

NORONHA ADVOGADOS GLOBAL LAWYERS

São Paulo | Rio de Janeiro | Brasília | Curitiba | Recife | Belo Horizonte | Campo Grande



London | Lisbon | Shanghai | Beijing | Miami | Buenos Aires | Johannesburg

BRAZIL'S INVESTMENT CLIMATE - 2011

DURVAL DE NORONHA GOYOS JR.
SENIOR PARTNER - NORONHA ADVOGADOS
BRAZILIAN EMBASSY
OCTOBER 17, 2011.

POINTS OF PRESENTATION

1. Brazil – some geopolitical fundamentals

- 1.1 Map of Brazil;
- 1.2 Strategic Advantages;
- 1.3 Oil Production;
- 1.4 Ethanol Production and
- 1.5 Sources of Energy.

2. Brazil's economy

- 2.1 Population and income;
- 2.2 GDP;
- 2.3 External debt;
- 2.4 International reserves;
- 2.5 Inflation;
- 2.6 Exchange rates;
- 2.7 Interest rates and
- 2.8 Current account.

3. Brazil's foreign trade

- 3.1 Overview of Brazil's foreign trade;
- 3.2 Main suppliers;
- 3.3 Main buyers;
- 3.4 Main exports;
- 3.5 Main imports;
- 3.6 Main markets;
- 3.7 Exports by added value and
- 3.8 Trade in agricultural products.

4. Brazil's investment flows

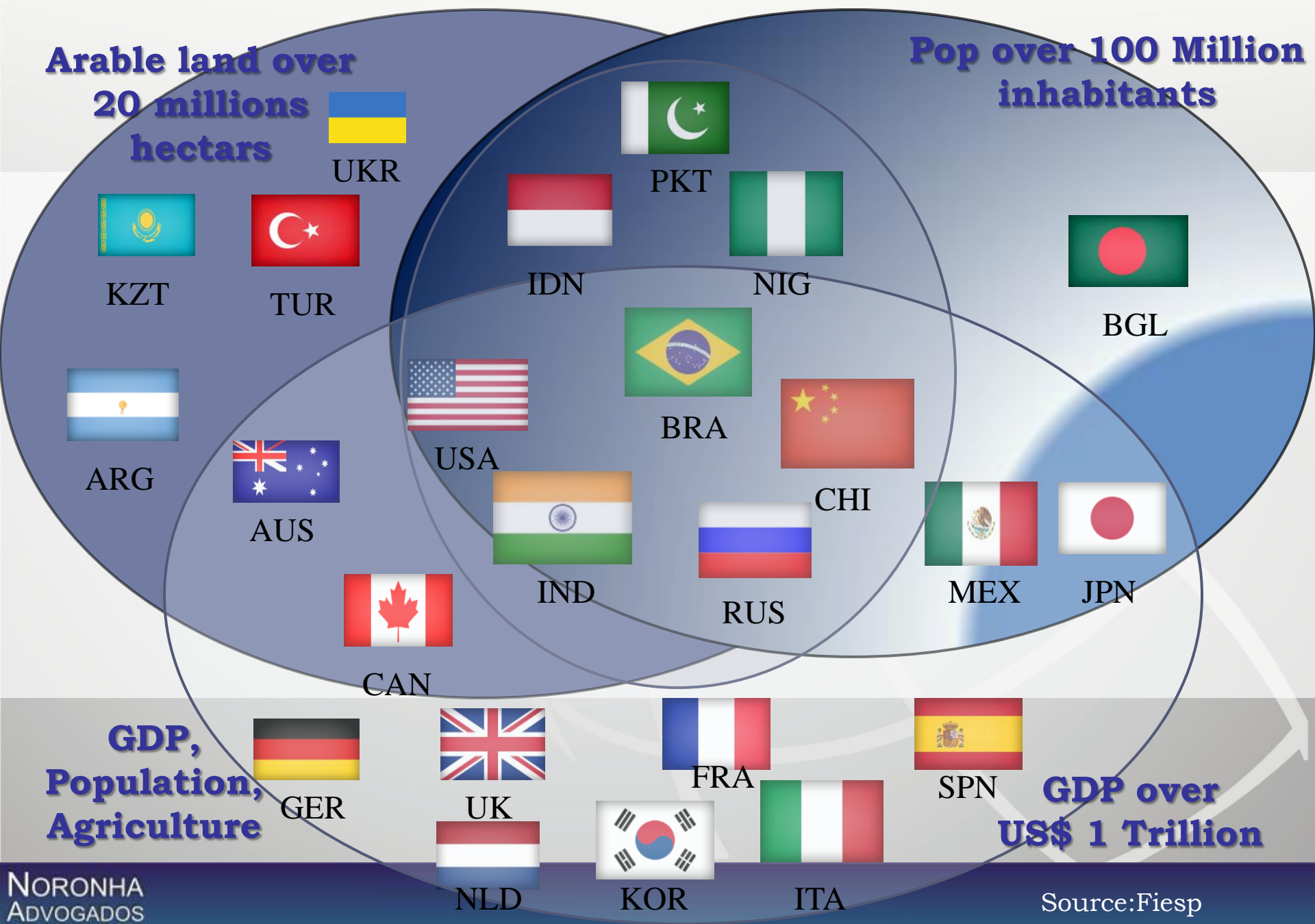
- 4.1 Inbound and
- 4.2 Outbound

5. Conclusion: Brazilian Economy Under Dilma Rousseff's administration

1.1 Map of Brazil



1.2 Strategic Advantages



Fundamentals

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 – 2.1 million barrels a day**
- **2011 – 2.6 million barrels a day ²**

Source:

¹- Financial Times, July 8 2008

²- Petrobras, February 2011 estimate



Fundamentals

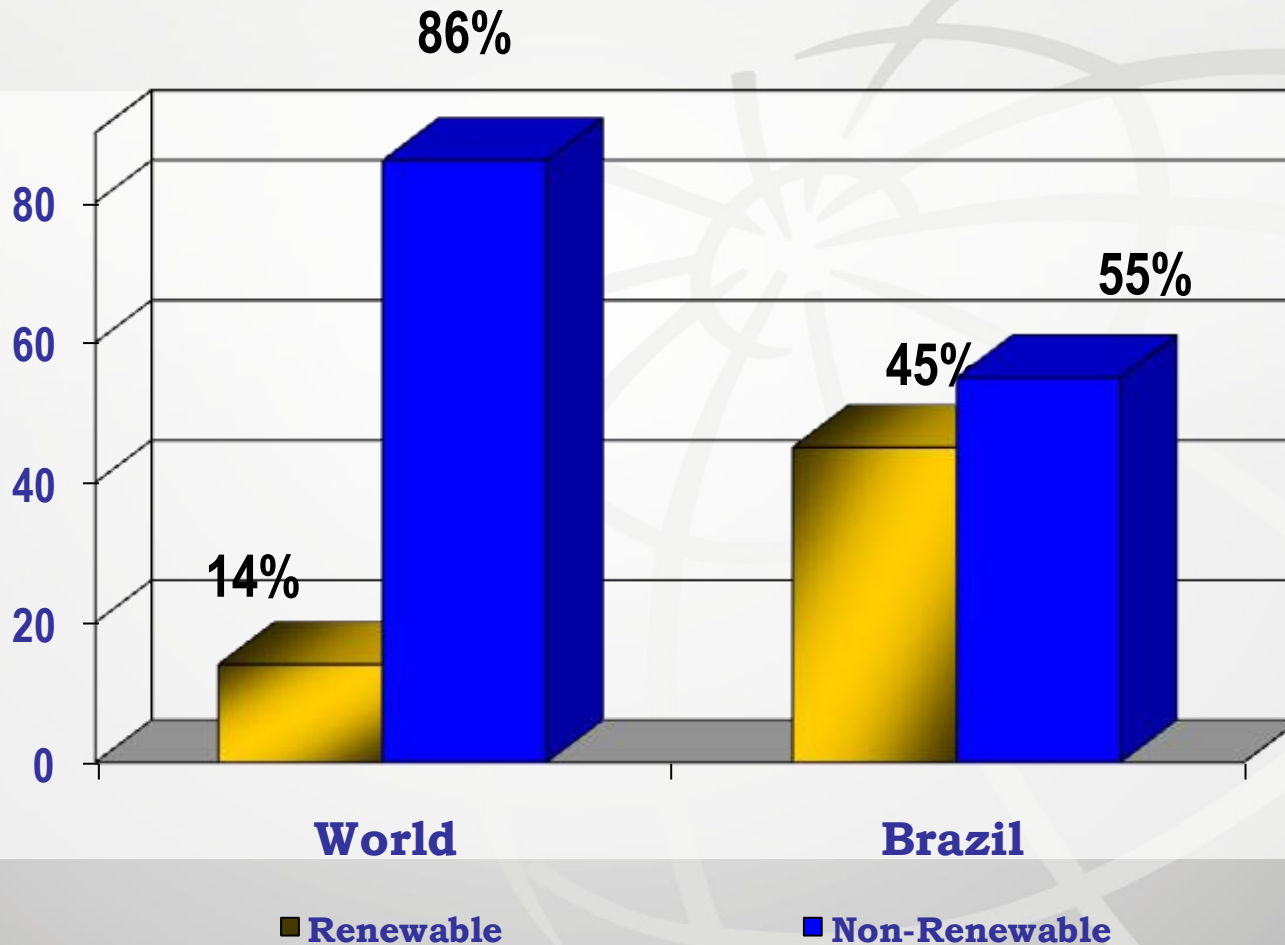
1.3 Ethanol Production

- 27 billion liters/year (2009)
- 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

