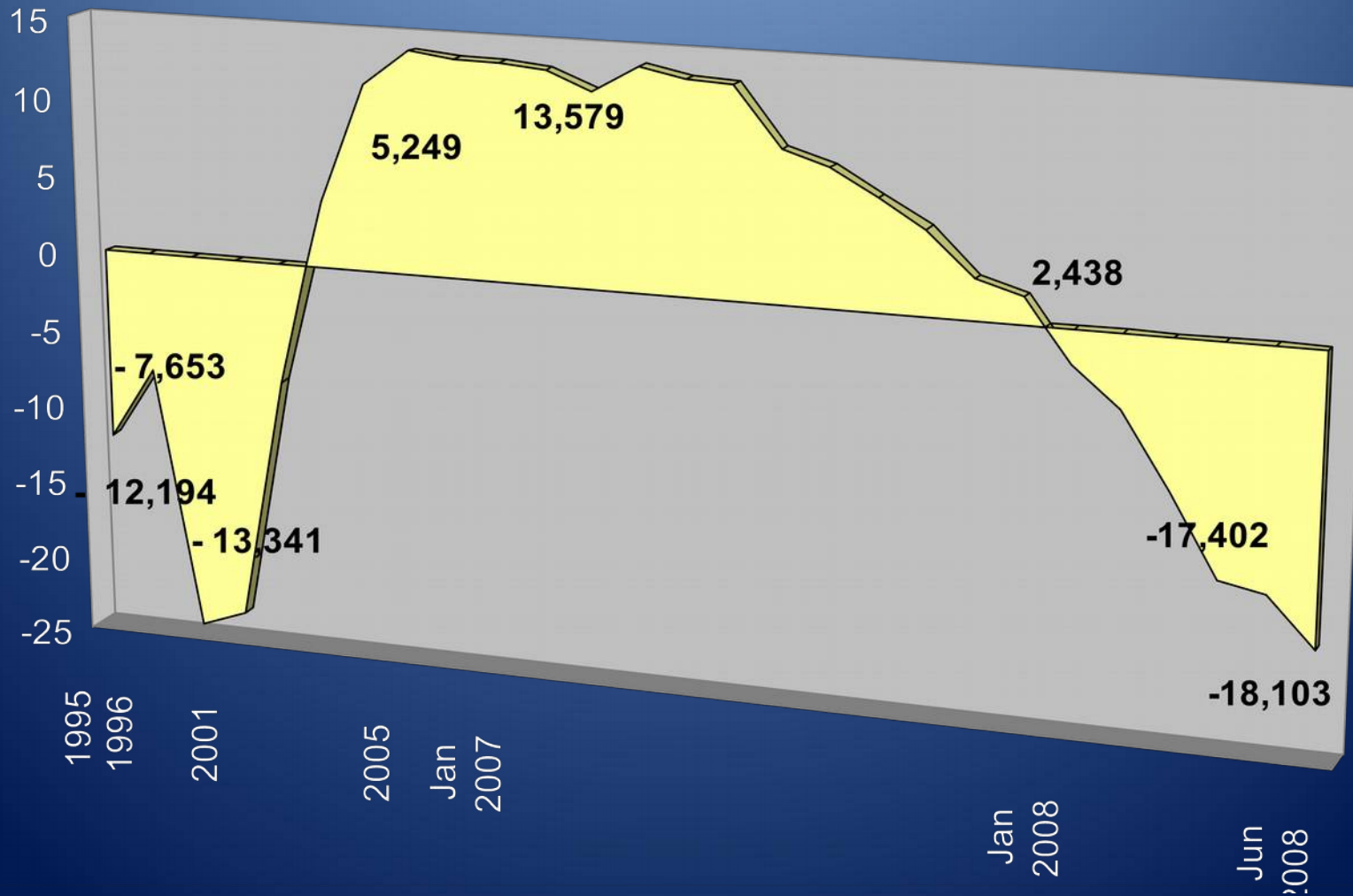
- **taxes are not competitive;**
- **interest rates are very high;**
- **Brazilian currency overvalued.**



Fundamentals of Brazil's Economy

Brazil's Current Account

US\$ Billion



Source: Central Bank

Fundamentals of Brazil's Economy

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	2,794.679	136,980	38,785	2,970.444
* 2008	3,592.000	127,104	44,520	3,763.624

Source: National Automotive Industry Association - ANFAVEA

* estimate

Fundamentals of Brazil's Economy

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- Petrobrás estimate

Fundamentals of Brazil's Economy

World's Oil Reserves

In Billion of
Barrels

1	Saudi Arabia	264
2	Iran	130
3	Iraq	105
4	Kuwait	100
5	UAE	95
6	Brazil	90
7	Venezuela	80
8	Russia	75
9	Libya	37
10	Kazakhstan	37
11	Nigeria	35
12	USA	27

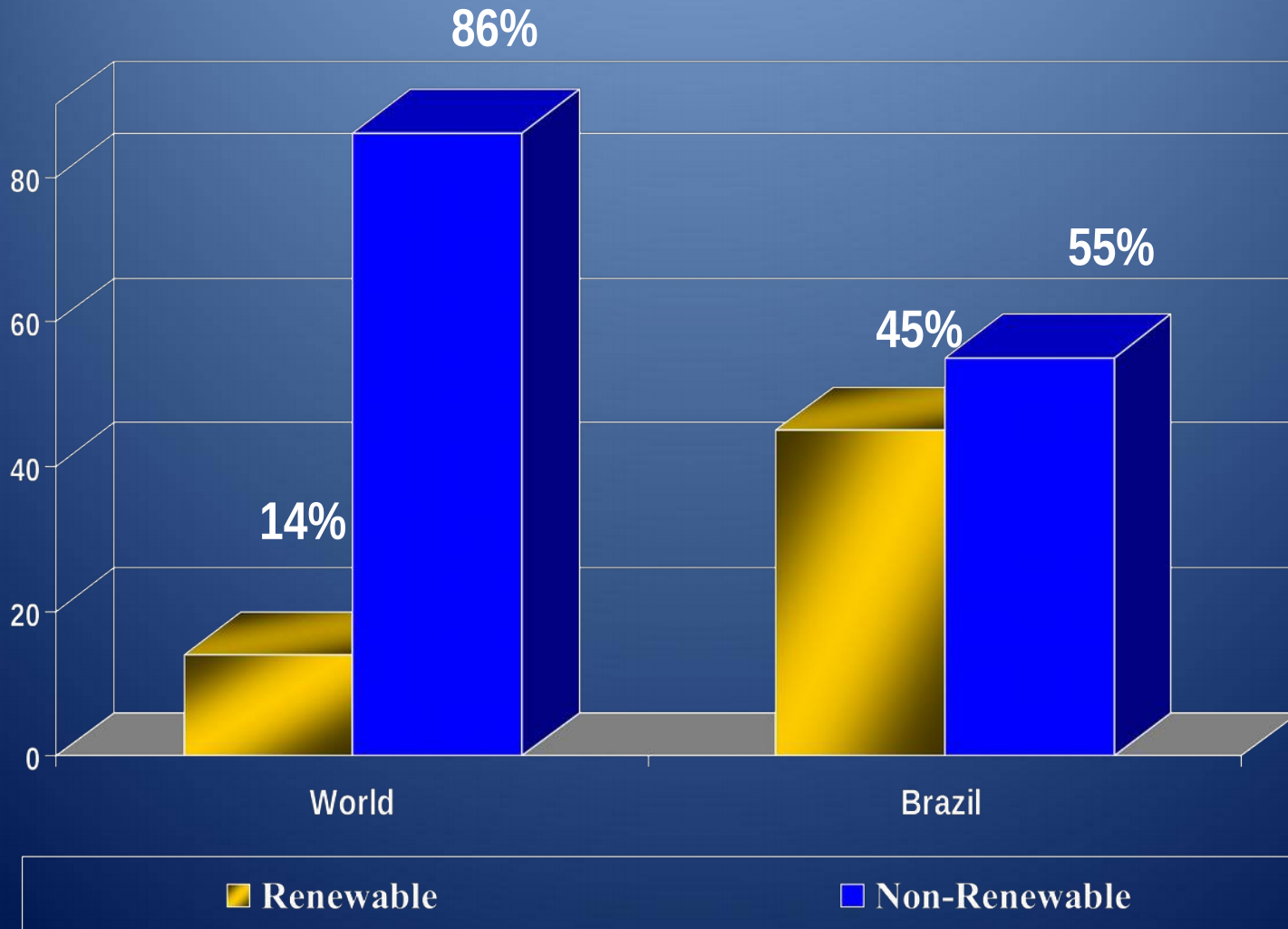
Fundamentals of Brazil's Economy

Ethanol Production

- 500 million litres/year
- 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 150 million/year
- CO₂ emission reduction by 3.5 million tons/year

