



**BRAZIL AND CANADA:  
TRADE 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. Geographic Considerations**
- 2. Political Considerations**
- 3. Macroeconomic Fundamentals**
- 4. Trade Between Brazil and Canada**



# GEOGRAPHIC CONSIDERATIONS B BRAZIL





# POLITICAL CONSIDERATIONS

## Executive Power

### PRESIDENCY

The President of the **Federal Republic of Brazil** is the head of state and the head of government elected to a mandate of four years.

The President is also the supreme commander of the Brazilian Armed Forces.

**President Mr. Luiz Inácio Lula da Silva**  
**Mandate – 2007-2010**



**MINISTRIES - 23**



# **POLITICAL CONSIDERATIONS**

## **Division of Power**



**Palácio do Planalto**  
**Executive Power**

The President, who is elected to a four-year term, with one re-election allowed



**National Congress**  
**Legislative Power**

Two separate chambers: Federal Senate and Federal Chamber of Deputies.



**Federal Supreme Court**  
**Judiciary Power**

Federal Supreme Court  
Brazilian legal system is based on Roman Law





# **POLITICAL CONSIDERATIONS**

## **Judiciary Power**

### **Brazilian Superior Courts**



**STF**  
**Federal**  
**Supreme**  
**Court**



**STJ**  
**Superior**  
**Tribunal of**  
**Justice**



**TST**  
**Superior**  
**Labor**  
**Court**



**TSE**  
**Superior**  
**Electoral**  
**Court**



## Political considerations **EXECUTIVE POWER**



*Ministeries' Avenue*



# POLITICAL CONSIDERATIONS

## The Financial Sector



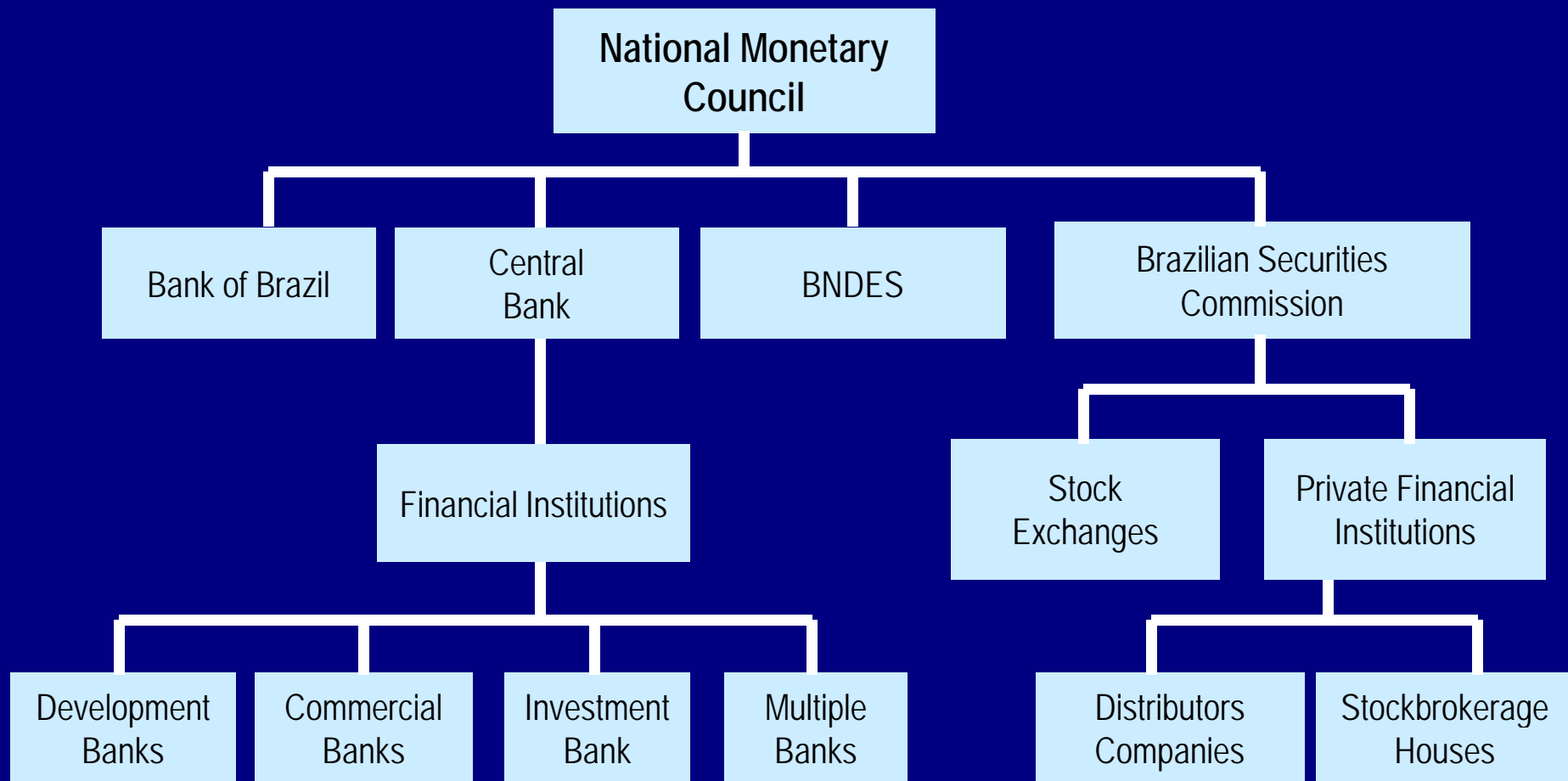
*Central Bank*





# POLITICAL CONSIDERATIONS

## The Brazilian Financial System





# **MACROECONOMIC FUNDAMENTALS**

## **The Brazilian Economy in the 21<sup>st</sup> 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



4426;

# **MACROECONOMIC FUNDAMENTALS**

## **Brazilian Achievements**

### **During the First Mandate of Lula's Presidency**

- ➔ major investments on electricity production and transmission
- ➔ resumption of train and ship industry
- ➔ aircraft industry exports reached US\$ 11 billion in 2005
- ➔ development of flex fuel engines
- ➔ cellular phone production jumped from 35 million in 2002 to 75 million in 2005
- ➔ over 50 Brazilian companies opened 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 yet to be solved

- ☹ taxes are not competitive;
- ☹ interest rates are very high;
- ☹ exchange rates are overestimated.







# MACROECONOMIC FUNDAMENTALS

## Brazil's GDP in US\$

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007*
GDP (US\$ million)	534.0	550.0	552.0	531.1	594.2	503.9	456.5	552	663,4	882	1.006	652,5
Population (million)	161.3	163.7	166.2	169.7	171.2	173.8	176.3	178.9	181.5	185.5	186.7	188.9
GDP per capita (US\$)	3,310	3,359	3,321	3,129	3,470	2,899	2,589	3,085	3,655	4,754	5,388	3,311

Source: MDIC, Mercosul, IBGE and US Census database web site

\* *estimate*

In yellow – IBGE's new methodology – March, 2007.