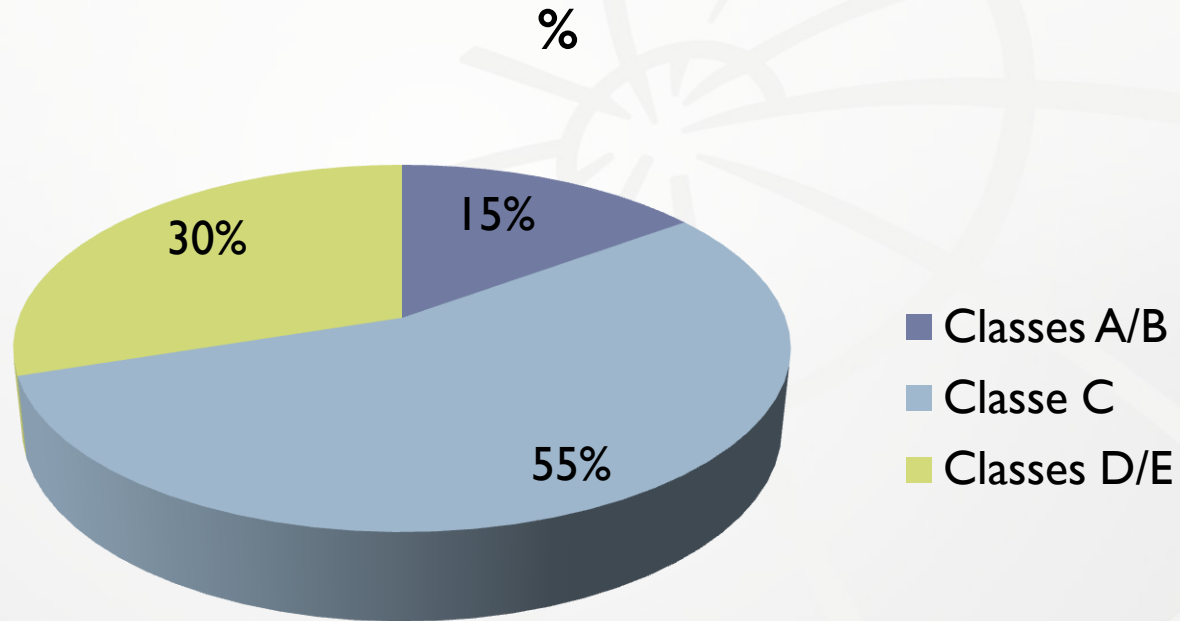
1.4 Sources of Energy



Source: Brazilian Ministry of Mines and Energy

Brazil's Economy

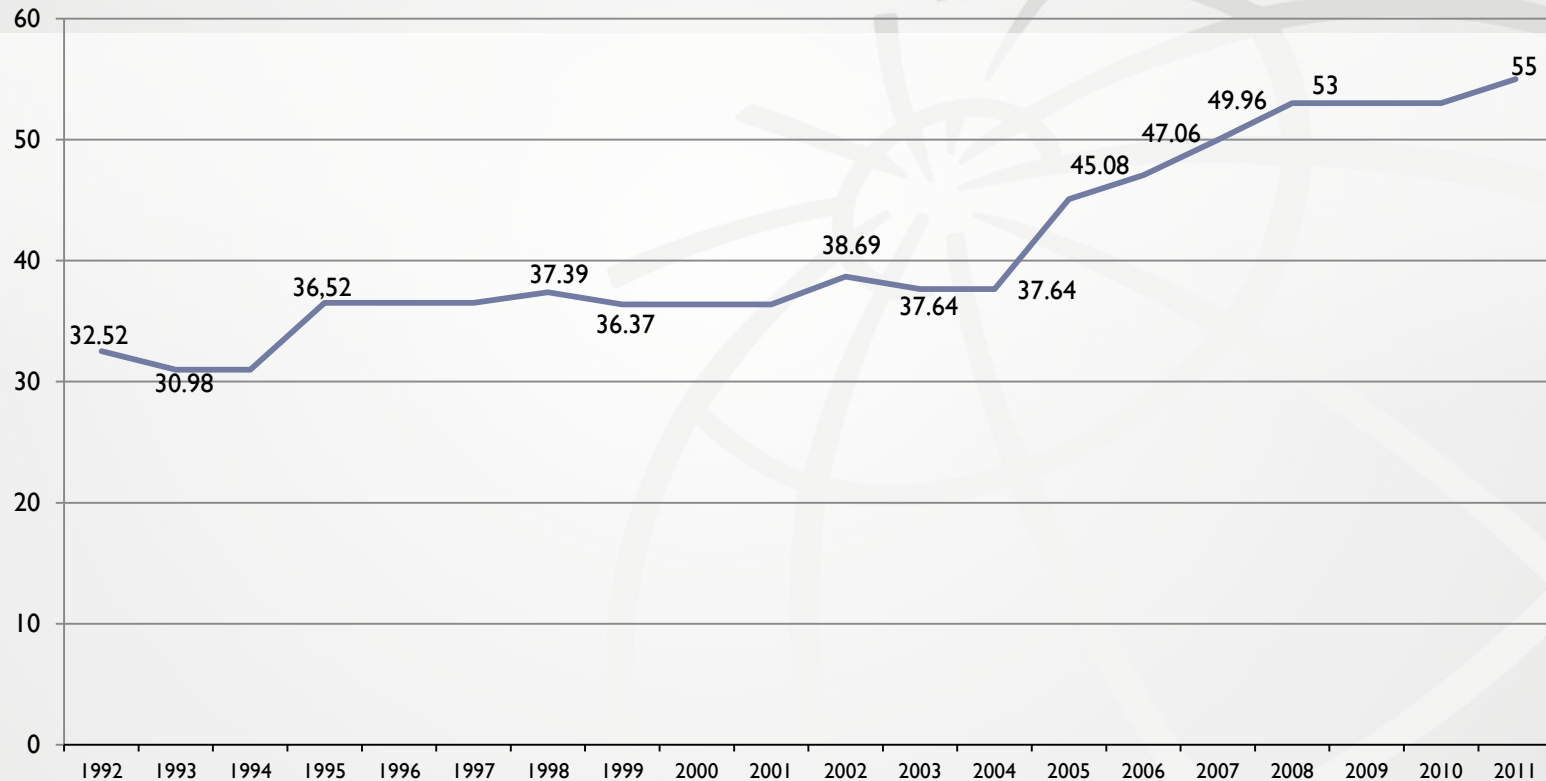
2.1 “a” Brazil's Social Development: Division by Classes in 2009