Fundamentals of Brazil's Economy

Sources of Energy



Fundamentals of Brazil's Economy

Aeroplane Trade (US\$ Million FOB)

	2002	2003	2004	2005	2006	2007
Exports	2,799.2	2,050.0	3,371.3	3,302.8	3,442.5	4,367.5
Imports	685.0	591.3	888.3	967.7	1,234.5	1,593.2
Balance	2,114.2	1,458.6	2,482.6	2,335.1	2,208.0	2,774.30
Flow of Commerce	3,484.2	2,641.3	4,260.0	4,270.5	4,676.0	5,960.70

Source: Development, Industry and Trade Ministry - MDIC

Fundamentals of Brazil's Economy

Ship Industry

- The ship industry in Brazil is rebuilding itself after years of depression. By 2012, 26 new ships will be delivered to Transpetro (Petrobras Transports) with the contracts in that respect worth US\$ 2,5 billion.
- In 2007 direct jobs in the Brazilian ship industry increased by 40,000.
- 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.
- In 2008, The Brazilian Fund of Merchant Marine approved US\$ 989,8 million for new investments.
- The estimated income of the ship industry is R\$ 4,5 billion, from building ships to building oil platforms.

***BNDES - Brazilian Development Bank**

Source: Construction Industry National Syndicate

Fundamentals of Brazil's Economy

Base Industries

Steel :

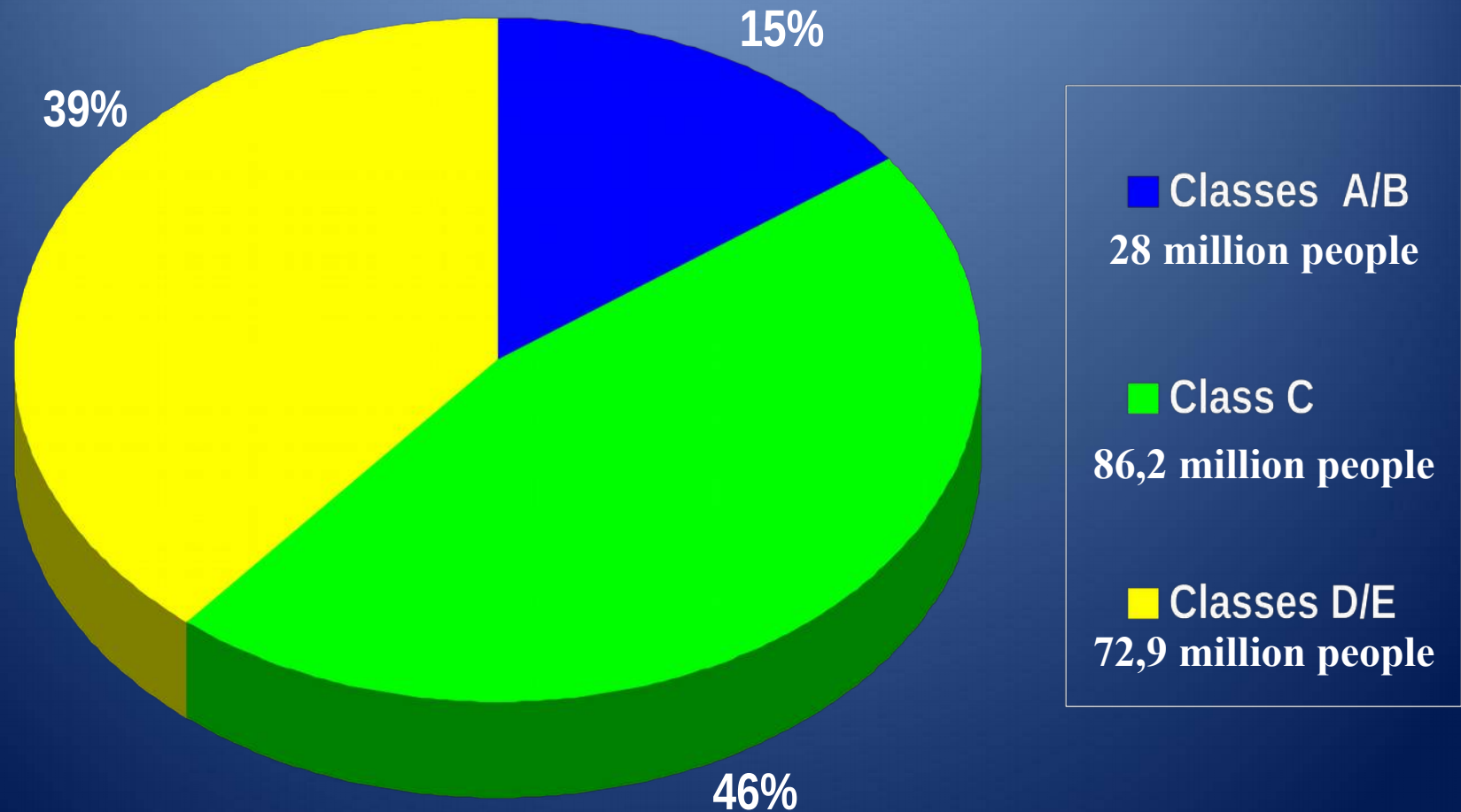
- In 2007, Brazilian production reached record levels, closing at 40 million tons, up from 30,9 million of 2006.
- The estimate for 2008 is an increase of 10,8%, with a production of 37,6 million of tons.

Cement :

- In 2008, according estimates Brazil will produce 50.500 millions tons of cement, an increase of 10% from 2007.