# MACROECONOMIC FUNDAMENTALS

## Brazil's GDP in purchase power parity

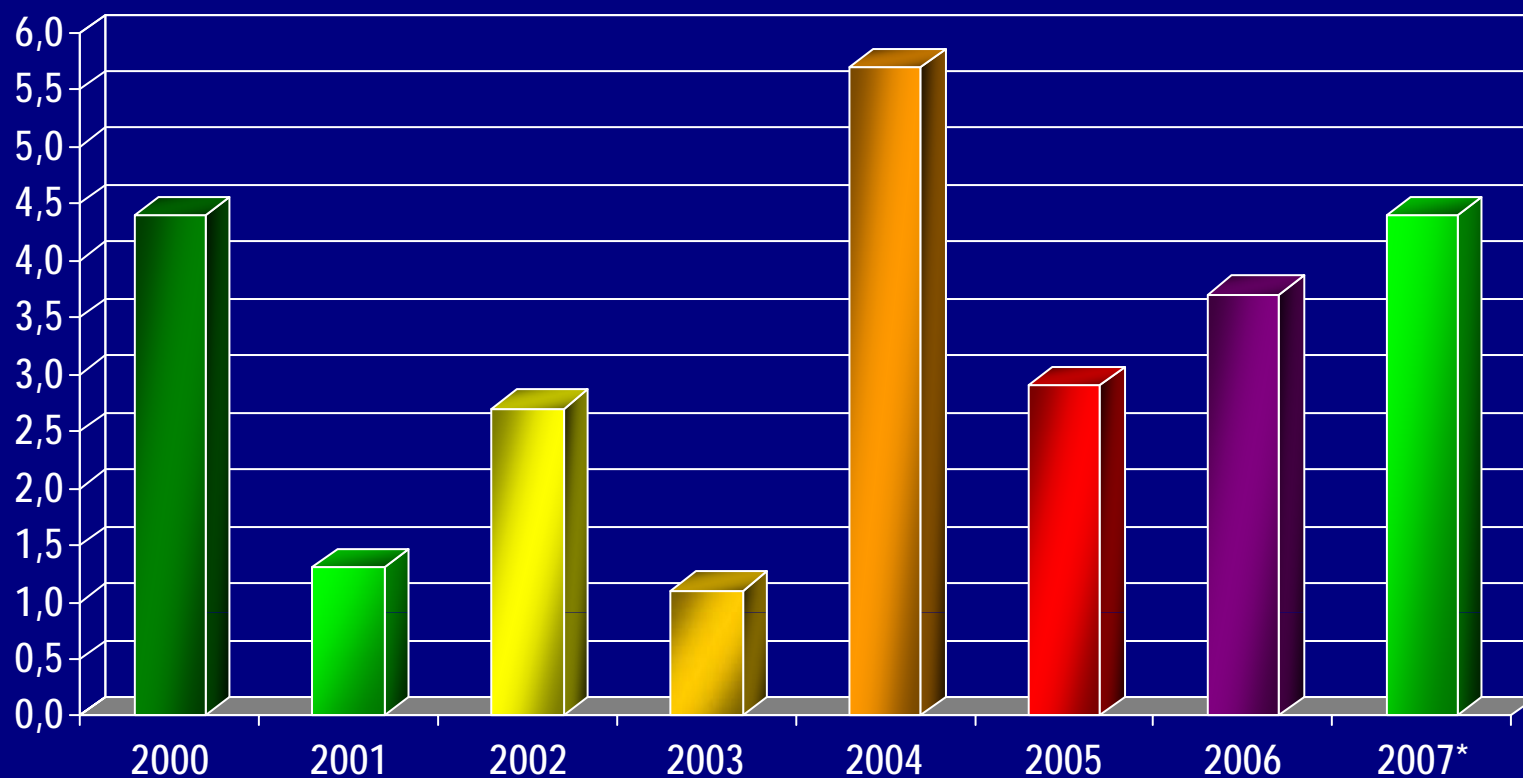
- Total purchase power parity is US\$ 1.803 trillion
- Purchase power parity per capita is US\$ 9.108 (2006)
- Purchase power parity per capita is US\$ 9.531 (2007)



Source: IMF

# MACROECONOMIC FUNDAMENTALS

## Economic Growth



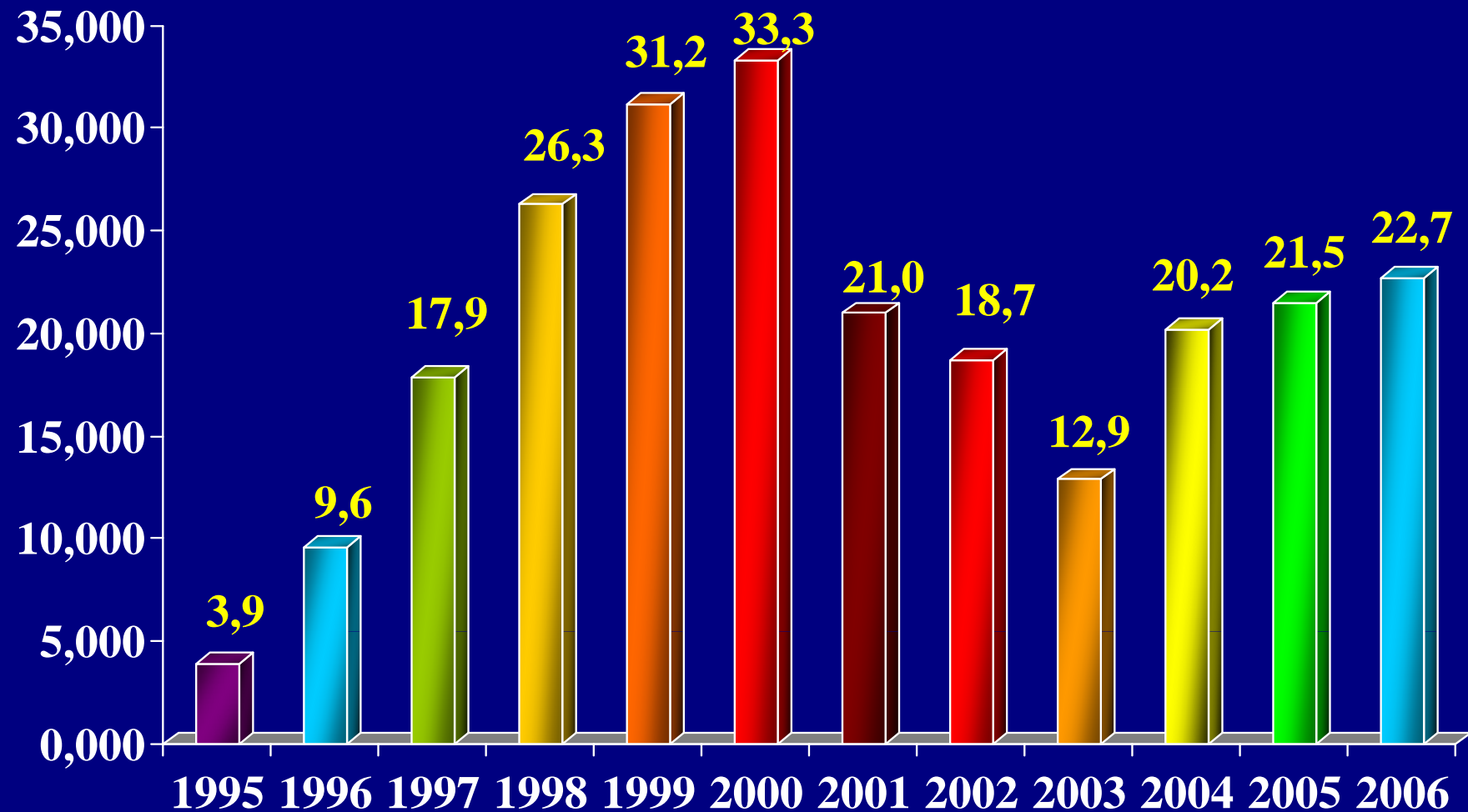
Source – IBGE New Methodology – March 2007

\* estimate IMF



# MACROECONOMIC FUNDAMENTALS

## Brazil: Foreign Direct Investment



Source: Central Bank of Brazil / Treasury Department





# MACROECONOMIC FUNDAMENTALS

## Brazil: Foreign Direct Investment

### Canada

Year	Value (US\$ Million)
2000	2.028
2001	441
2002	989
2003	117
2004	592
2005	1.435
2006	1.285

Source: Central Bank of Brazil / Fiscalization Department



# MACROECONOMIC FUNDAMENTALS

## Brazil - Evolution of External Debt

Year	Value (US\$ Billion)
1998	233,8
1999	241,5
2000	236,2
2001	226,1
2002	227,7
2003	235,4
2004	220,2
2005	188,0
2006	192,0
2007	165,8 *