Source: FGV

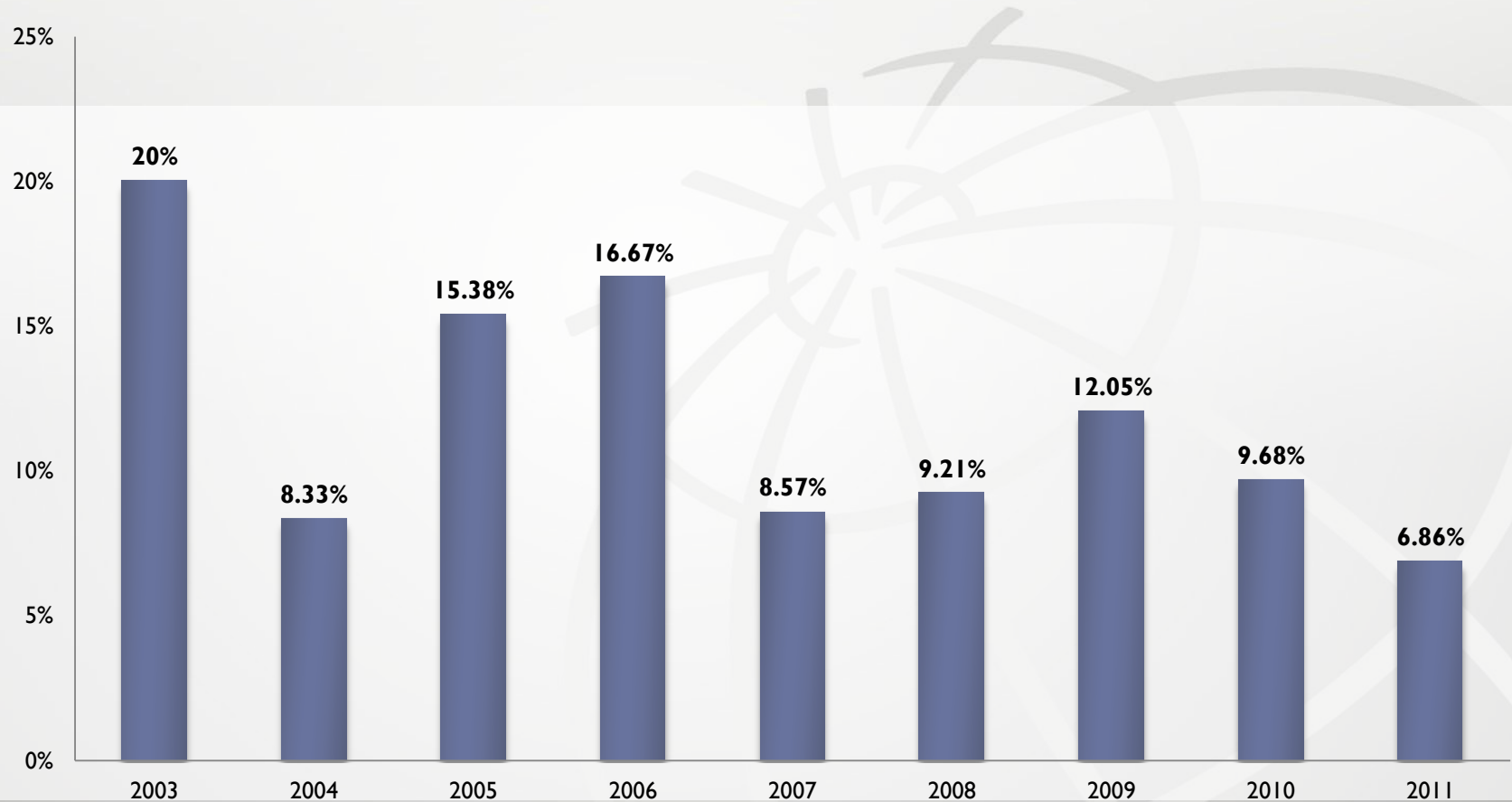
Brazil's Economy

2.1 “b” Middle Class in % of the Brazilian Population – 1992/2011



Brazil's Economy

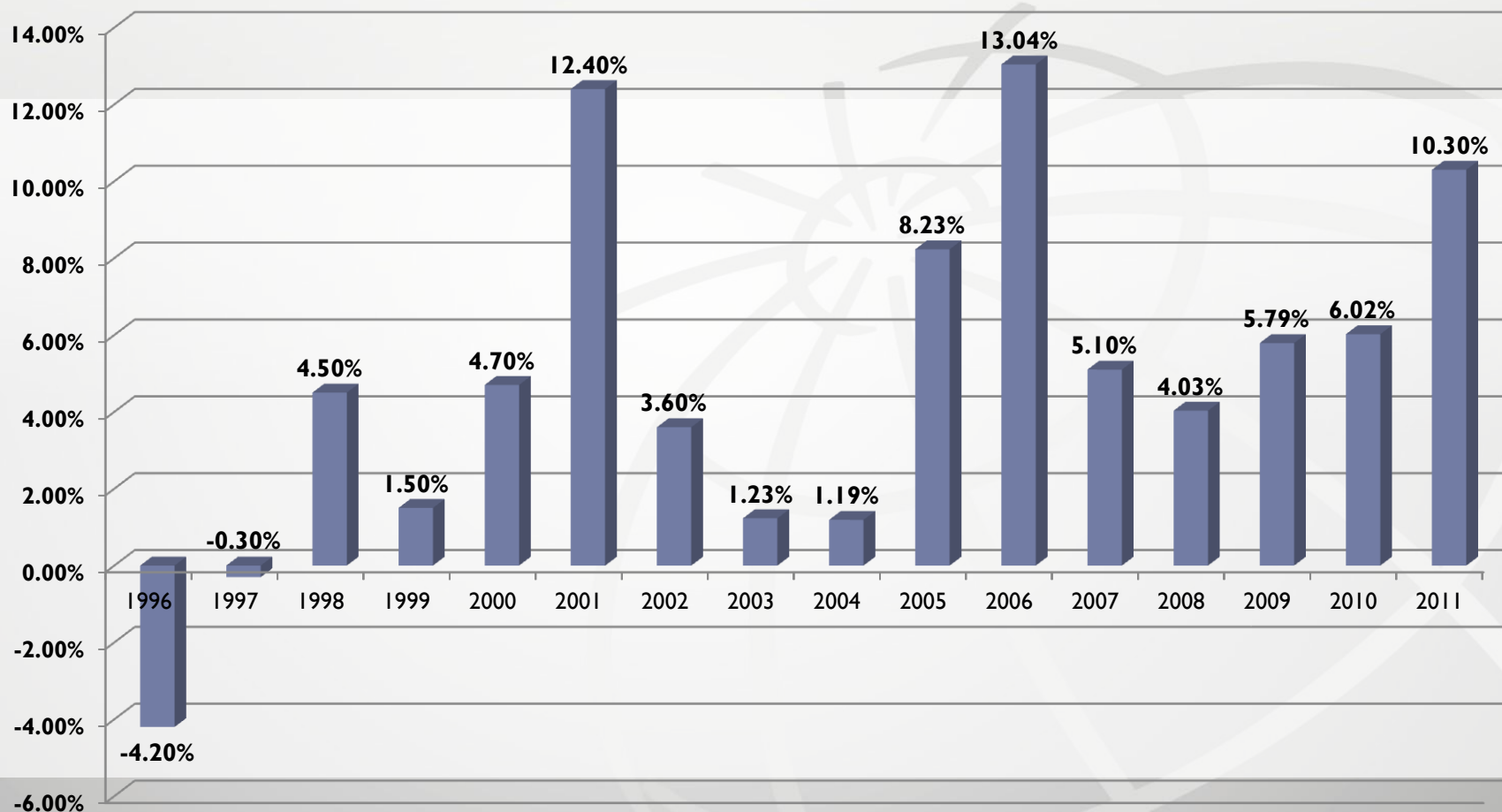
2.1 “c” Salaries’ Growth



Source: DIEESE

Brazil's Economy

2.1 “d” Real Growth of the Minimum Wage – 1996/2011

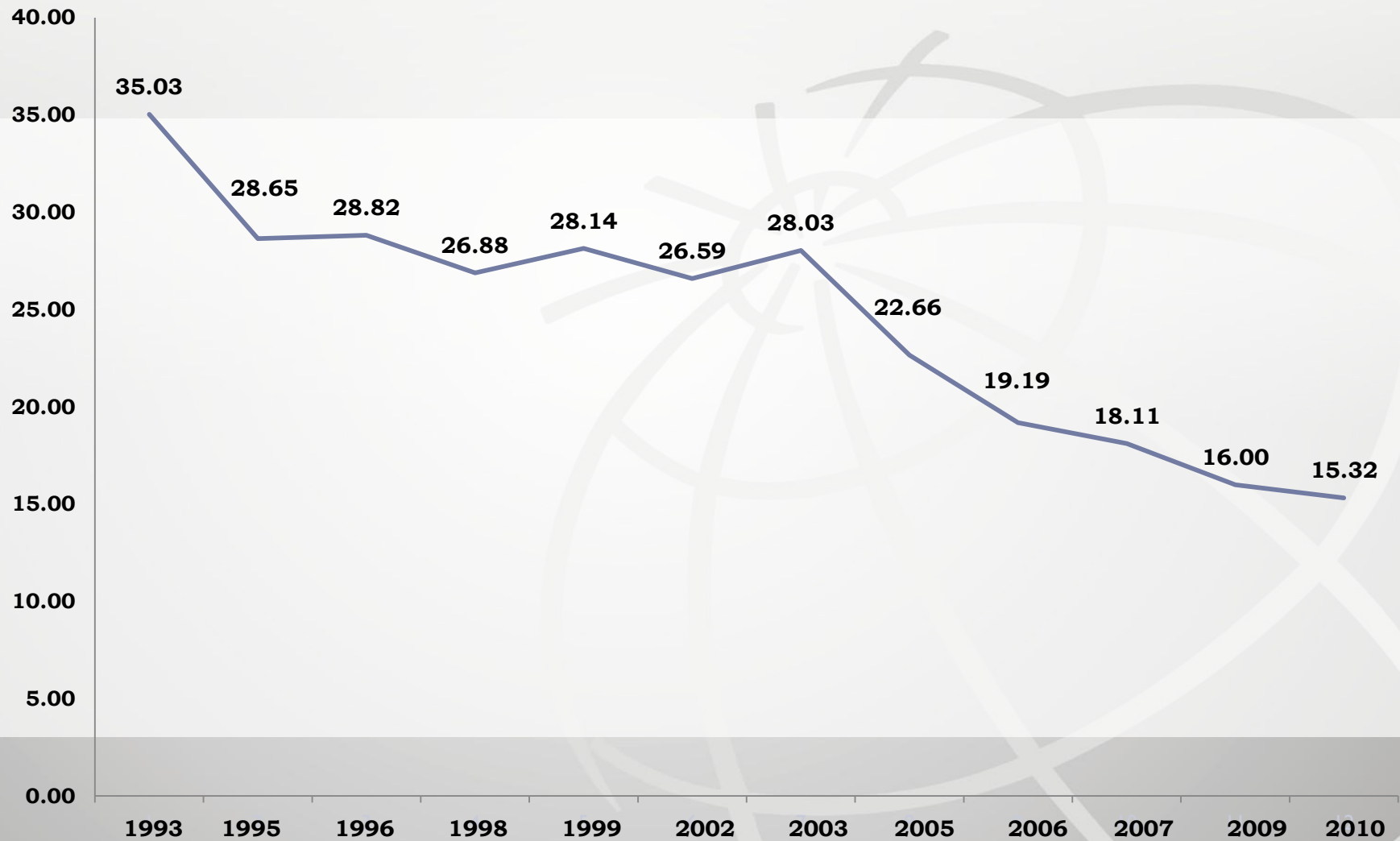


Minimum Wage today in SP: R\$ 600,00

Source: DIEESE

Brazil's Economy

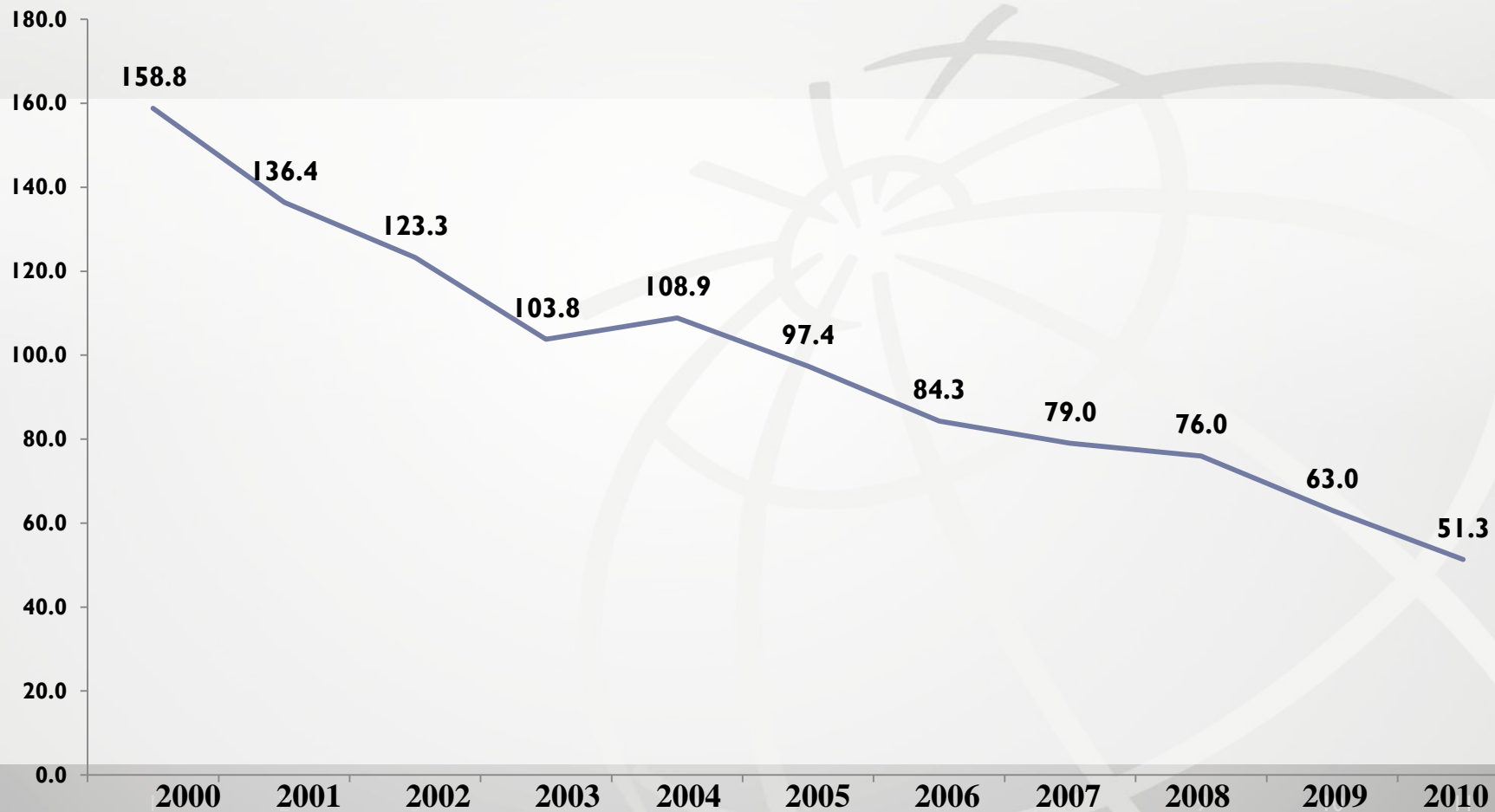
2.1 “e” Poverty in % of the Brazilian Population – 1992/2010



Source: CPS/FGV