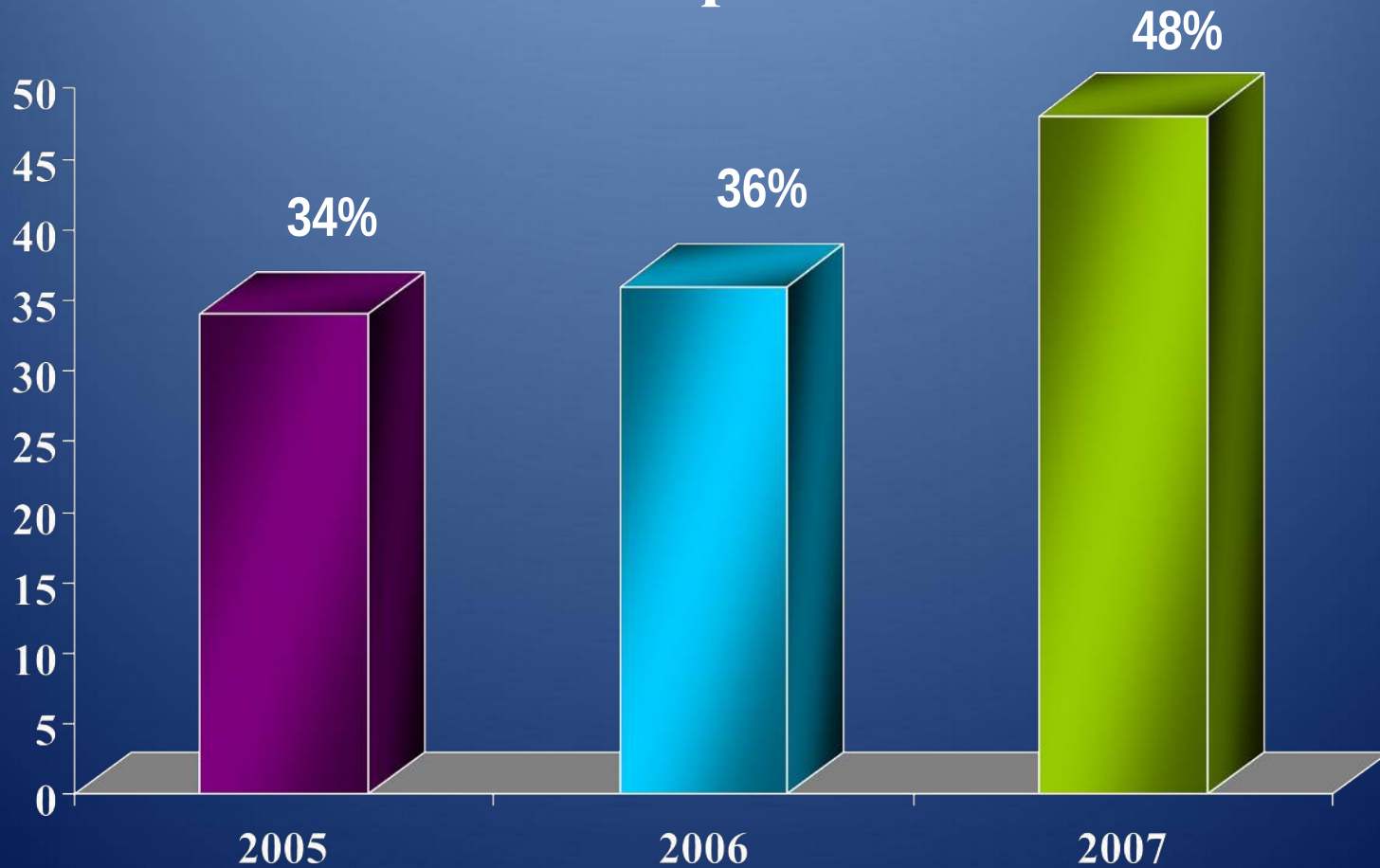
Fundamentals of Brazil's Economy

Brazil's Social Development: Division by Classes in 2007



Fundamentals of Brazil's Economy

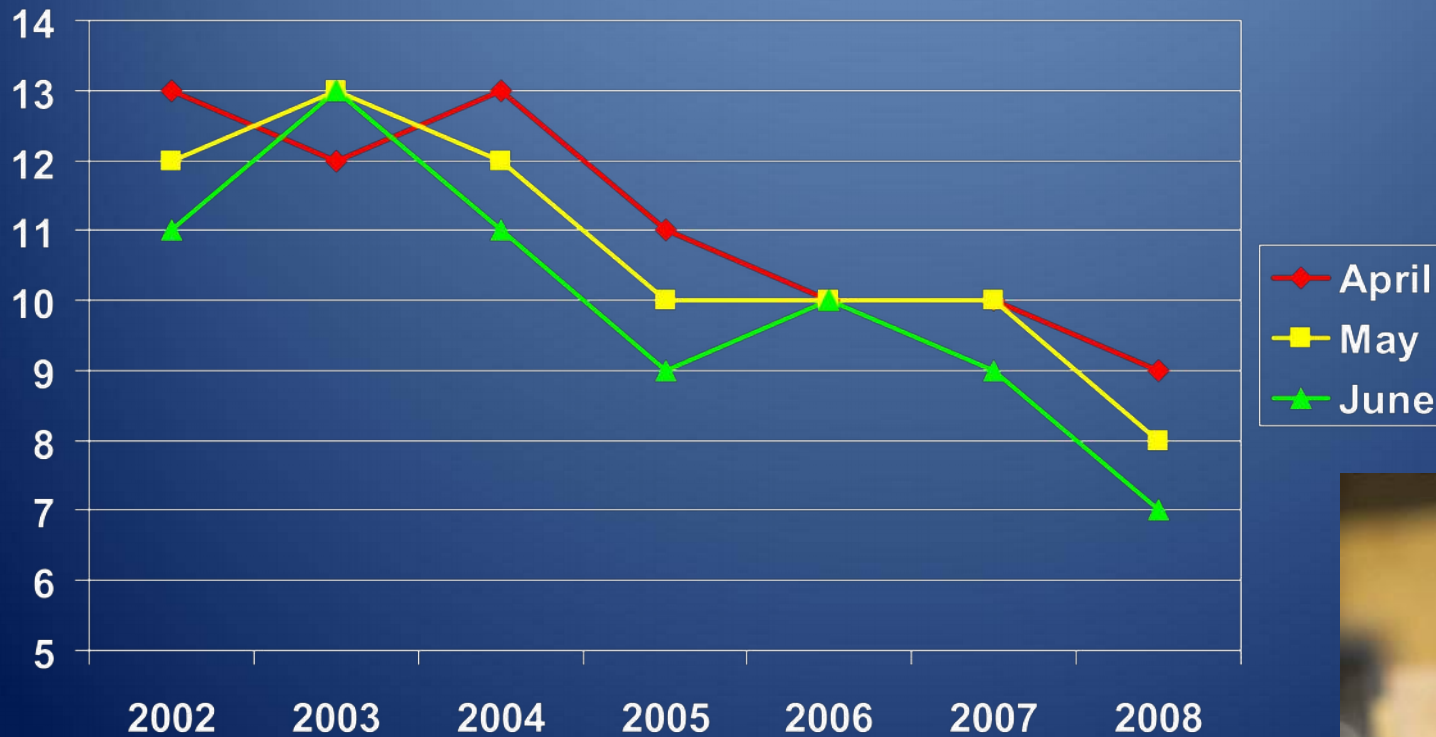
Brazil's Social Development: Growth of Class C % of Population



Fundamentals of Brazil's Economy

Unemployment rate in Brazil

Months of April, May and June – 2002 to 2008



Brazil's External Trade and Trade with Selected Partners

US\$ Billion

Brazilian Trade

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	40,02	281,27
* 2008	90,64	79,29	11,34	169,94

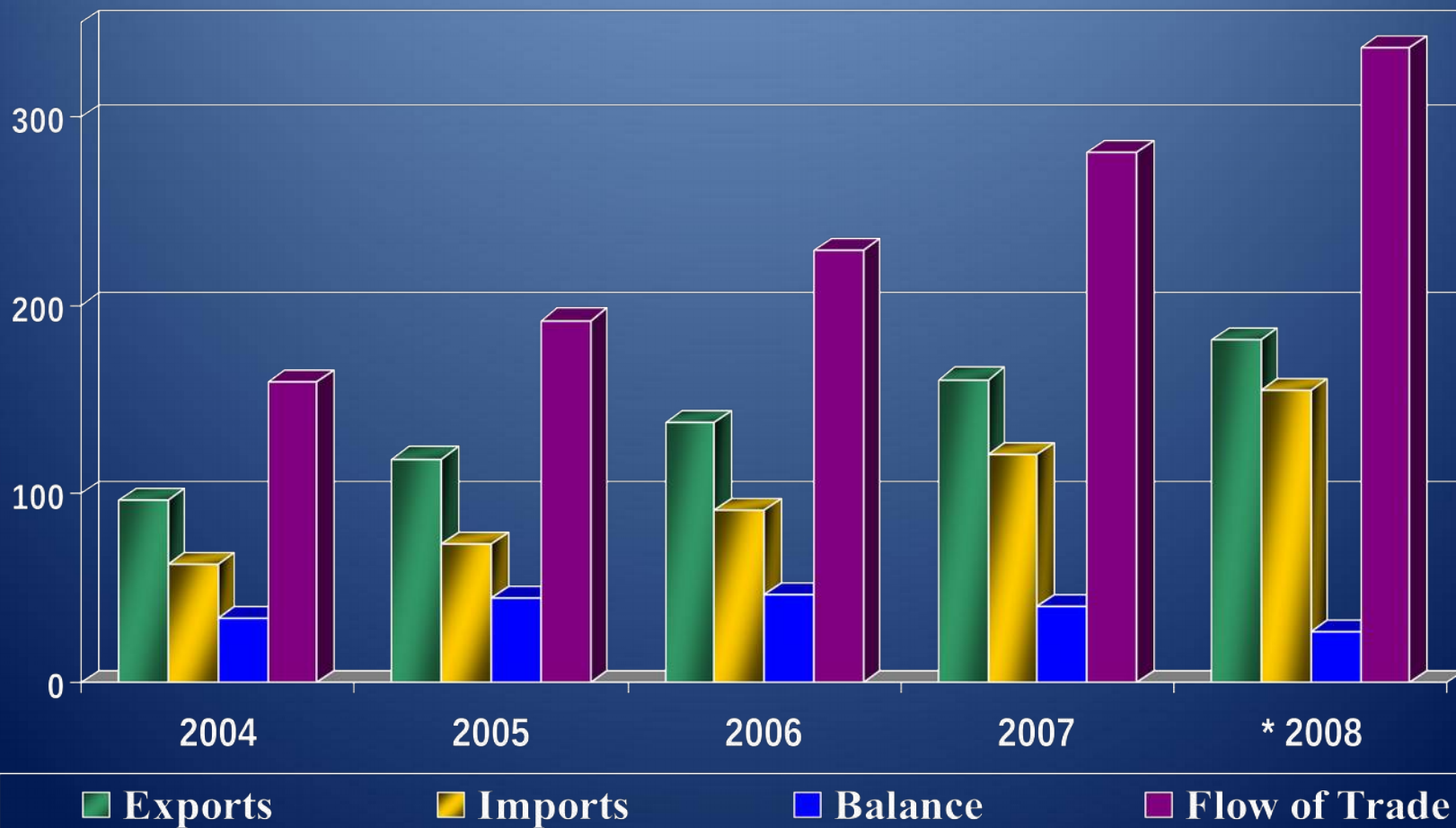
Source: Development, Industry and Trade Ministry - MDIC