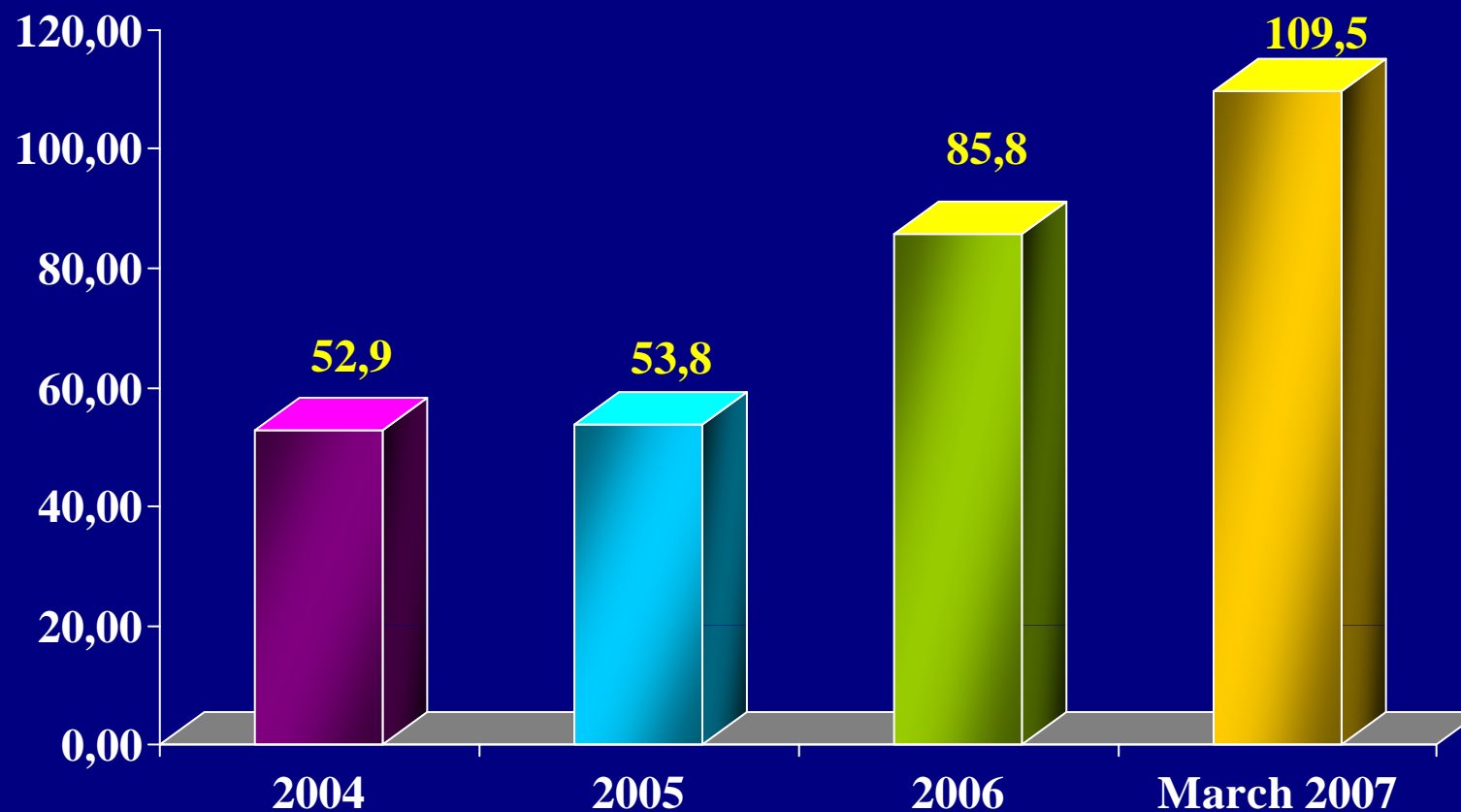
**Source: IPEADATA**

**\* Estimate Central Bank of Brazil according JPMorgan, Mar/2007**



# MACROECONOMIC FUNDAMENTALS

## International Reserves in Billion Dollars

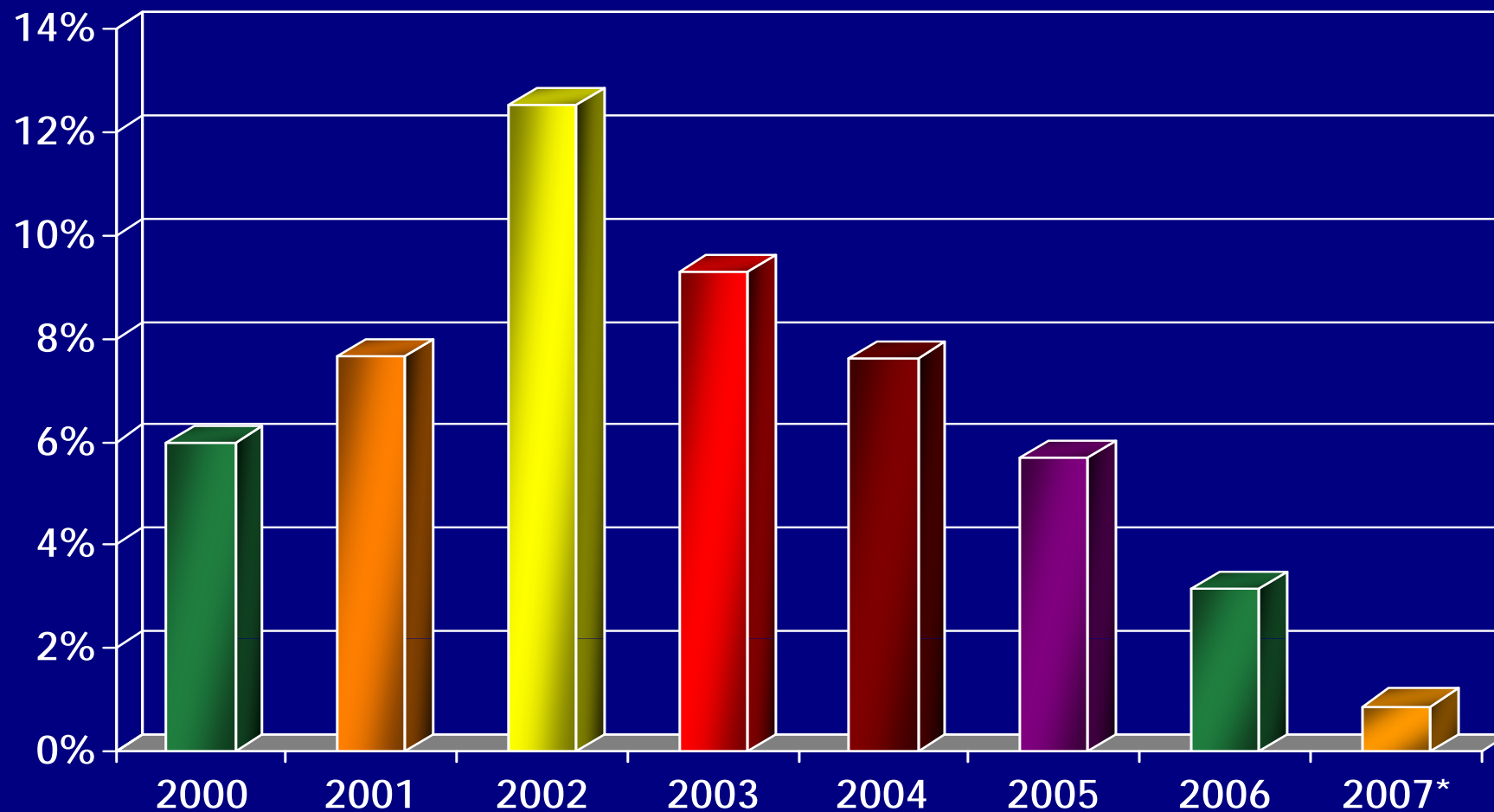


**Source: Central Bank of Brazil / Treasury Department**



# MACROECONOMIC FUNDAMENTALS

## Inflation



Source: Portal Brasil and IBGE

*\*value of the first two months of 2007*





# 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\*



Source: Petrobrás

\* forecast: Petrobrás

# MACROECONOMIC FUNDAMENTALS

## Automotive production – 2000-2007\*

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
2006	1,914,918	356,061	103,289	29,412	2,403,680
2007	313.656	47.303	15.692	4.297	380.948