Brazil's Economy

2.1 “g” Number of Minimum Wages Required to Acquire a Basic Car



Source: FIPE

Brazil's Economy

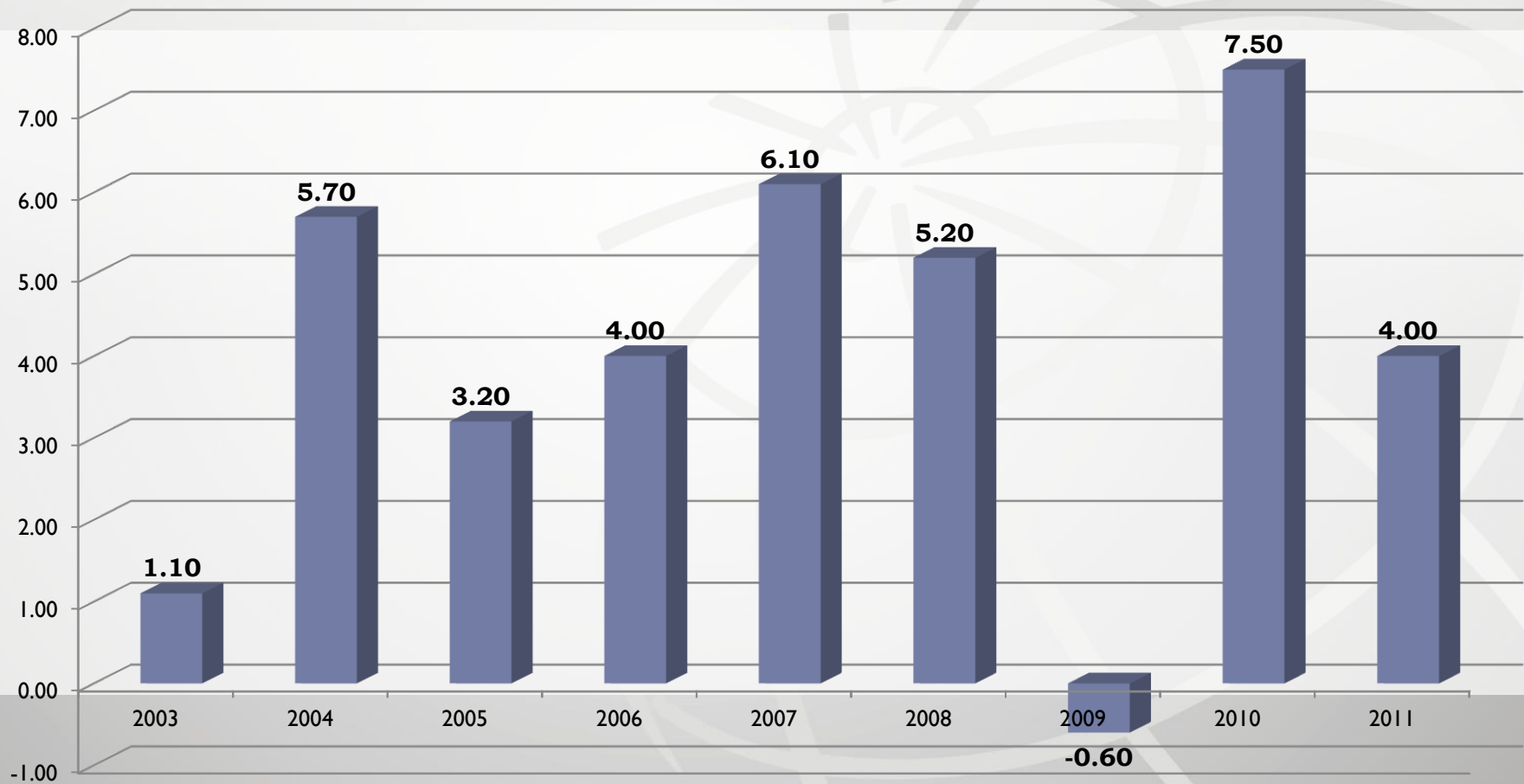
2.2 “a” Brazil’s GDP in US\$

	2003	2004	2005	2006	2007	2008	2009	2010
GDP (Billion)	552	663.4	882	1,006	1,300	1,378	1,922	2,090
Population (Million)	178.9	181.5	185.5	186.7	188.9	196.0	199	203
GDP per capita (Thousand)	3,10	3,66	4,77	5,41	6,91	7,030	9,658	10,295

Source: Brazilian Institute of Geography and Statistics - IBGE

Brazil's Economy

2.2 “b” Economic Growth % (GDP)