*** Up to June 30 2008**

Brazil's External Trade and Trade with Selected Partners

Brazilian Trade

US\$ Billion



Source: Development, Industry and Trade Ministry - MDIC

* estimate

Brazil's External Trade and Trade with Selected Partners

Brazilian Trade with The European Union

US\$ Billion

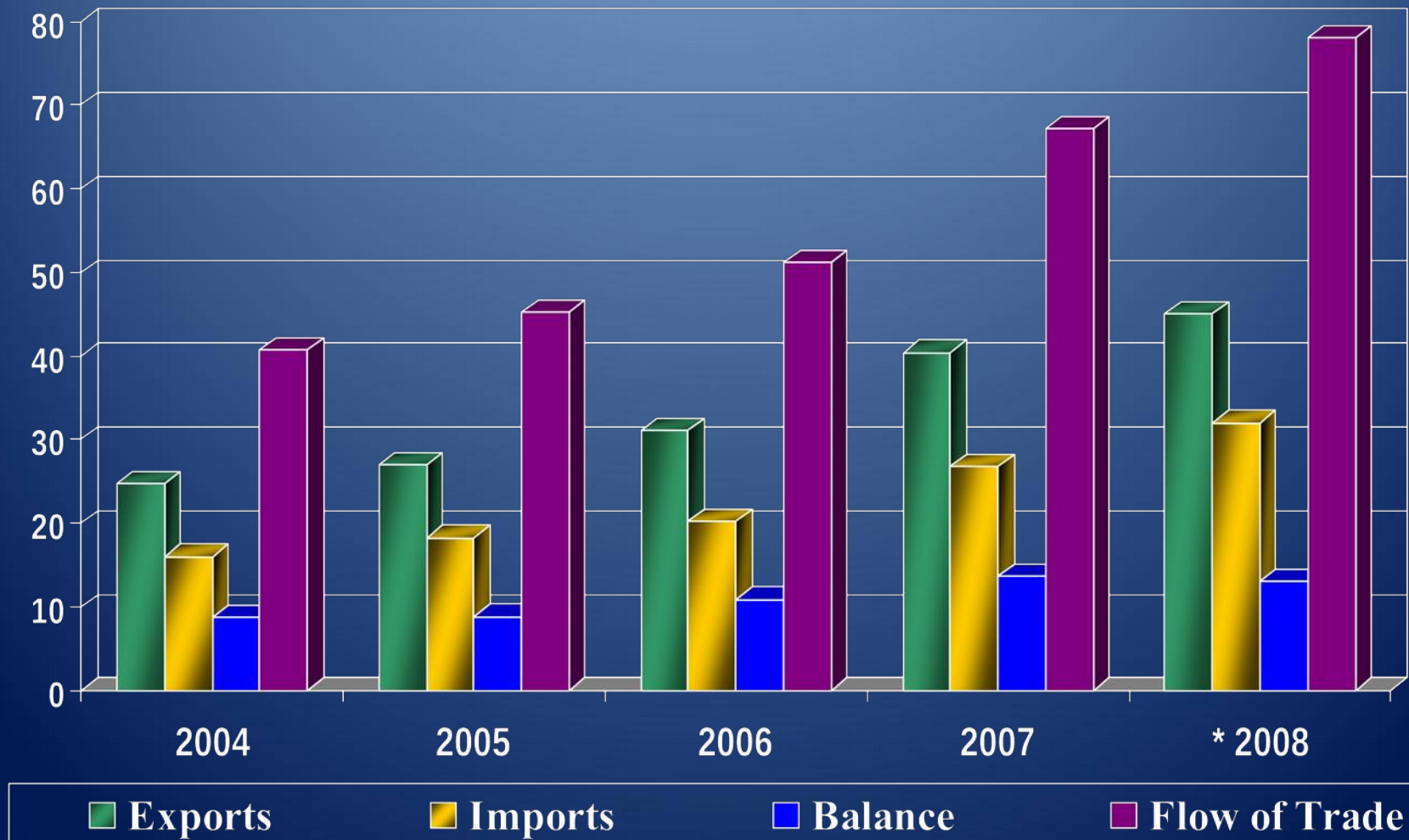
Year	Exports US\$ FOB	Imports US\$ FOB	Balance US\$ FOB	Flow of Trade US\$ FOB
2004	24,67	15,99	8,68	40,66
2005	27,03	18,23	8,80	45,26
2006	31,04	20,20	10,84	51,24
2007	40,42	26,73	13,69	67,15
* 2008	22,14	16,63	5,51	38,77

Source: Development, Industry and Trade Ministry - MDIC

*** June 2008**

Brazil's External Trade and Trade with Selected Partners

US\$ Billion Brazilian Trade with The European Union



Source: Development, Industry and Trade Ministry - MDIC

* estimate

Brazil's External Trade and Trade with Selected Partners

US\$ Billion

Brazilian Trade with China

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	7,40	8,94	- 1,54	16,35

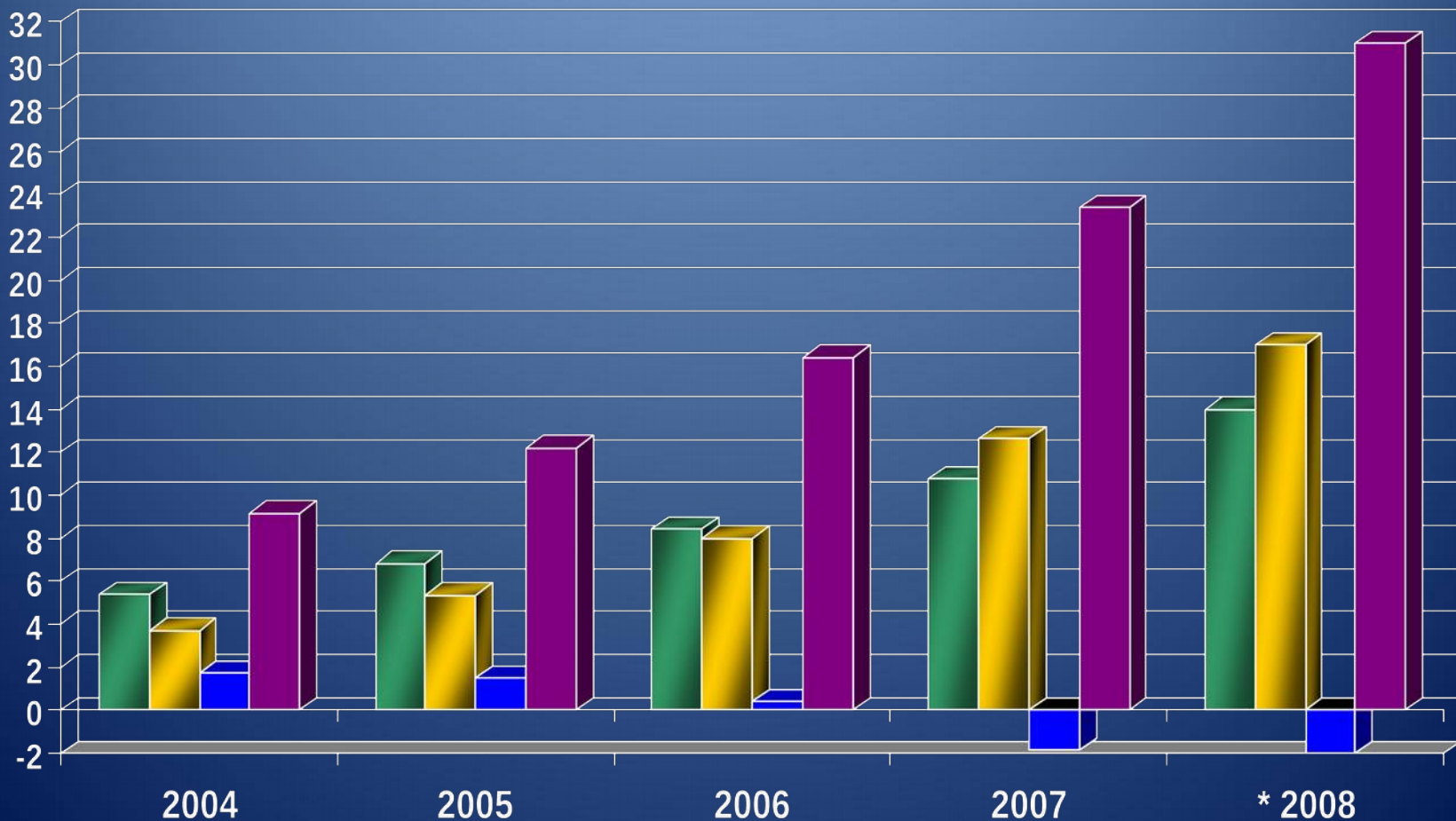
Source: Development, Industry and Trade Ministry - MDIC