**Source: Anfavea**

**\* January and February 2007.**



# MACROECONOMIC FUNDAMENTALS

## Airplane Trade (US\$ Million FOB)

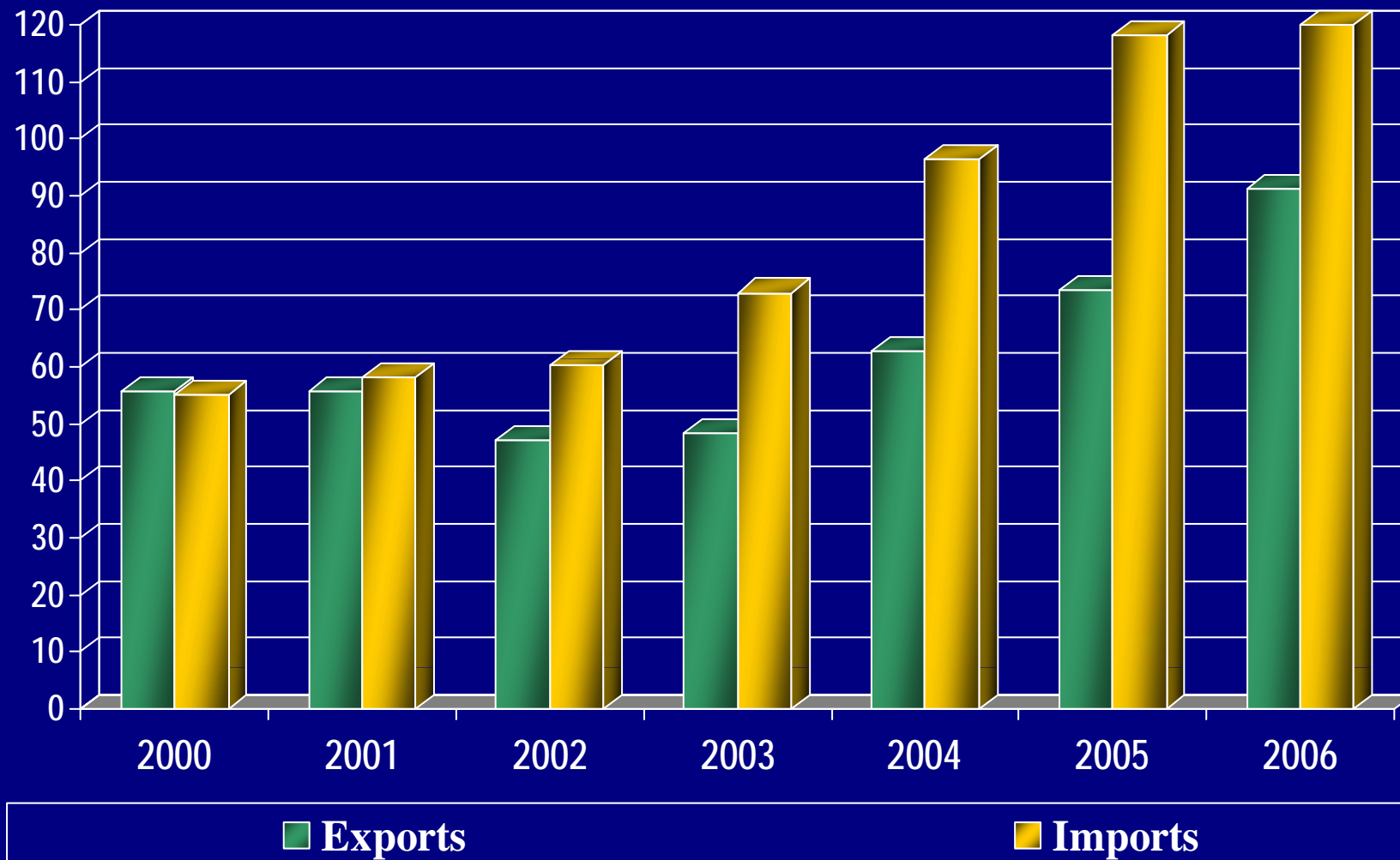
	2000	2001	2002	2003	2004	2005	2006
Exports	3,574.5	3,553.6	2,799.2	2,050.0	3,371.3	3,302.8	3,442.5
Imports	1,073.3	807.6	685.0	591.3	888.3	967.7	1,234.5
Balance	2,501.1	2,745.9	2,114.2	1,458.6	2,482.6	2,335.1	2,208.0
Flow of Commerce	4,647.9	4,361.3	3,484.2	2,641.3	4,260.0	4,270.5	4,676.0