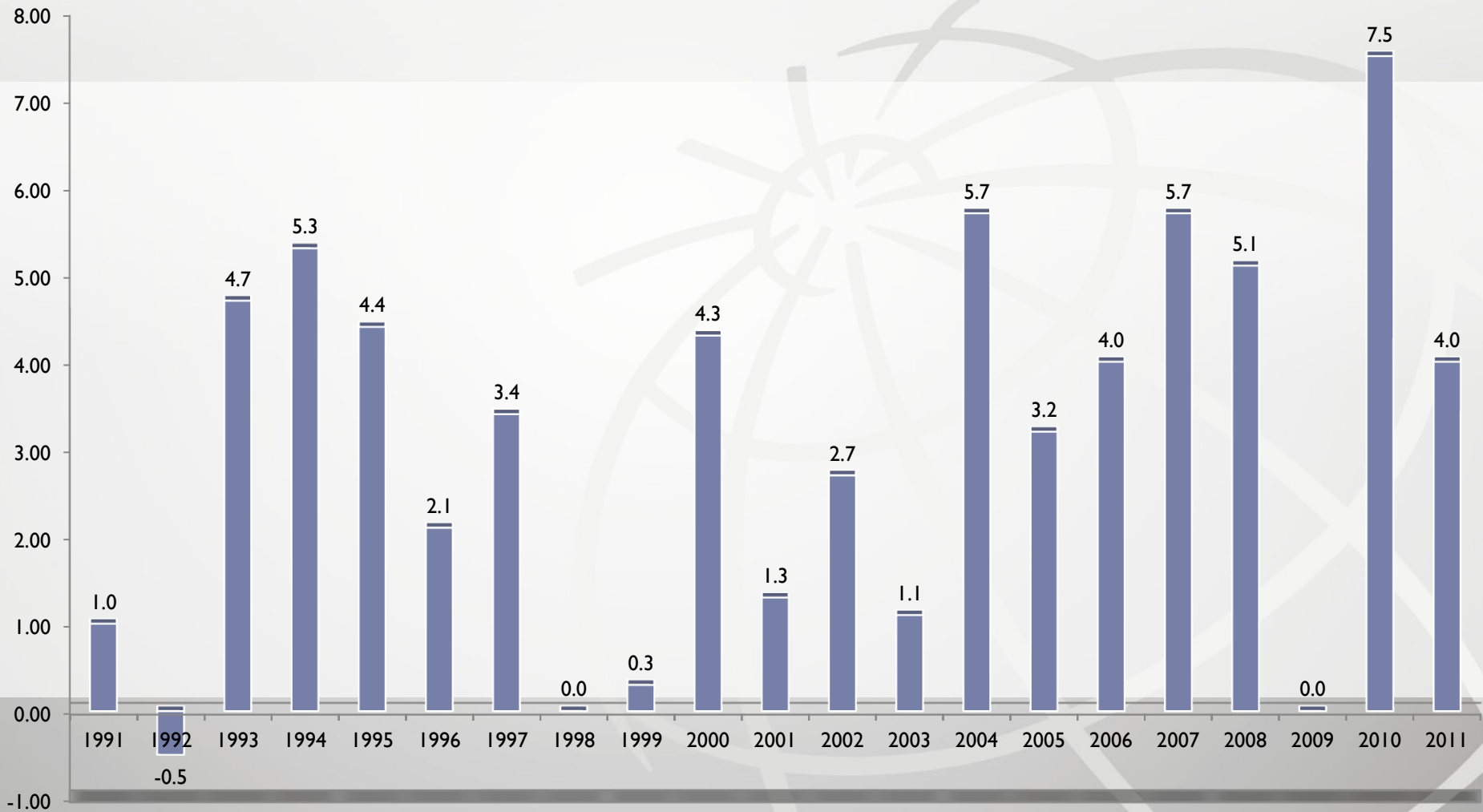


Source: Brazilian Institute of Geography and Statistics – IBGE/IEDI

* Estimate – March, 2011

Brazil's Economy

2.2 “c” Brazil's GDP – 1991 – 2011



Source: MTE - CAGED

Brazil's Economy

2.2 “d” Biggest Economies - Projected 2011 - GDP US\$ Trillion



Source: The Economist

Brazil's Economy

2.3 Development of External Debt

Year	Gross Amount (US\$ Billion)	Net Amount (US\$ Billion)
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	(-28)
2009	201,4	(-62)
2010	288,6	(-51)
2011*	355	(-120)

Source: Central Bank

* April, 2011

Brazil's Economy

2.4 Brazilian International Reserves

Year	US\$ Billion
2003	49,3
2004	52,9
2005	53,8
2006	85,8
2007	180,3
2008	193,8
2009	238,5
2010	288,6
*2011	355