* June 2008

Brazil's External Trade and Trade with Selected Partners

US\$ Billion

Brazilian Trade with China



Exports

Imports

Balance

Flow of Trade

Source: Development, Industry and Trade Ministry - MDIC

* estimate

Brazil's External Trade and Trade with Selected Partners

US\$ Billion

Brazilian Trade with South Africa

Year	Exports FOB	Imports FOB	Balance FOB	Flow of Trade FOB
2004	1,03	0,26	0,77	1,29
2005	1,37	0,34	1,03	1,71
2006	1,46	0,43	1,03	1,89
2007	1,75	0,52	1,23	2,27
* 2008	0,83	0,39	0,44	1,22

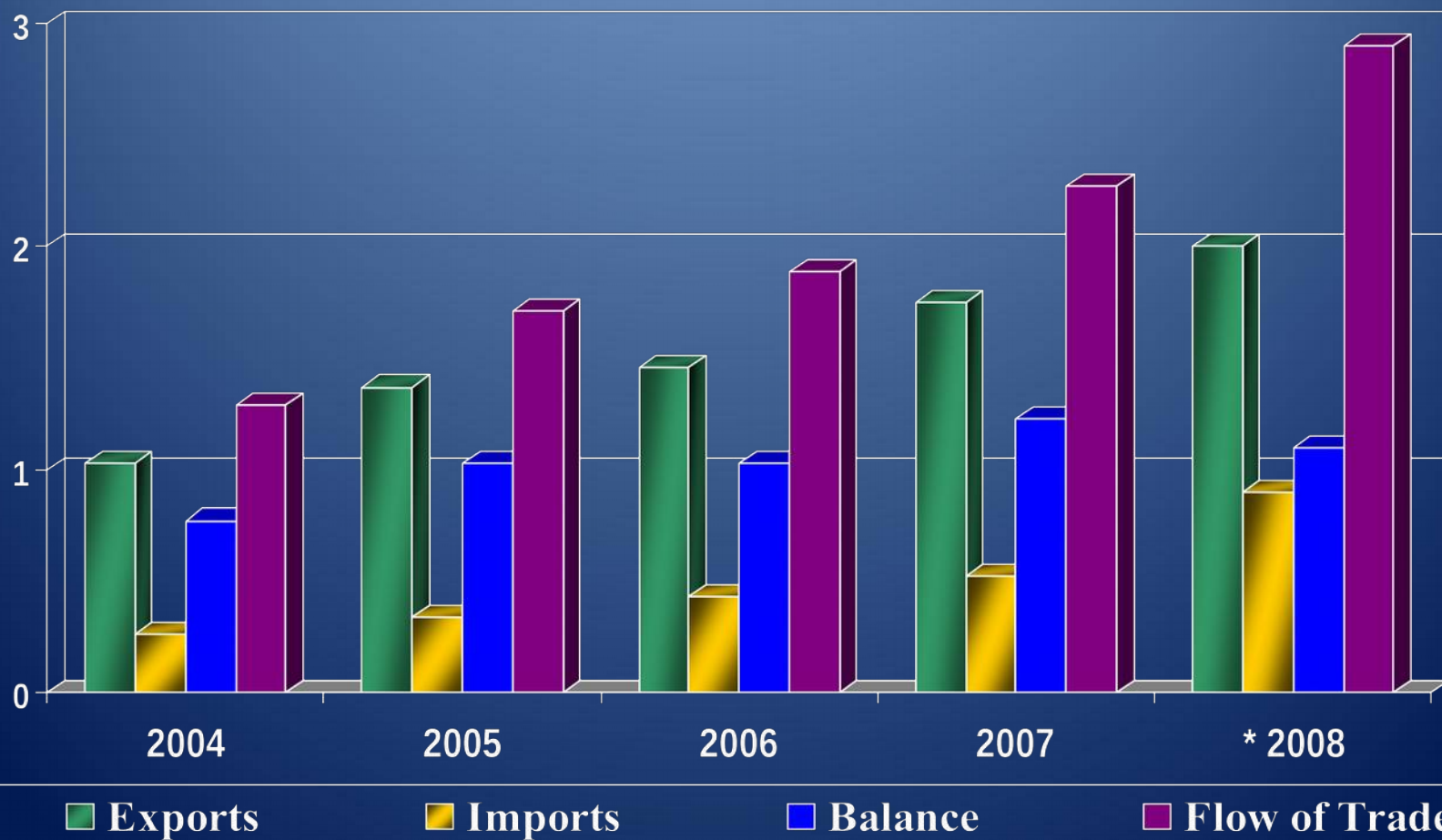
Source: Development, Industry and Trade Ministry - MDIC

* June 2008

Brazil's External Trade and Trade with Selected Partners

Brazilian Trade with South Africa

US\$ Billion



Source: Development, Industry and Trade Ministry - MDIC

*estimate

Brazil's External Trade and Trade with Selected Partners

Main Products in Bilateral Trade Brazil – South Africa

US\$ Million

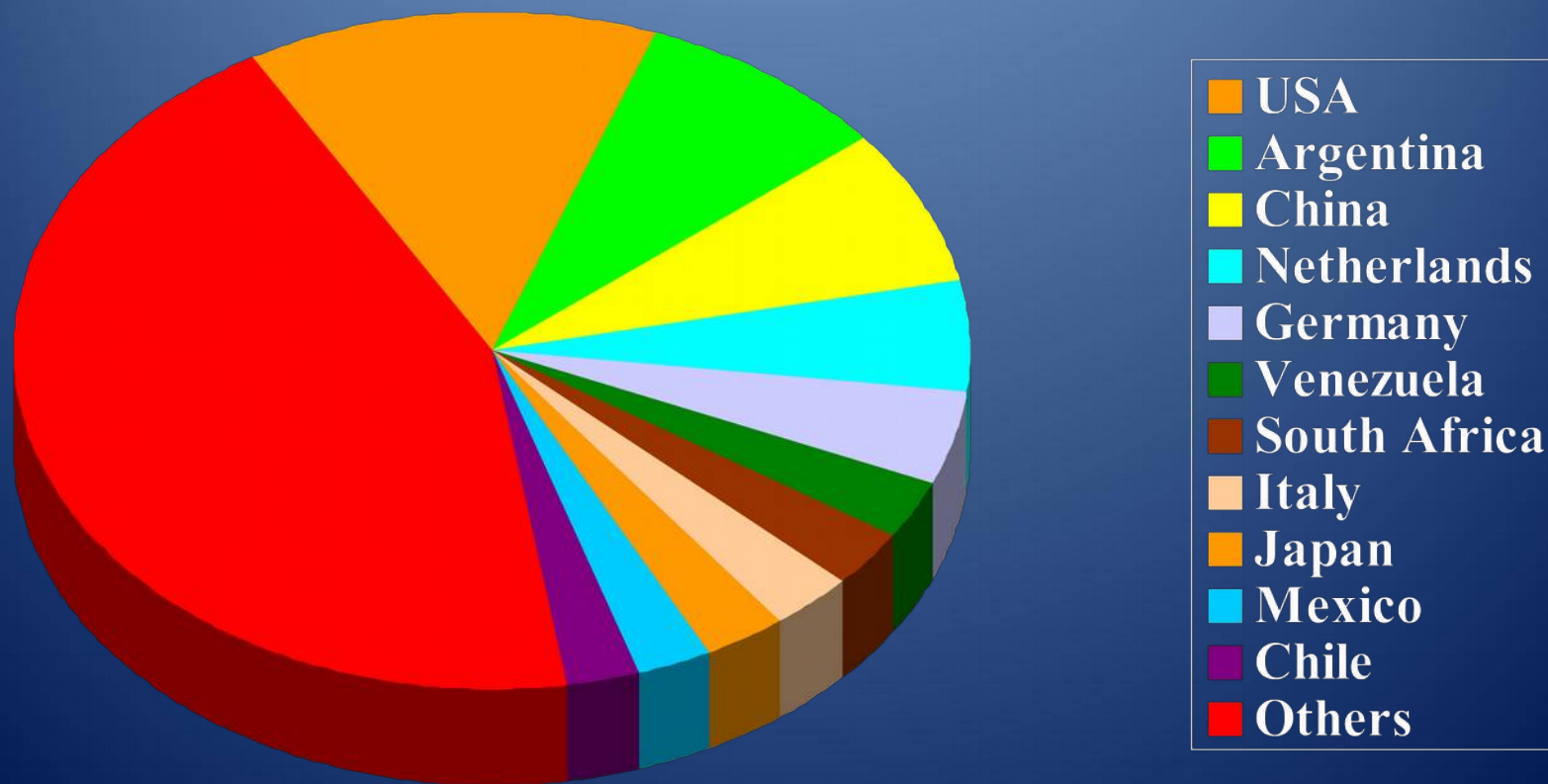
Brazil's Exports	US\$ FOB	Brazil's Imports	US\$ FOB
Refined Soy Oil	72,98	Anthracite	55,60
Chicken Cuts and offal, frozen	65,01	Rhodium, Raw or powdered	41,85
Other vehicles	49,75	Other Vehicles Motors	24,20
Other Cane Sugar	47,50	Ferro-manganese	19,13
Trucks Body	38,38	Tebuthiuron	17,75
Road tractors for semi-trailers	32,63	Other Hydrocarbon	13,48