**Source: MDIC**



# MACROECONOMIC FUNDAMENTALS

## Brazilian Trade in Billion Dollars



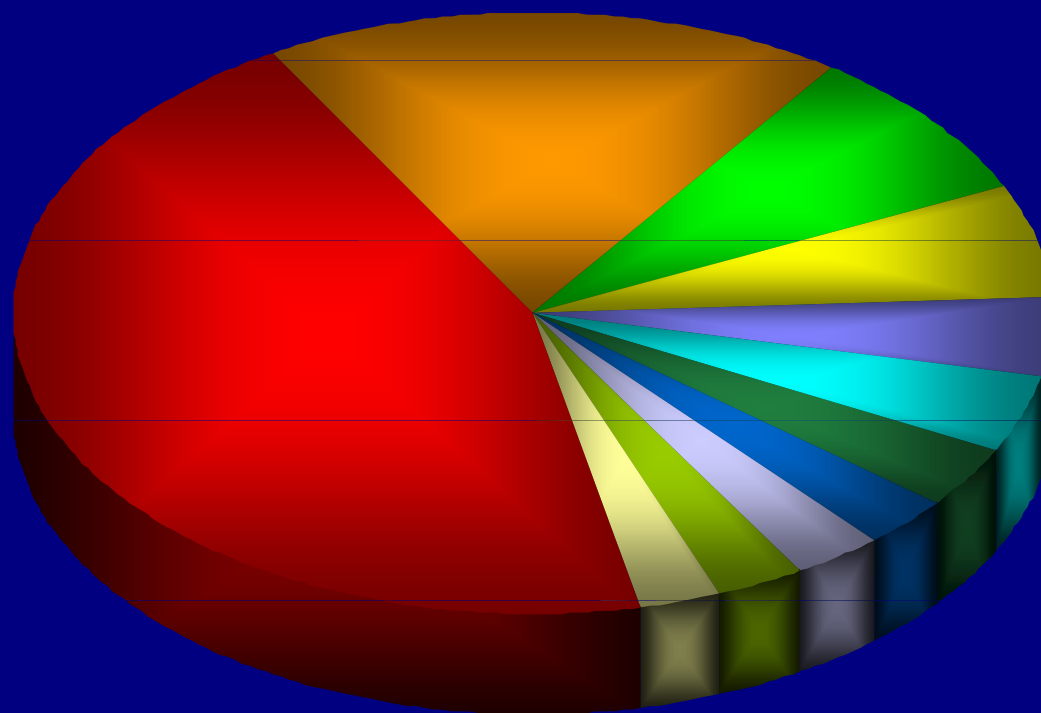
Source: SECEX



# MACROECONOMIC FUNDAMENTALS

## Brazil's Export Markets

In 2006



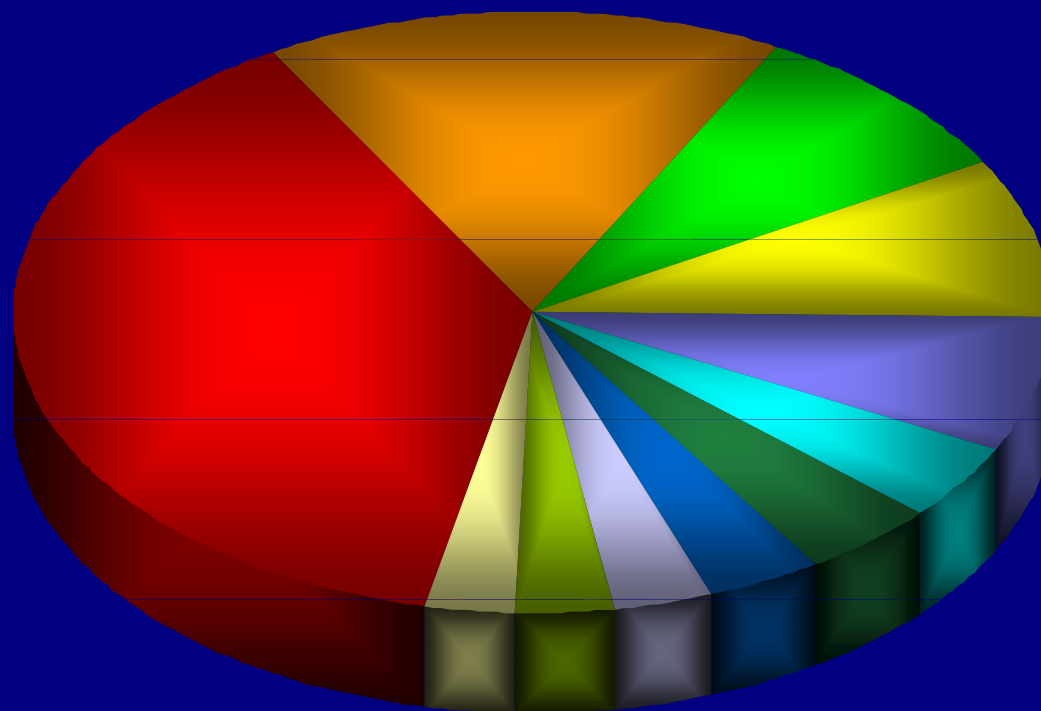
- USA
- Argentina
- China
- Netherlands
- Germany
- Mexico
- Chile
- Japan
- Italy
- Venezuela
- Others

Source: SECEX

# MACROECONOMIC FUNDAMENTALS

## Sources of Brazil's Imports

In 2006

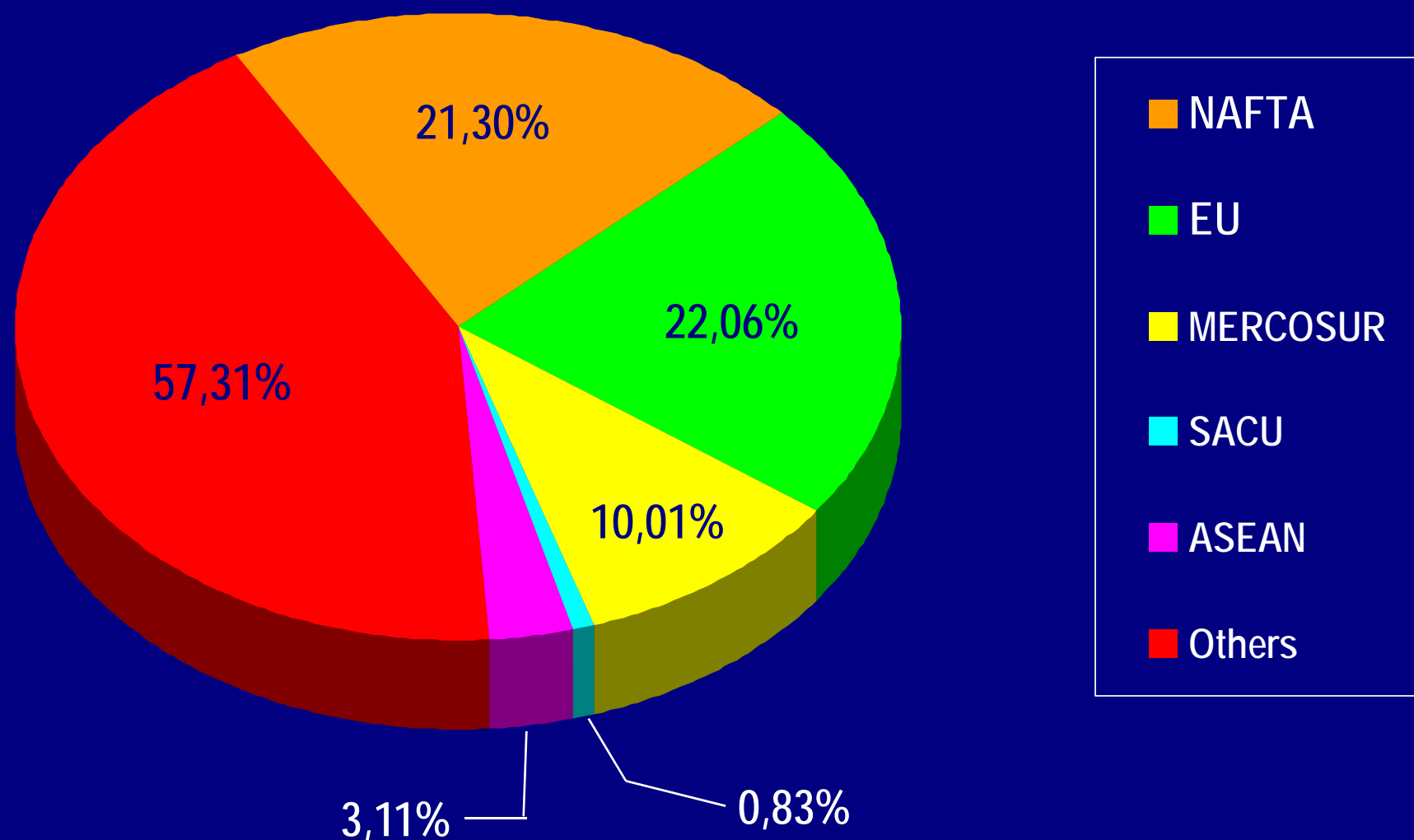


- USA
- Argentina
- China
- Germany
- Nigeria
- Japan
- South Korea
- Chile
- France
- Italy
- Others

Source: SECEX

# INTERNATIONAL TRADE

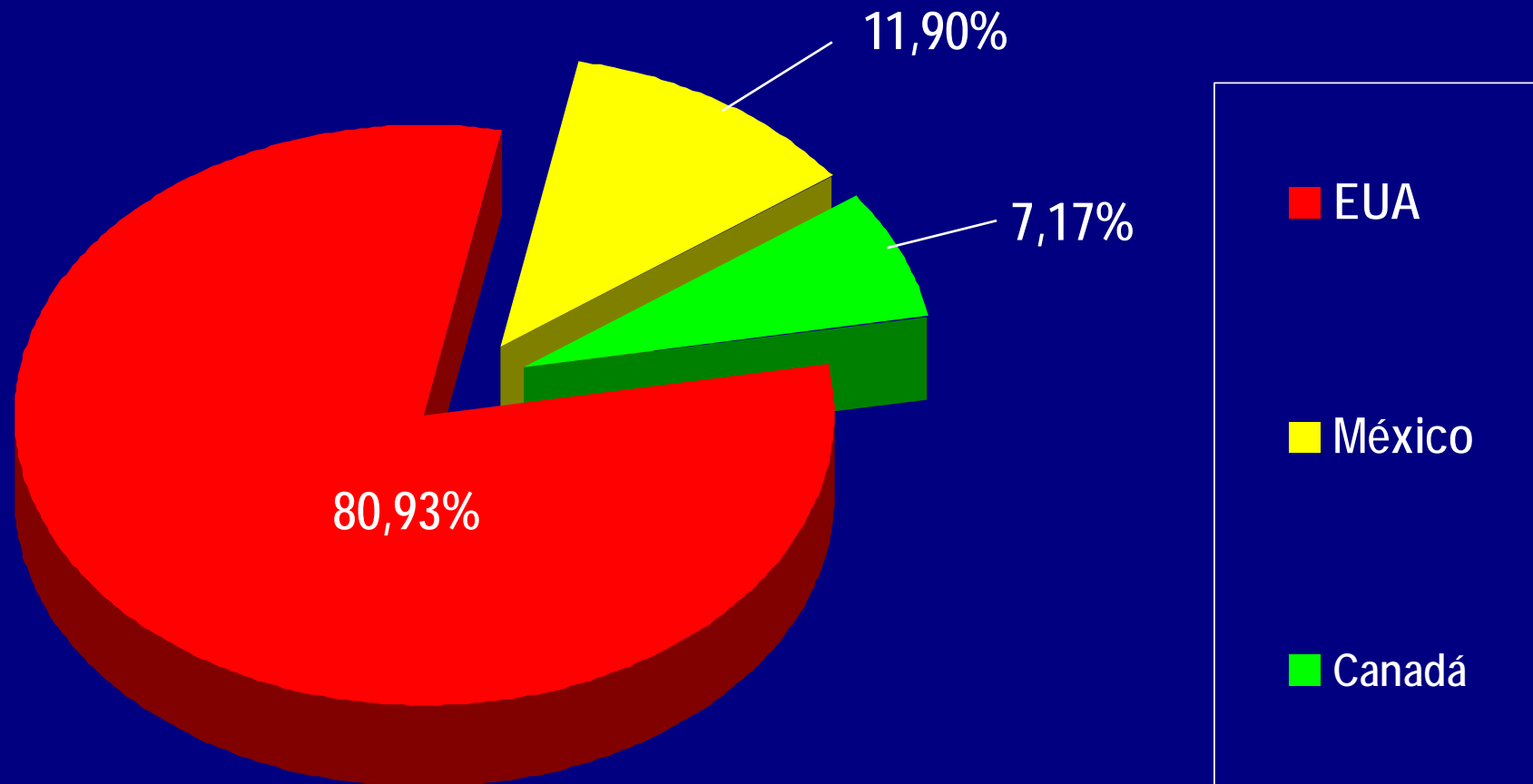
Flow of trade between Brazil  
and selected economic blocs