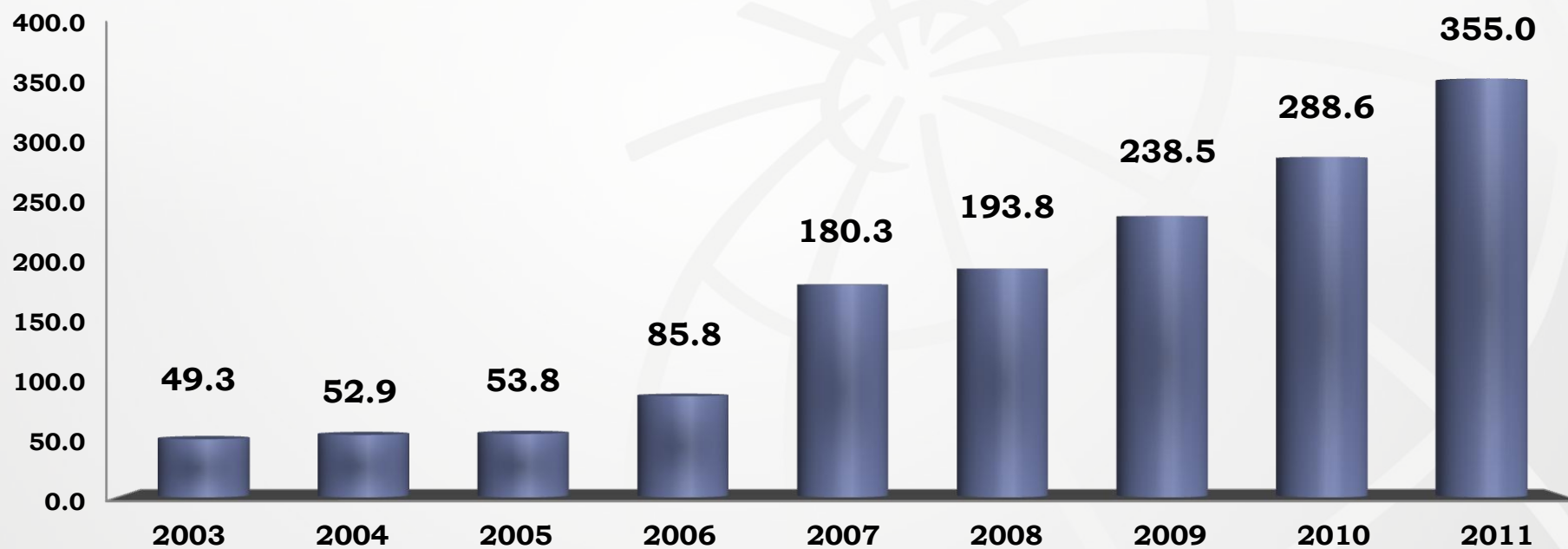
Source: Central Bank

*April, 2011

Brazil's Economy

2.4 “a” Brazilian International Reserves

US\$ Billion

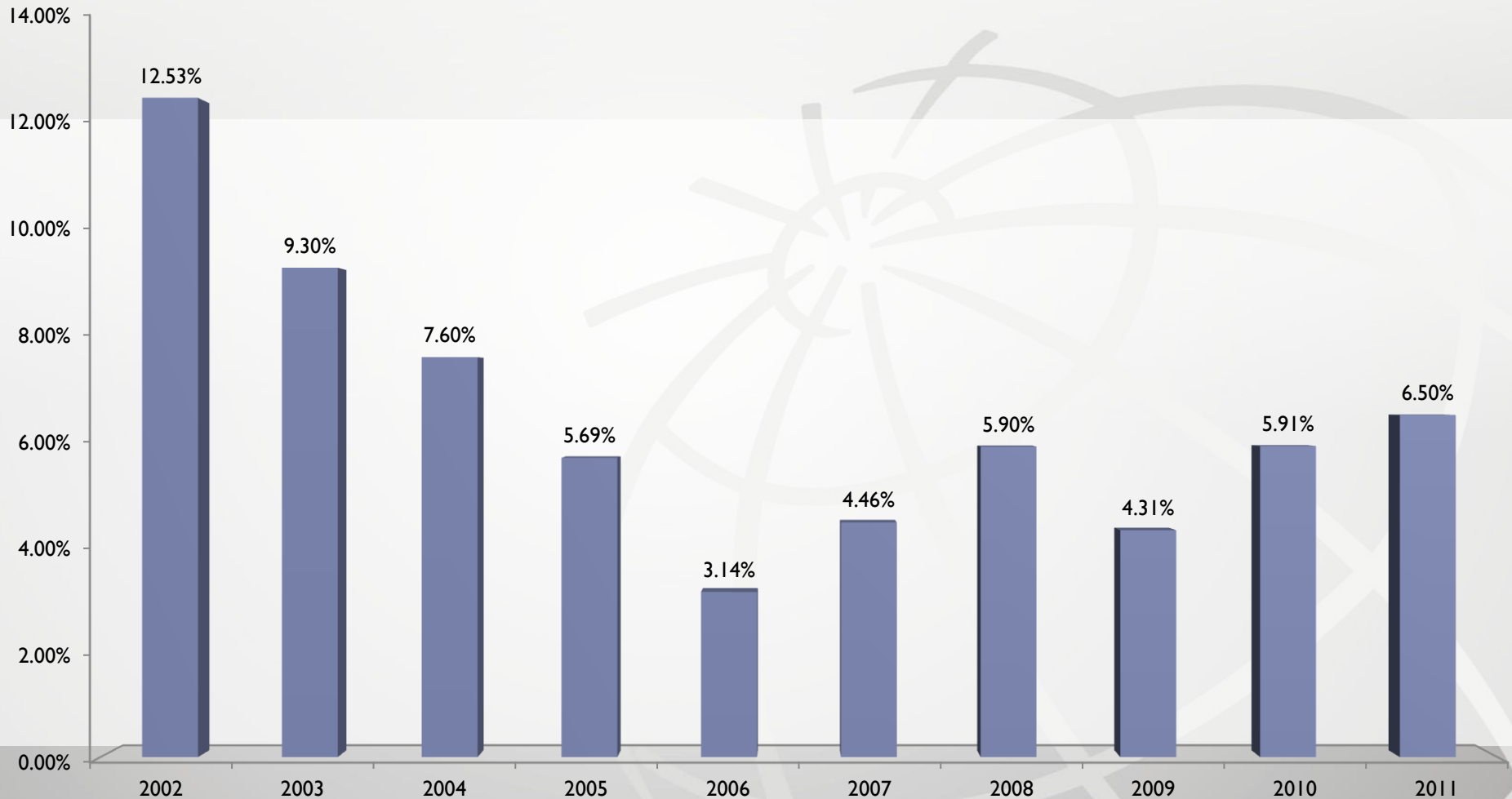


Source: Central Bank

*April, 2011

Brazil's Economy

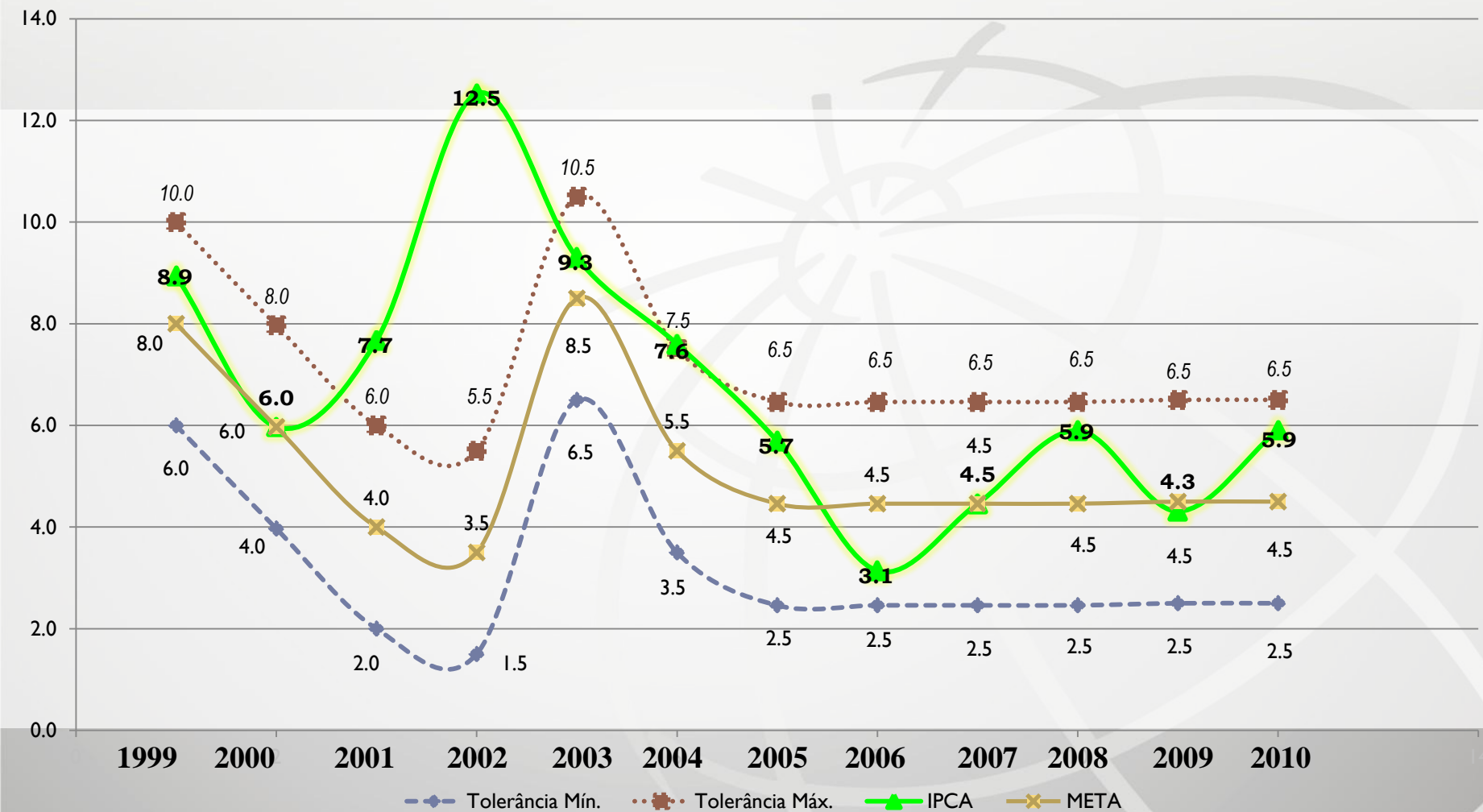
2.5 “a” Brazilian Inflation Rates



Source: Brazilian Institute of Geography and Statistics - IBGE

Fundamentals of Brazil's Economy

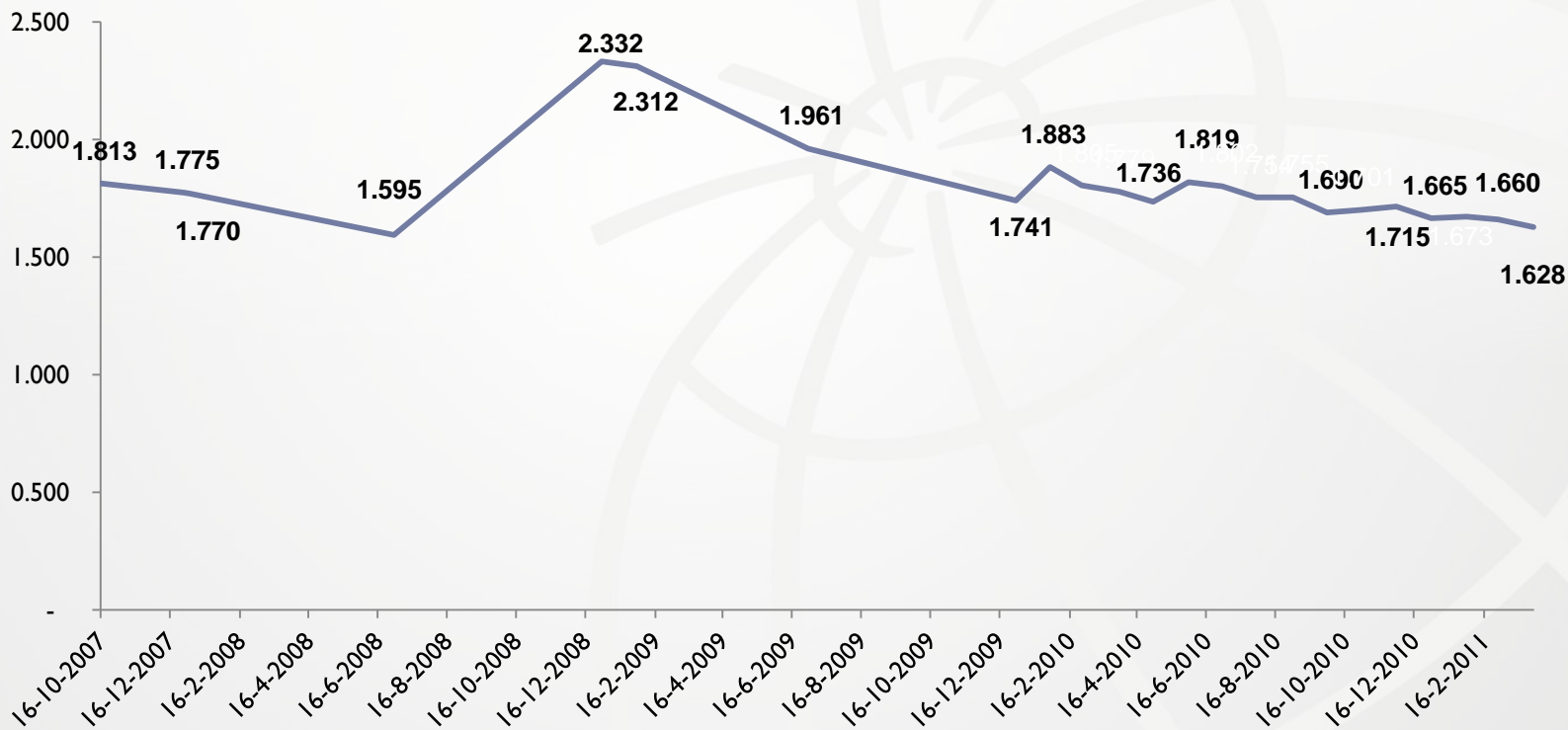
2.5 “b” Brazil’s Inflation Rate Targeting



Source: Central Bank / IBGE

Brazil's Economy

2.6 Exchange Rates of the Real Against the US Dollar



Brazil's Economy

2.7 World's Interest Rates

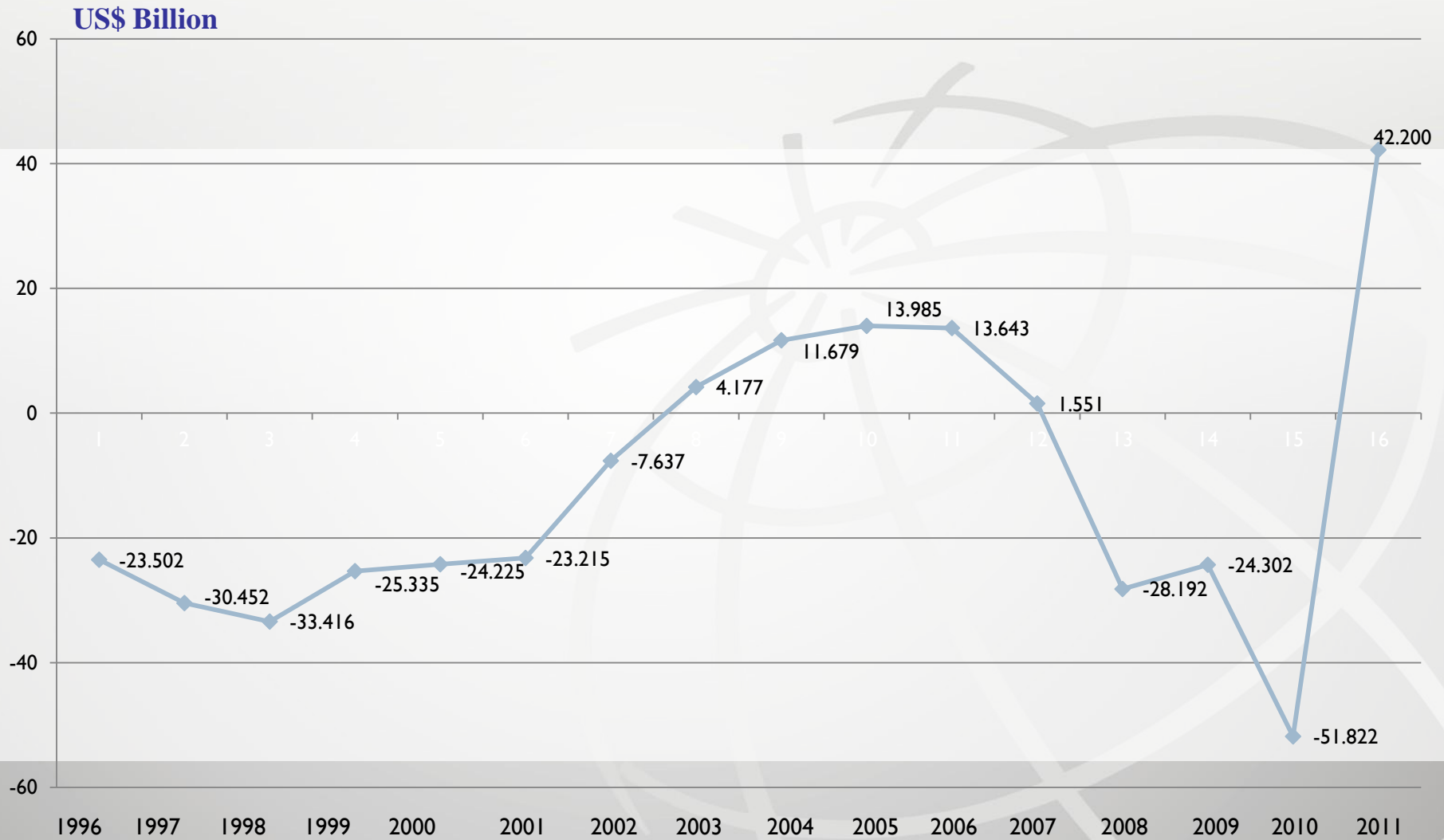
Country	Nominal Rate	Inflation	Real Rate
Turkey	6,25%	4,16%	2,09%
Russia	8,00%	9,50%	-1,50%
Brazil	12,00%	6,50%	5,50%
South Africa	5,50%	3,70%	1,80%
Mexico	4,50%	3,57%	0,93%
India	5,75%	9,30%	-3,55%
Euro Area	1,00%	2,40%	-1,40%
China	6,06, %	6,01%	0,05%
Japan	0,00%	0,00%	0,00%
USA	0,25%	2,10%	-1,85%