Source: Development, Industry and Trade Ministry - MDIC

*** June 2008**

Brazil's External Trade and Trade with Selected Partners

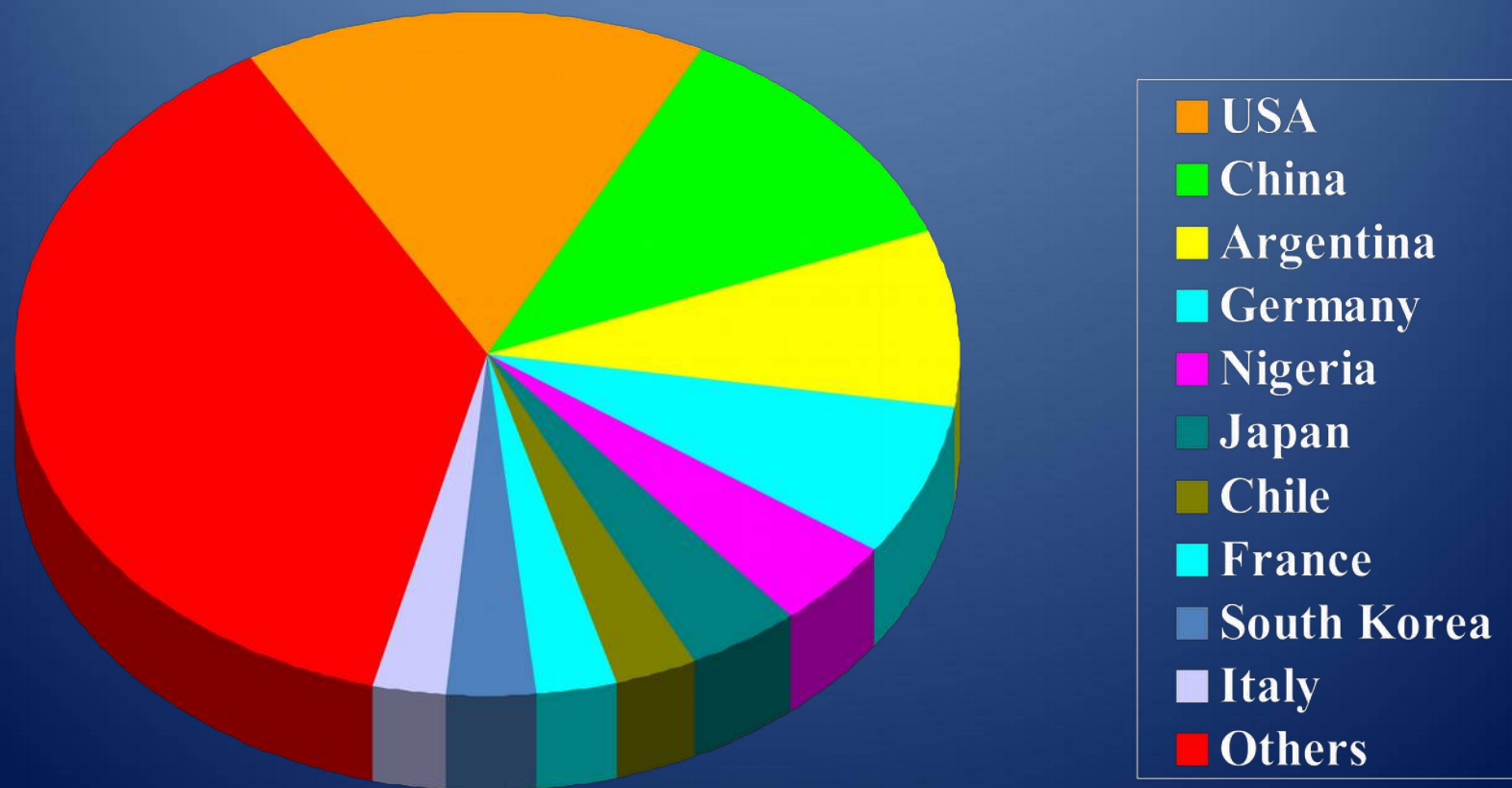
Brazilian Flow of Trade



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

Brazil's External Trade and Trade with Selected Partners

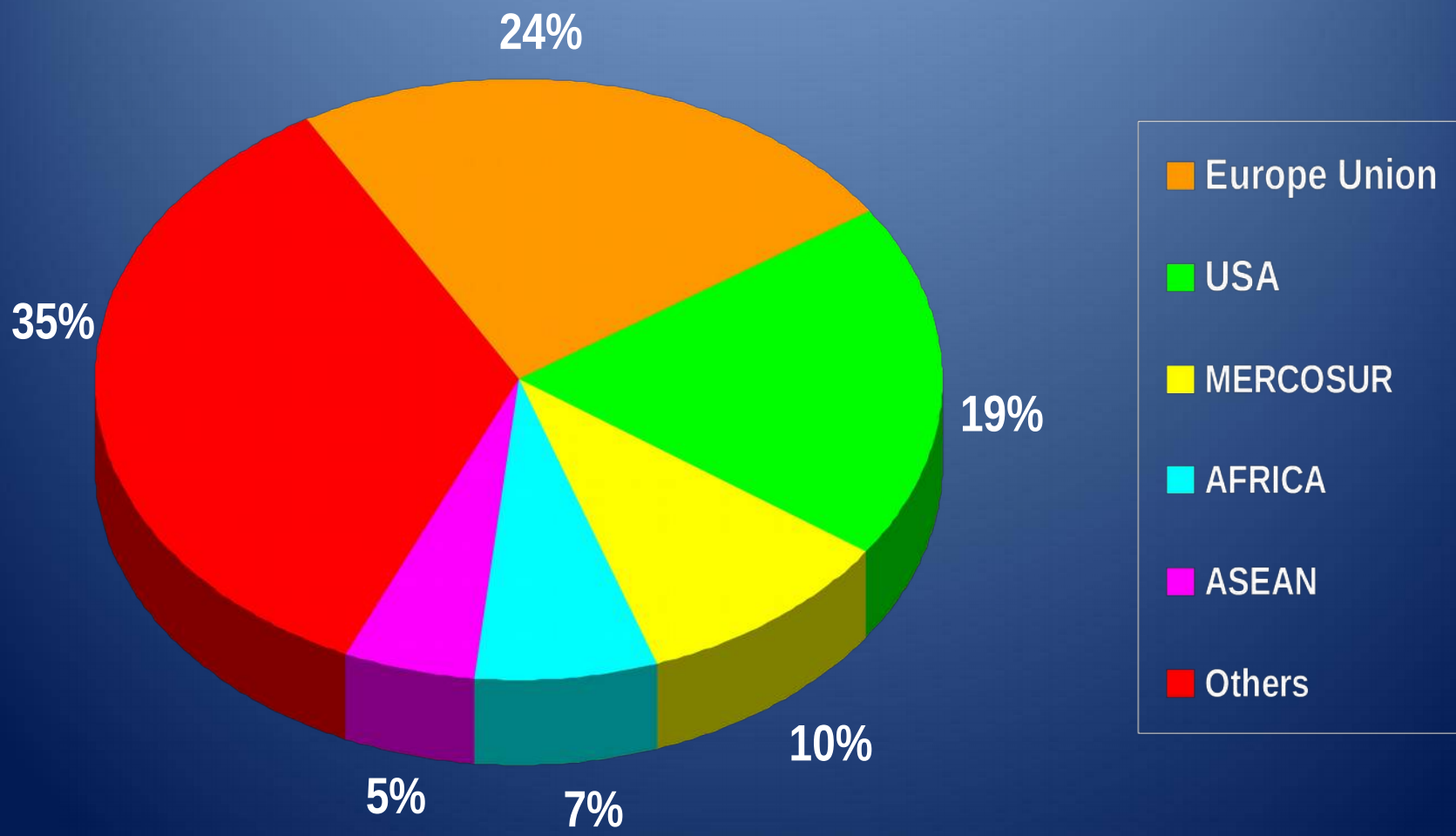
Sources of Brazil's Imports



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

Brazil's External Trade and Trade with Selected Partners

Flow of trade between Brazil and selected economic blocs

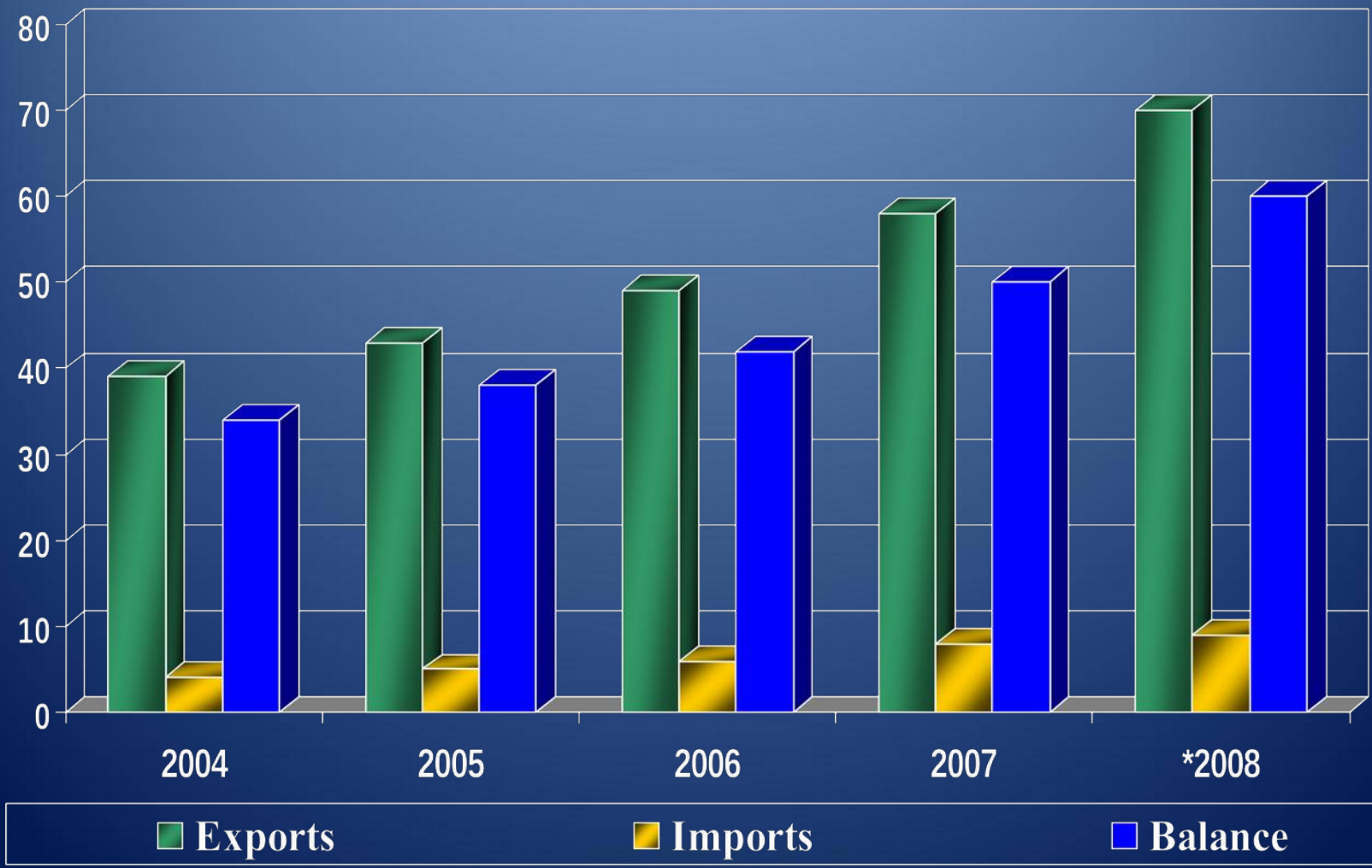


Source: Development, Industry and Trade Ministry - MDIC
June/2008

Brazil's External Trade and Trade with Selected Partners