Source: SECEX

# INTERNATIONAL TRADE

Flow of trade between Brazil  
and NAFTA countries



Source: SECEX



# INTERNATIONAL TRADE

## World, Brazil and Canada Trade

Exports						Imports				
	Value	Annual percentage change				Value	Annual percentage change			
	2006	2000/ 2006	2004	2005	2006	2006	2000/ 2006	2004	2005	2006
World	11762	11	22	14	15	12080	11	22	13	14
Brazil	137	16	32	23	16	88	7	31	17	14
Canada	388	6	16	14	8	357	7	14	15	11

Values in US\$ Billion dollars and percentage

Source: WTO, "WORLD TRADE 2006, PROSPECTS FOR 2007"



# MACROECONOMIC FUNDAMENTALS

## Foreign Trade – prospects to Brazil

### Estimates to 2007

US\$ Billion	Estimate
Imports	110.0
Exports	145.0
Balance	35.0



Source: IPEA



# MACROECONOMIC FUNDAMENTALS

## Foreign Trade –

January, February and March 2007

US\$ Millions	Value
Imports	25.223
Exports	33.919
Balance	8.696



Source: MDIC/SECEX



# TRADE BETWEEN BRAZIL AND CANADA Outlook



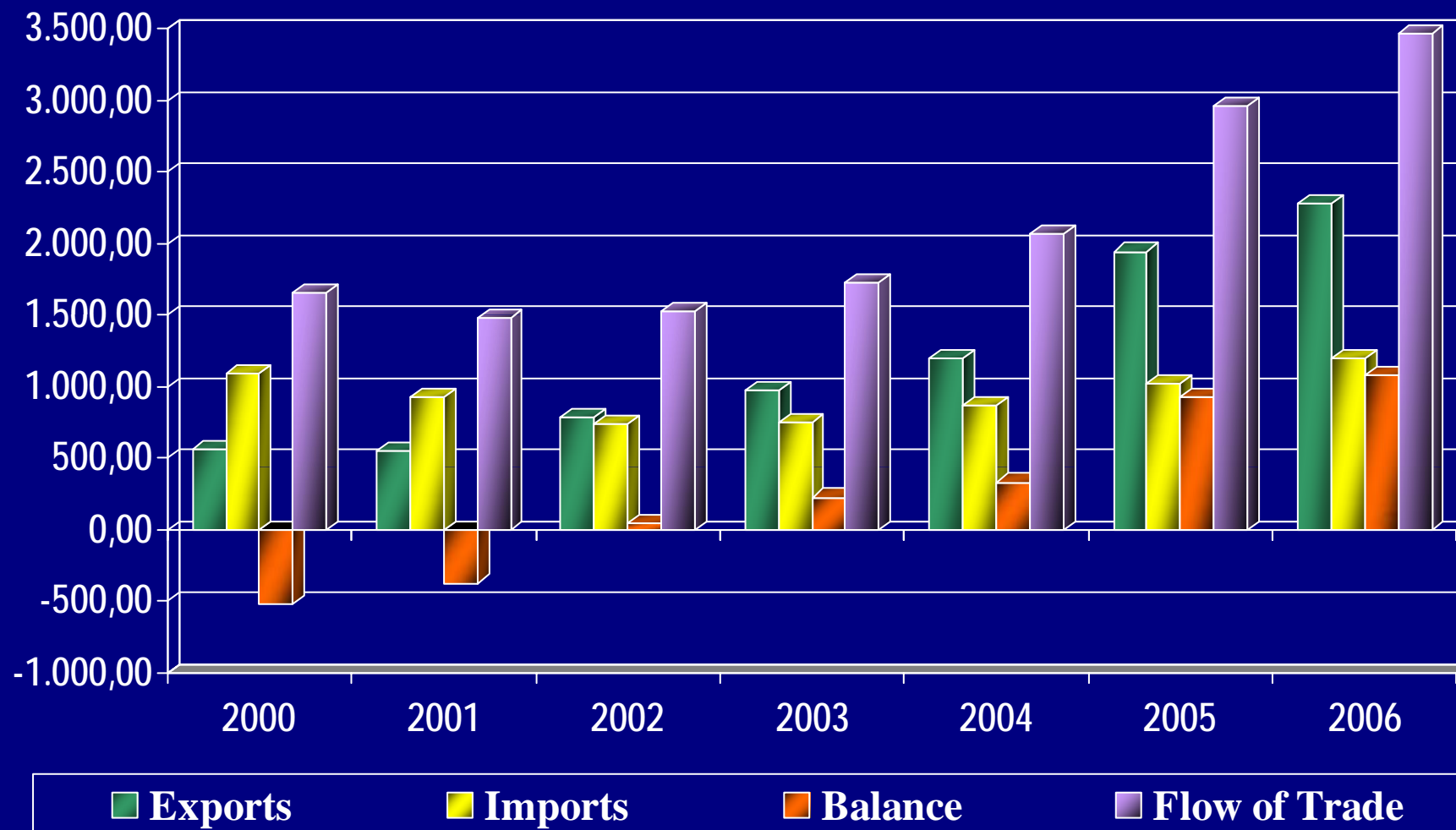
	2000	2001	2002	2003	2004	2005	2006	2007 *
Exports	565.6	555.3	781.5	977.5	1,199.3	1,944.0	2,275.3	277
Imports	1,086.9	926.7	740.1	750.3	866.3	1,019.0	1,193.4	197
Balance	-521.3	-371.4	41.4	227.2	333.0	924.9	1,081.8	80
Flow of Commerce	1,652.5	1,482.1	1,521.6	1,727.8	2,065.6	2,963.0	3,468.7	474