Source: Trading Economics

* Estimate 2011

Brazil's Economy

2.8 Brazil's Current Account



Brazil's Economy

2.9 Main problems yet to be solved

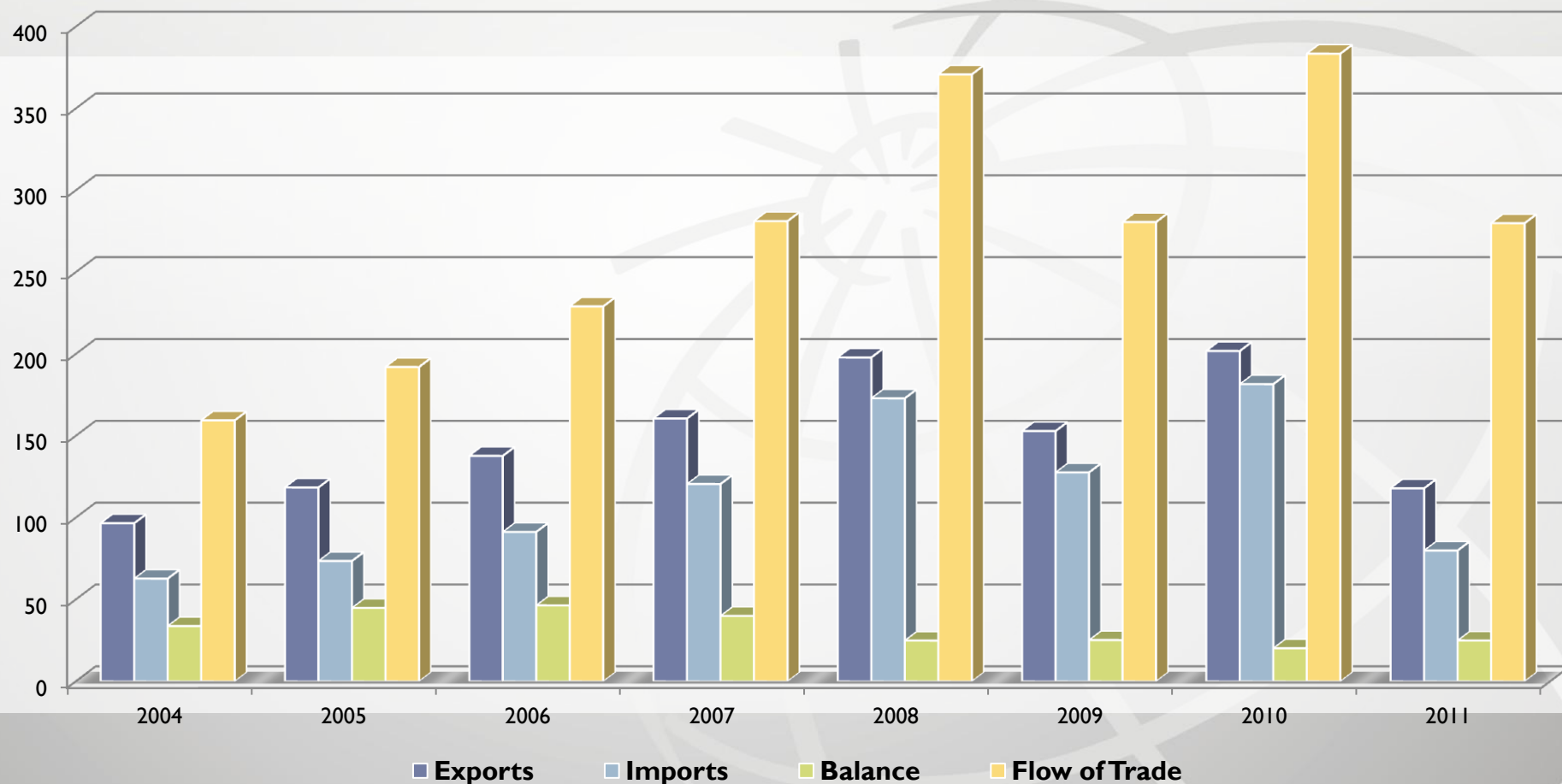
- Taxes are not competitive;
- Interest rates are very high;
- Brazilian currency overvalued;
- Labour costs and
- Infrastructure.



Foreign Trade

3.1 Brazil's Balance of Trade

US\$ Billion



Source: Development, Industry and Trade Ministry - MDIC

* June 30, 2011

Foreign Trade

3.2 Major Suppliers Countries to Brazil

	Valor <i>Value</i>	Δ % 2011/10	Part % <i>% Share</i>
1 – Estados Unidos / <i>United States</i>	15.862	30,3	15,1
2 – China	14.740	36,9	14,0
3 – Argentina	7.991	19,1	7,6
4 – Alemanha / <i>Alemania</i> / <i>Germany</i>	7.098	27,9	6,7
5 – Coréia do Sul / <i>Coreia del Sur</i> / <i>South Korea</i>	4.965	23,2	4,7
6 – Nigéria / <i>Nigeria</i>	4.632	64,6	4,4
7 – Japão / <i>Japón</i> / <i>Japan</i>	3.956	24,5	3,8
8 – Itália / <i>Italia</i> / <i>Italy</i>	2.874	30,2	2,7
9 – Índia / <i>India</i>	2.572	37,2	2,4
10 – França / <i>Francia</i> / <i>France</i>	2.559	11,2	2,4
11 – Chile	2.354	23,8	2,2
12 – México / <i>Mexico</i>	2.277	30,7	2,2
13 – Taiwan	1.591	12,6	1,5
14 – Espanha / <i>Spaña</i> / <i>Spain</i>	1.591	33,4	1,5
15 – Arábia Saudita / <i>Saudi Arabia</i>	1.518	64,1	1,4

Source: Development, Industry and Trade Ministry - MDIC

* June 30, 2011

Foreign Trade

3.3 Major Countries for Brazilian Exports

	Valor <i>Value</i>	Δ % 2011/10	Part % <i>% Share</i>
1 – China	20.044	48,8	16,9
2 – Estados Unidos / <i>United States</i>	11.753	30,4	9,9
3 – Argentina	10.438	33,6	8,8
4 – Países Baixos / <i>Países Bajos / Netherlands</i>	6.639	38,7	5,6
5 – Alemanha / <i>Alemania / Germany</i>	4.437	23,1	3,8
6 – Japão / <i>Japón / Japan</i>	4.090	43,3	3,5
7 – Rússia / <i>Russia</i>	2.994	41,3	2,5
8 – Itália / <i>Italia / Italy</i>	2.747	45,5	2,3
9 – Chile / <i>Chile</i>	2.679	48,2	2,3
10 – Espanha / <i>España / Spain</i>	2.455	40,4	2,1
11 – Reino Unido / <i>United Kingdom</i>	2.283	16,1	1,9
12 – Cingapura / <i>Singapur / Singapore</i>	2.035	207,7	1,7
13 – França / <i>France</i>	1.998	18,5	1,7
14 – Coréia do Sul / <i>Corea del Sur / South Korea</i>	1.961	34,8	1,7
15 – Bélgica / <i>Belgium</i>	1.891	29,8	1,6