US\$ Billion

Brazil's Agribusiness Trade



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

Fundamentals of Brazil's Economy

Brazilian Agribusiness

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

Brazil's External Trade and Trade with Selected Partners

Main Destinations for Brazil's Agribusiness Exports

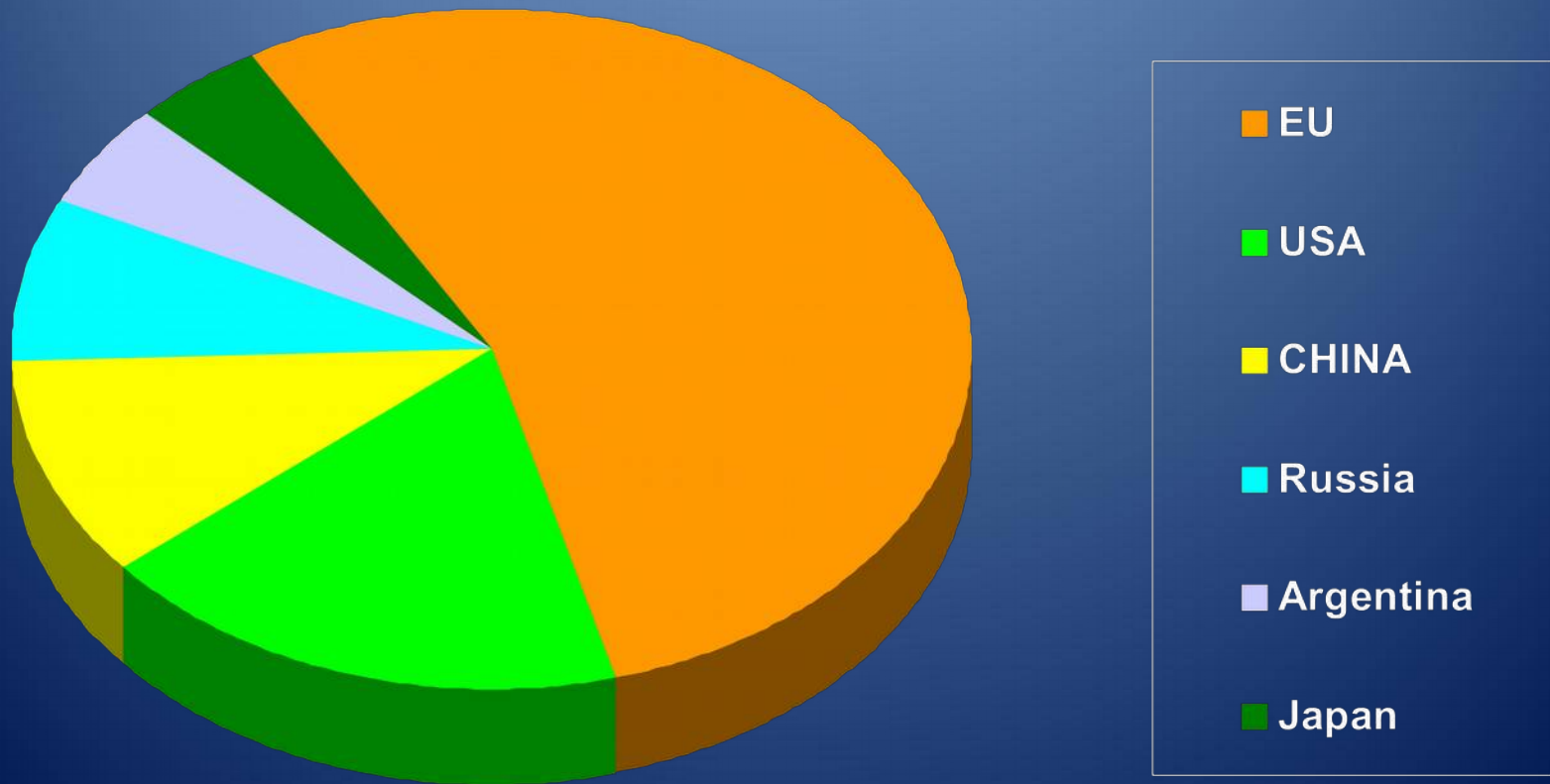
Destinations	Agribusiness Exports (US\$ million)		Var. % 07/06 (b/a)	Total Exp. (c)	Increased Value %		
	2006 (a)	2007 (b)			Basic	Semi	Manufactured
1. EU	16.153	21.232	31,44	40.357	57,43	14,53	28,04
2. USA	7.370	6.840	-7,19	25.065	19,55	19,70	60,75
3. China	3.802	4.691	23,38	10.749	67,69	29,23	3,09
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 - CNA