**Source: MDIC/SECEX**

**Values in US\$ Million FOB**

**\*January and February**

# TRADE BETWEEN BRAZIL AND CANADA



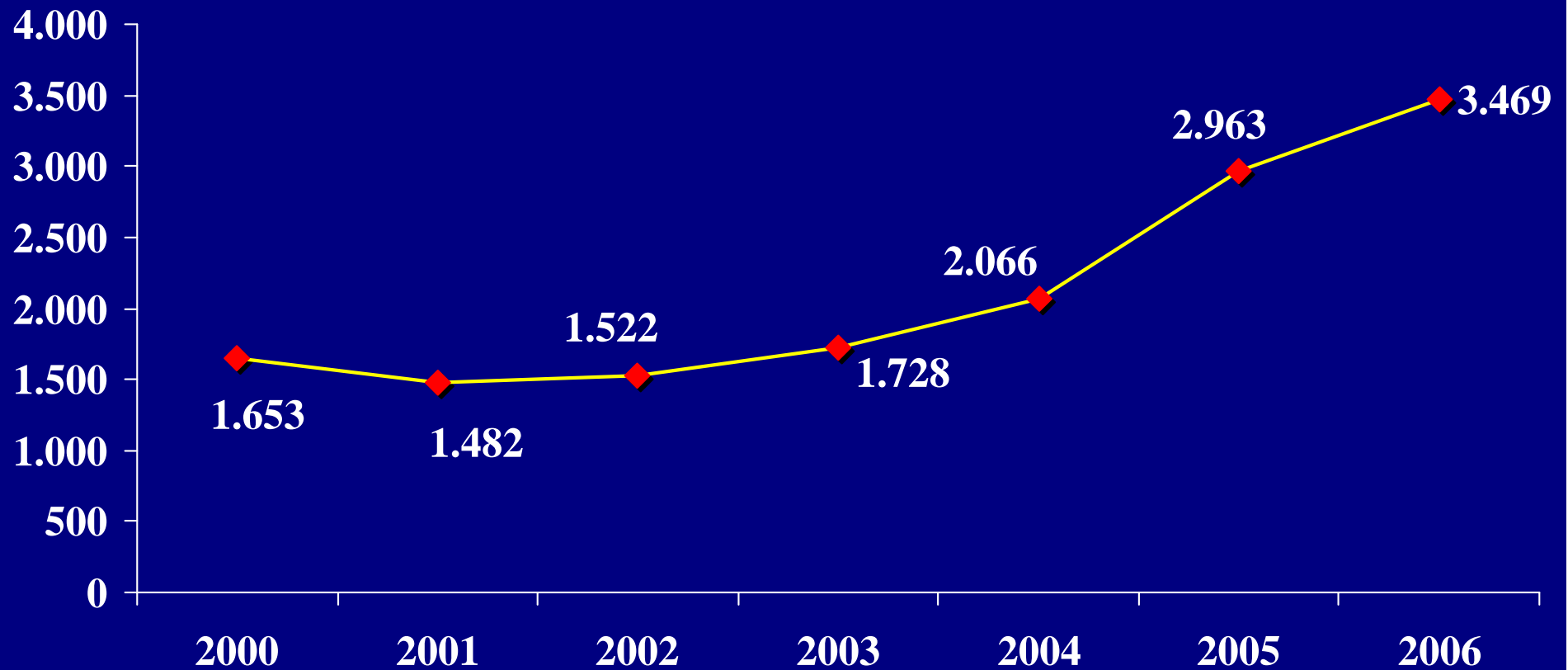
Source: SECEX



# TRADE BETWEEN BRAZIL x CANADA

## Flow of Trade

in US\$ Million



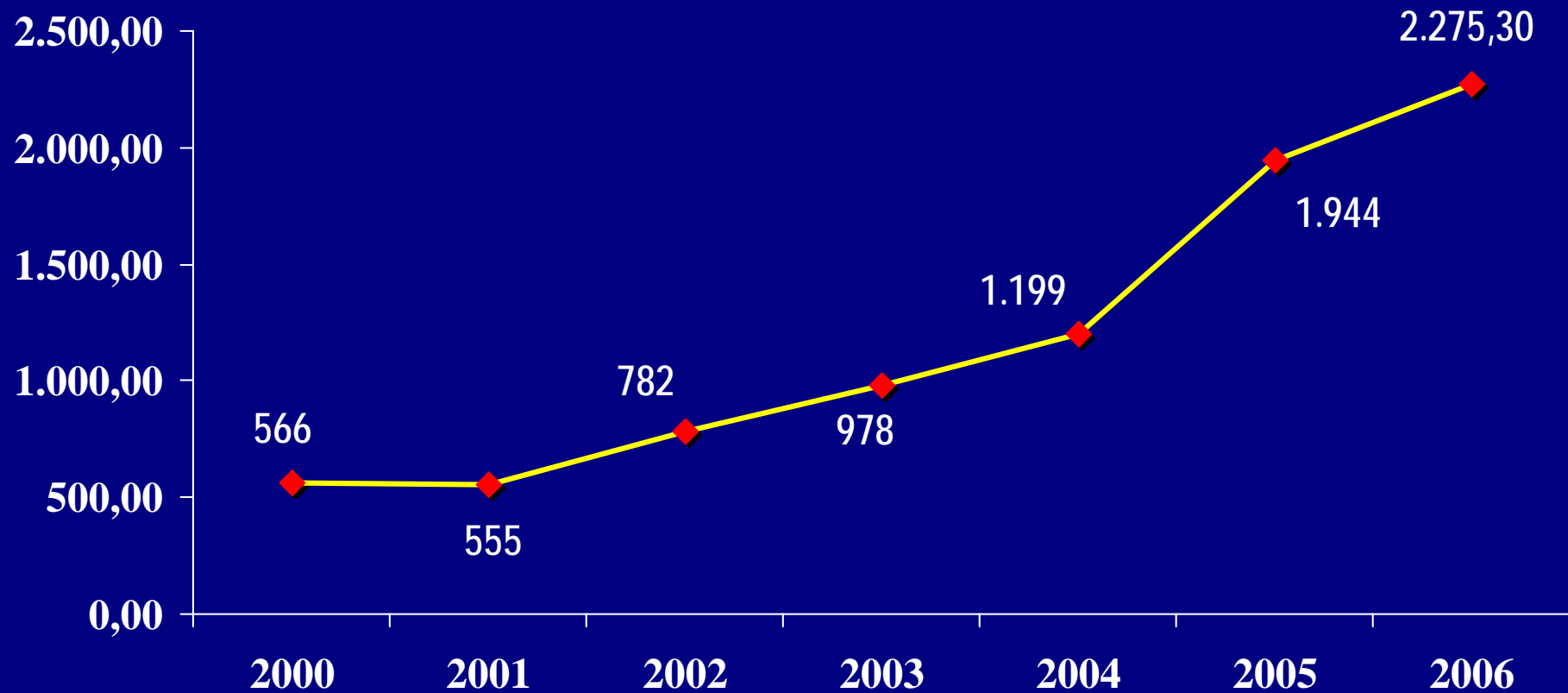
Source: SECEX



# TRADE BETWEEN BRAZIL x CANADA

## Brazil Exports to Canada

in US\$ Million

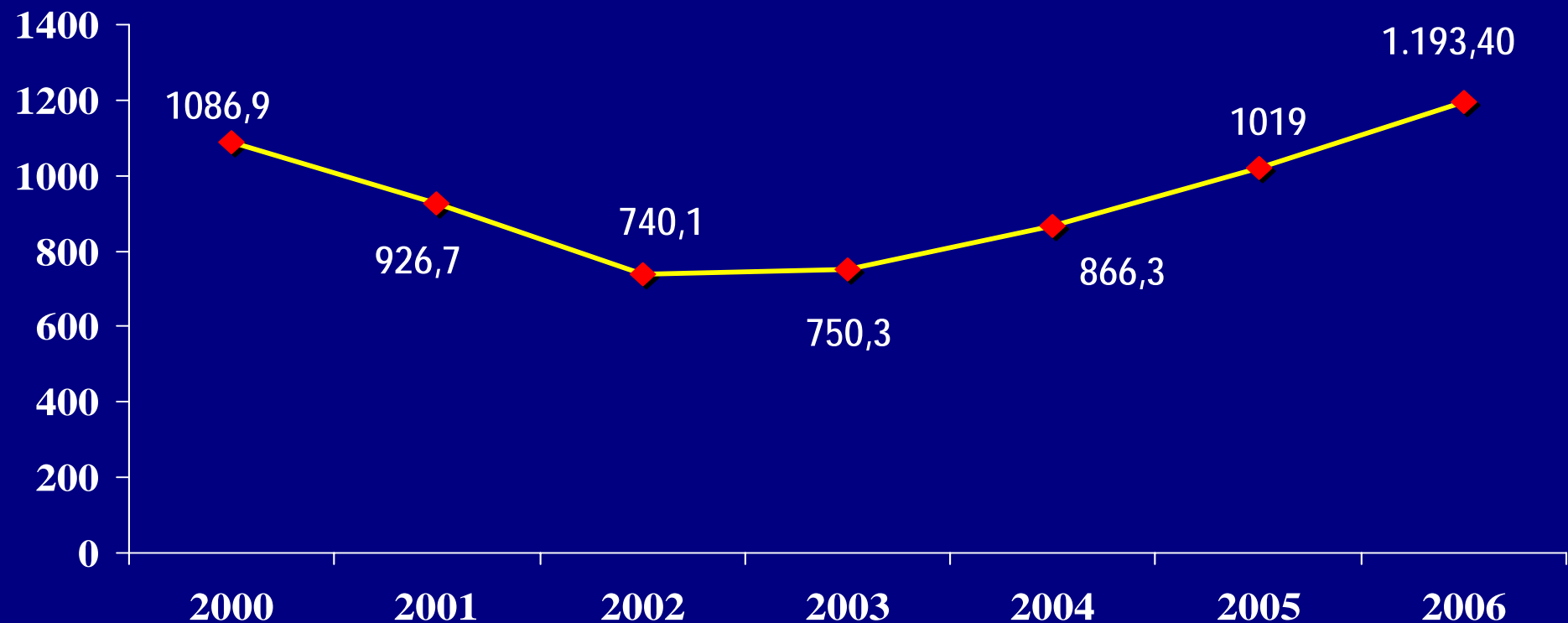


Source: SECEX

# TRADE BETWEEN BRAZIL x CANADA

## Brazil Imports from Canada

in US\$ Million

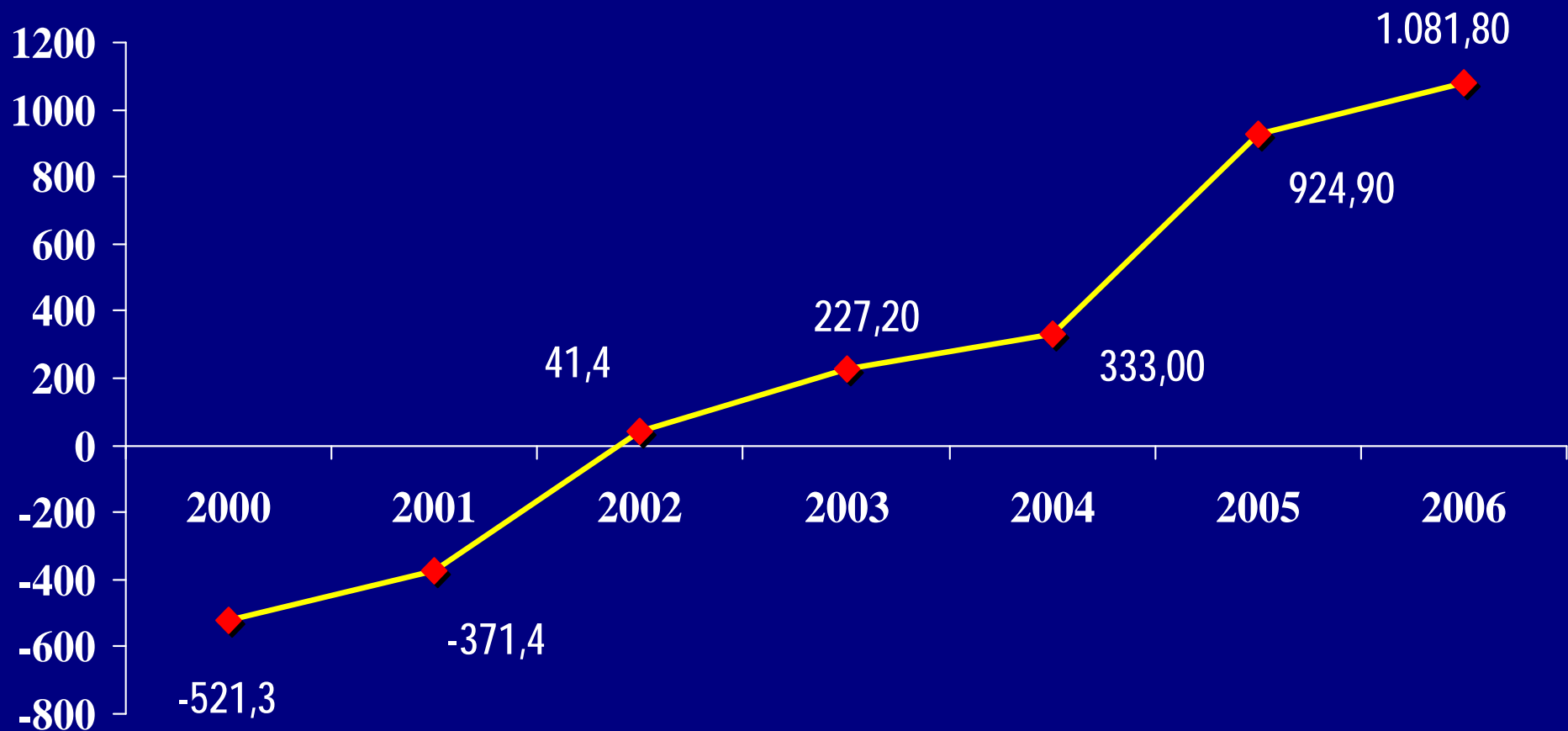


Source: SECEX



# TRADE BETWEEN BRAZIL x CANADA

## Trade Balance



Source: SECEX



# TRADE BETWEEN CANADA AND BRAZIL

## Main products Brazil exported to Canada

	2006 (Jan/Dec)		2005 (Jan/Dec)	
Product	US\$ FOB	Participation	US\$ FOB	Participation
Airplanes	413,021	18.15%	437,084	22.48%
Calcined alumina	340,914	14.98%	124,776	6.42%
Cane sugar	224,674	9.87%	157,896	8.12%
Iron/Steel billets	168,856	7.42%	159,794	2.91%
Copper wire	74,579	3.28%	51,444	2.65%
Non calcined bauxite	48,178	2.12%	6,581	0.34%
Rolled Steel/Iron	44,862	1.97%	35,365	1.82%
Coffee beans	41,744	1.83%	30,653	1.58%
Automobiles	34,528	1.52%	30,726	1.58%
Leather shoes	32,102	1.41%	32,238	1.66%

**Source: SECEX**





# TRADE BETWEEN CANADA AND BRAZIL

## Main products Brazil imported from Canada

	2006 (Jan/Dec)		2005 (Jan/Dec)	
Product	US\$ FOB	Participation	US\$ FOB	Participation
Potassium chloride	230,349	19.30%	272,249	26.72%
Non agglomerated coal	155,335	13.02%	116,622	11.44%
Newsprint in rolls	127,110	10.65%	98,349	9.65%
Brimstone	40,088	3.36%	36,988	3.63%
Medicine with cyclosporine	39,744	3.33%	19,395	1.90%
Bituminous coal	37,519	3.14%	19,126	1.88%
Telephony printed circuits	29,794	2.50%	19,947	1.96%
Copper wire	28,072	2.35%	5,211	0.51%
Naphtha	16,445	1.38%	-----	-----
Other forms of nickel	13,643	1.14%	4,089	0.40%

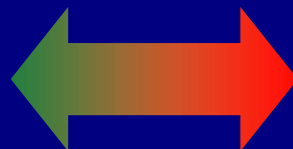
**Source: SECEX**



## **AGREEMENTS BETWEEN BRAZIL AND CANADA**

**Brazil and Canada have many agreements in force. The major are:**

- 1. Trade Agreement signed on 17 October, 1941;**
- 2. Convention to Avoid Double Taxation on Income matters;**
- 3. Agreement on Air Transportation; and**
- 4. Memorandum of Understandings to establishing an Economic and Bilateral Trade Council**





# BRAZIL

## PROSPECTS FOR INTERNATIONAL TRADE