***Estimate**

Brazil's External Trade and Trade with Selected Partners

Main Destinations for Brazil's Agribusiness Exports

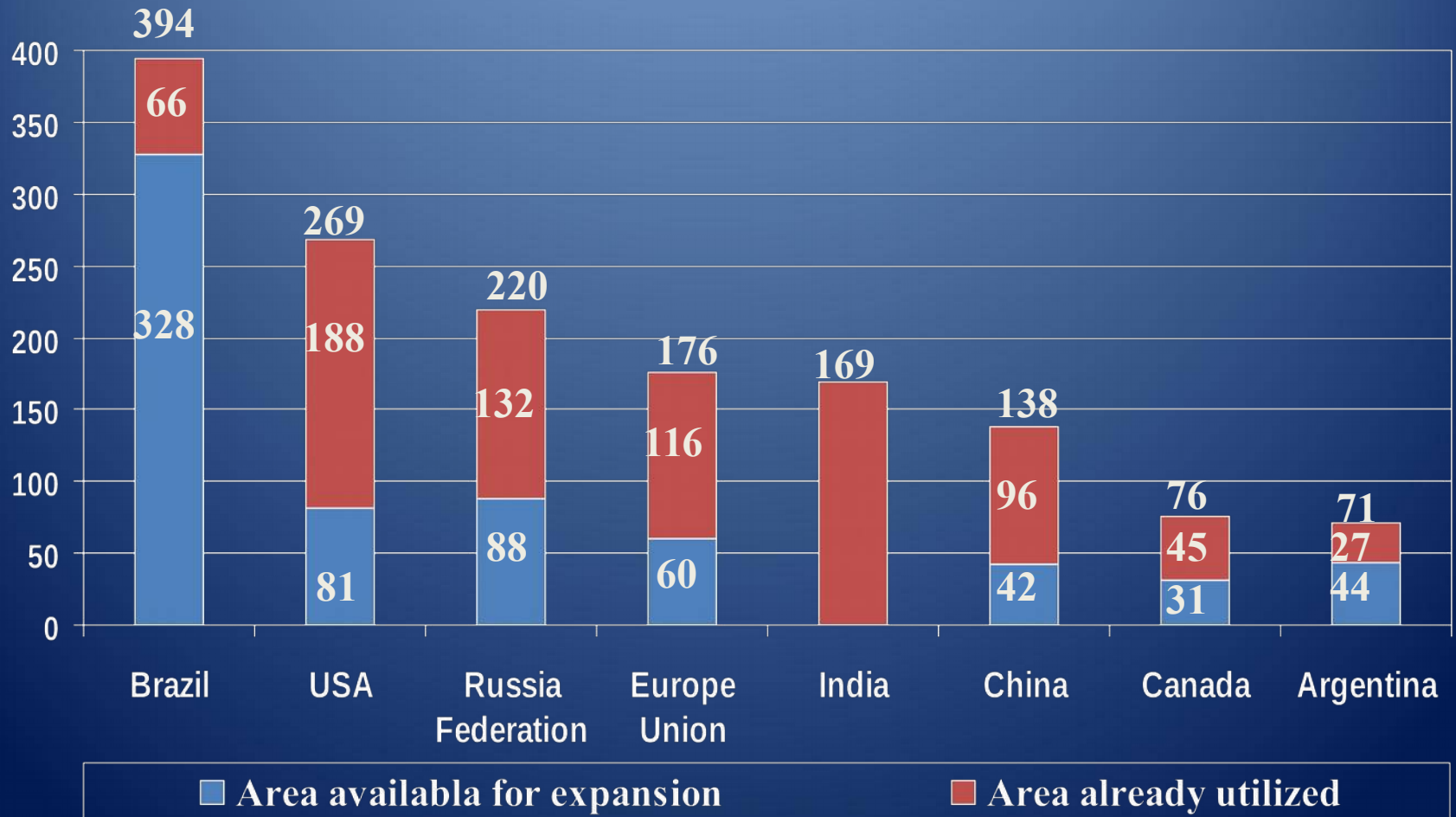


Source: Brazilian Confederation of Agriculture and Livestock - CNA

*Estimate

Fundamentals of Brazil's Economy

Potential Areas for Agricultural Expansion



General Aspects of Brazil's Foreign Policy

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

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



General Aspects of Brazil's Foreign Policy

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.

NORONHA ADVOGADOS

Located in one of the main financial centers of the city, the São Paulo office is the head office of Noronha Advogados and the oldest, having been opened in June 1978.

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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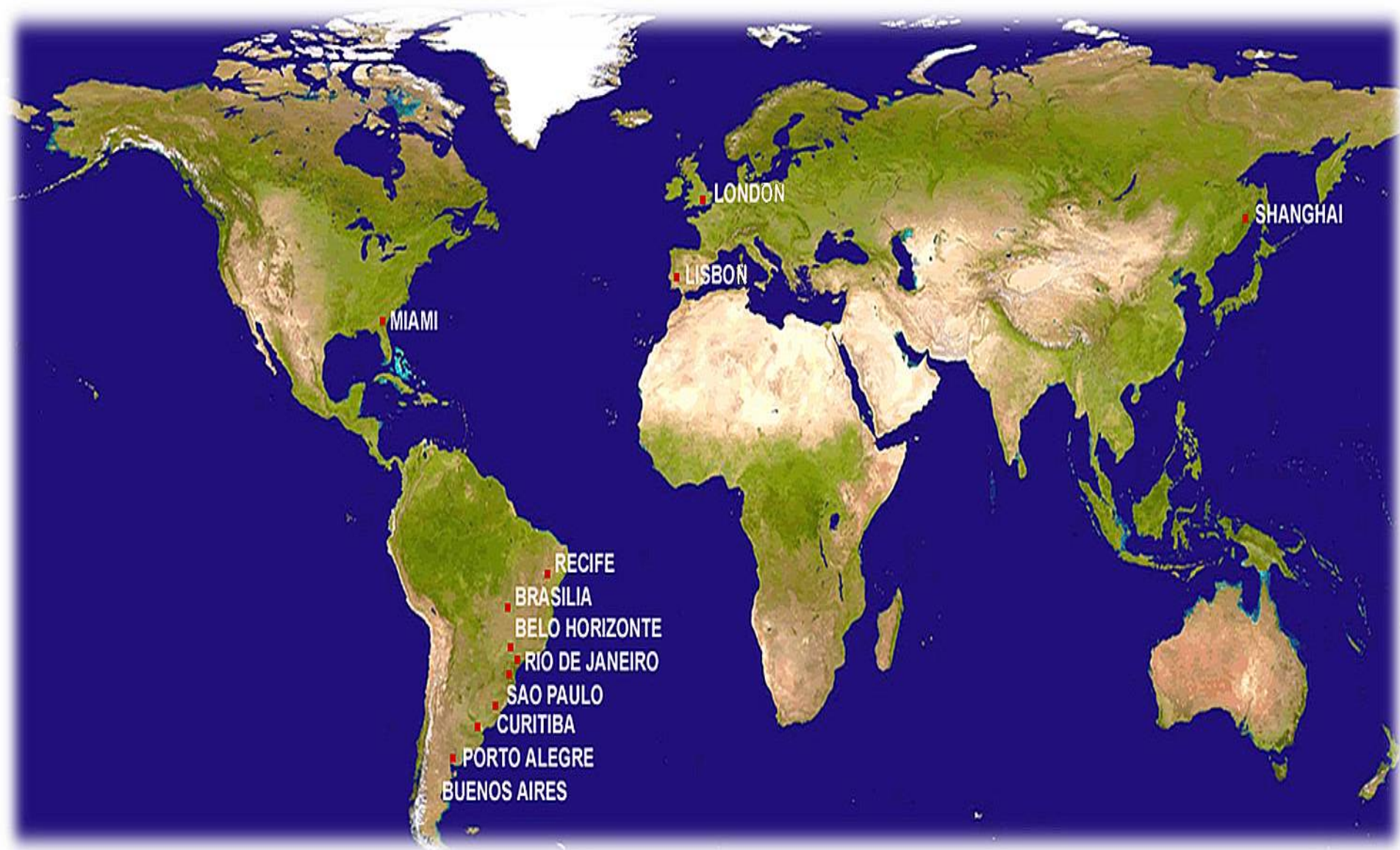
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