Source: Development, Industry and Trade Ministry - MDIC

* June 30, 2011

Foreign Trade

3.4 Main Products Exported

	Valor Value	Δ % 2011/10	Part % % Share
1 – Minérios / <i>Minerios / Ores</i>	19.423	87,0	16,4
2 – Petróleo e combustíveis / <i>Petroleo y combustibles / Oil and fuel</i>	14.861	32,1	12,6
3 – Complexo soja / <i>Soja y derivados / Soybeans & prods</i>	12.717	33,0	10,7
4 – Material de transporte / <i>Transport material</i>	11.827	24,2	10,0
5 – Produtos metalúrgicos / <i>Productos metalúrgicos / Metallurgic products</i>	8.868	48,5	7,5
6 – Químicos / <i>Chemicals</i>	7.563	18,8	6,4
7 – Carnes / <i>Meats</i>	7.454	18,3	6,3
8 – Açúcar e etanol / <i>Azúcar y etanol / Sugar & ethanol</i>	5.797	11,5	4,9
9 – Máqs. e equipamentos / <i>Máqs. y aparatos / Machines & equipments</i>	4.758	30,7	4,0
10 – Café / <i>Coffee</i>	3.942	54,2	3,3
11 – Papel e celulose / <i>Papel y celulosa / Paper & pulp</i>	3.560	7,1	3,0
12 – Equipamentos elétricos / <i>Aparatos eléctricos / Electrical equipment</i>	2.187	-3,4	1,8
13 – Calçados e couro / <i>Calzados y cuero / Footwear & leather</i>	1.870	6,5	1,6
14 – Metais e Pedras Preciosos / <i>Metales Preciosos y Piedras / Precious Metals and Stones</i>	1.348	37,1	1,1
15 – Fumo e Sucedâneos / <i>Tabaco y Derivados / Tobacco and its Products</i>	1.162	-0,7	1,0

Source: Development, Industry and Trade Ministry - MDIC

* June 30, 2011

Foreign Trade

3.5 Main Products Imported

	Valor Value	Δ % 2011/10	Part % % Share
1 – Combustíveis e Lubrificantes / <i>Combustibles y Lubricantes / Fuel and Oil</i>	19.183	36,4	18,2
2 – Equip. Mecânicos / <i>Aparatos Mecánicos / Mechanical Equipment</i>	15.984	29,7	15,2
3 – Equip. Elétricos e Eletrônicos / <i>Aparatos Eléctricos y Electrónicos / Electrical and Electronical Equipment</i>	12.592	25,7	12,0
4 – Automóveis e partes / <i>Vehículos y partes / Motor Vehicles and parts</i>	10.063	31,9	9,6
5 – Químicos Orgân. e Inorgânicos / <i>Químicos Orgánicos e Inorgánicos / Organic and Inorganic Chemicals</i>	5.565	23,3	5,3
6 –Plásticos e Obras / <i>Plásticos y Obras / Plastics and its Products</i>	3.851	29,0	3,7
7 – Fertilizantes / <i>Fertilizantes / Fertilizers</i>	3.640	102,2	3,5
8 – Ferro, Aço e Obras / <i>Hierro, Acero y Obras / Iron, Steel and its Products</i>	3.463	0,3	3,3
9 – Farmacêuticos / <i>Farmacéuticos / Pharmaceuticals</i>	3.083	-3,8	2,9
10 – Instr. Ótica e Precisão / <i>Aparatos de Óptica y Precisión / Optical and Precision Equipment</i>	3.023	2,6	2,9
11 – Borracha e obras / <i>Goma y obras / Rubber and its products</i>	2.446	38,3	2,3
12 – Cereais e produtos de moagem / <i>Cereales y productos de molinería / Cereals and milling products</i>	1.535	11,0	1,5
13 – Cobre e suas obras / <i>Cobre y obras / Cooper and its products</i>	1.497	32,7	1,4
14 – Aeronaves e Peças / <i>Aeronaves y partes / Airplanes and its parts</i>	1.186	21,1	1,1
15 – Filamen. e Fibras, Sintét. e Artif. / <i>Filamentos y Fibras Sintéticas y Artificiales / Synthetic and Artificial Filaments and Fibers</i>	1.153	28,1	1,1

Source: Development, Industry and Trade Ministry - MDIC

* June 30, 2011

Foreign Trade

3.6 “a” Major Suppliers Markets to Brazil

	Valor <i>Value</i>	Δ % 2011/10	Part % <i>% Share</i>
Ásia / <i>Asia</i>	32.660	31,3	31,0
União Européia / <i>European Union</i>	21.374	23,3	20,3
América Latina e Caribe / <i>Latin America & The Caribbean</i>	17.644	25,5	16,8
- Mercosul / <i>Mercosur</i>	9.090	18,3	8,6
- Demais da AL e Caribe / <i>LA & The Caribbean, exc. Mercosur</i>	8.554	34,0	8,1
Estados Unidos / <i>United States</i>	15.862	30,3	15,1
África / <i>Africa</i>	8.030	44,9	7,6
Oriente Médio / <i>Middle East</i>	2.754	32,3	2,6
Europa Oriental / <i>Eastern Europe</i>	2.168	69,4	2,1

Source: Development, Industry and Trade Ministry - MDIC

* June 30, 2011

Foreign Trade

3.6 “b” Major Markets for Brazilian Exports

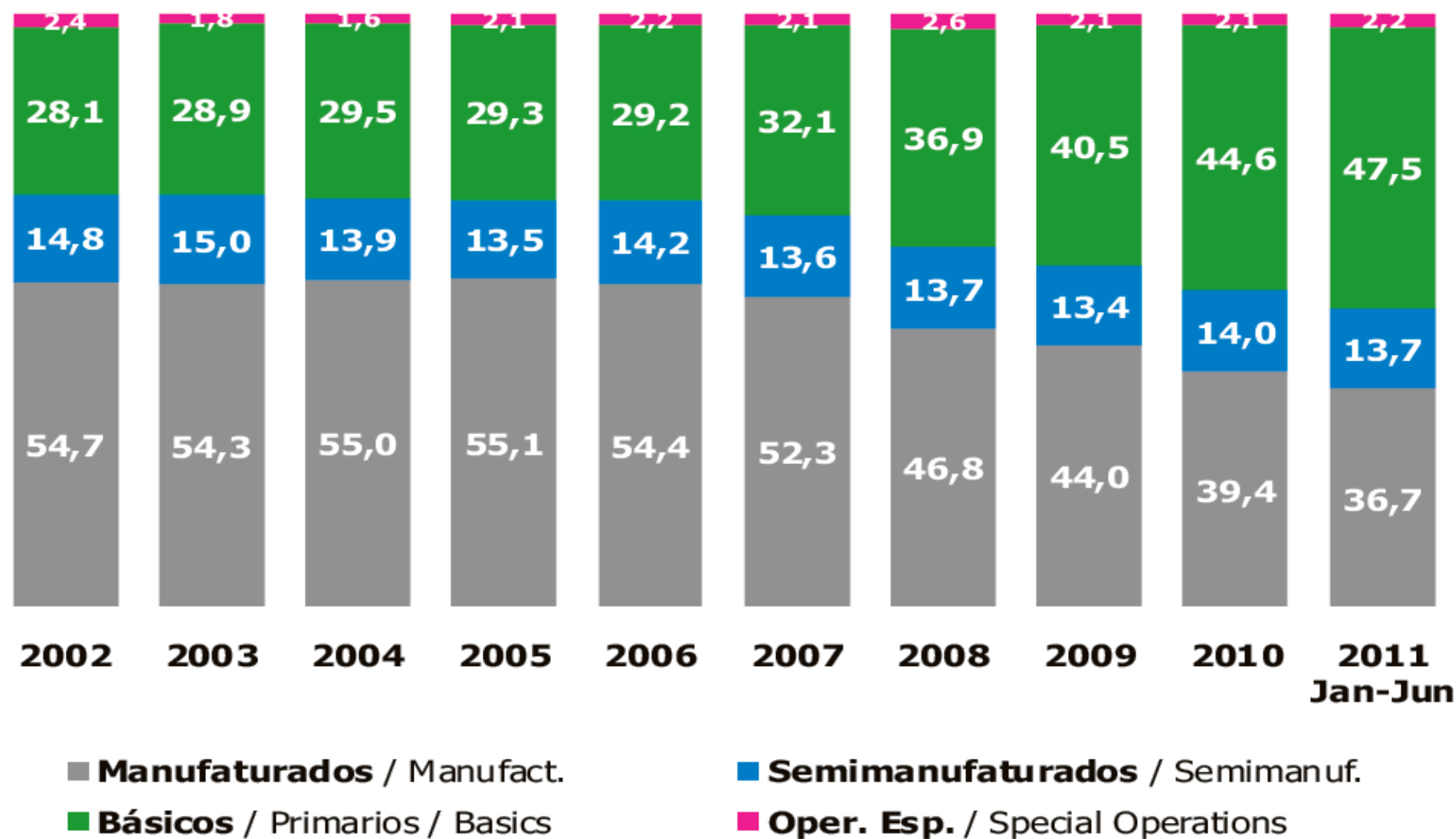
	Valor <i>Value</i>	Δ % 2011/10	Part % <i>% Share</i>
Ásia / <i>Asia</i>	33.908	39,0	28,7
América Latina e Caribe / <i>Latin America & The Caribbean</i>	26.649	24,9	22,5
- Mercosul / <i>Mercosur</i>	12.912	33,2	10,9
- Demais da AL e Caribe / <i>LA & The Caribbean, exc. Mercosur</i>	13.737	18,1	11,6
União Européia / <i>European Union</i>	25.545	32,5	21,6
Estados Unidos / <i>United States</i>	11.753	30,4	9,9
Oriente Médio / <i>Middle East</i>	5.278	24,8	4,5
África / <i>Africa</i>	5.279	38,4	4,5
Europa Oriental / <i>Eastern Europe</i>	3.395	40,3	2,9

Source: Development, Industry and Trade Ministry - MDIC

* June 30, 2011

Foreign Trade

3.7 Products Categories of Exports



Source: Development, Industry and Trade Ministry - MDIC

* June 30, 2011

Foreign Trade

3.8 Brazilian Trade in Agricultural products

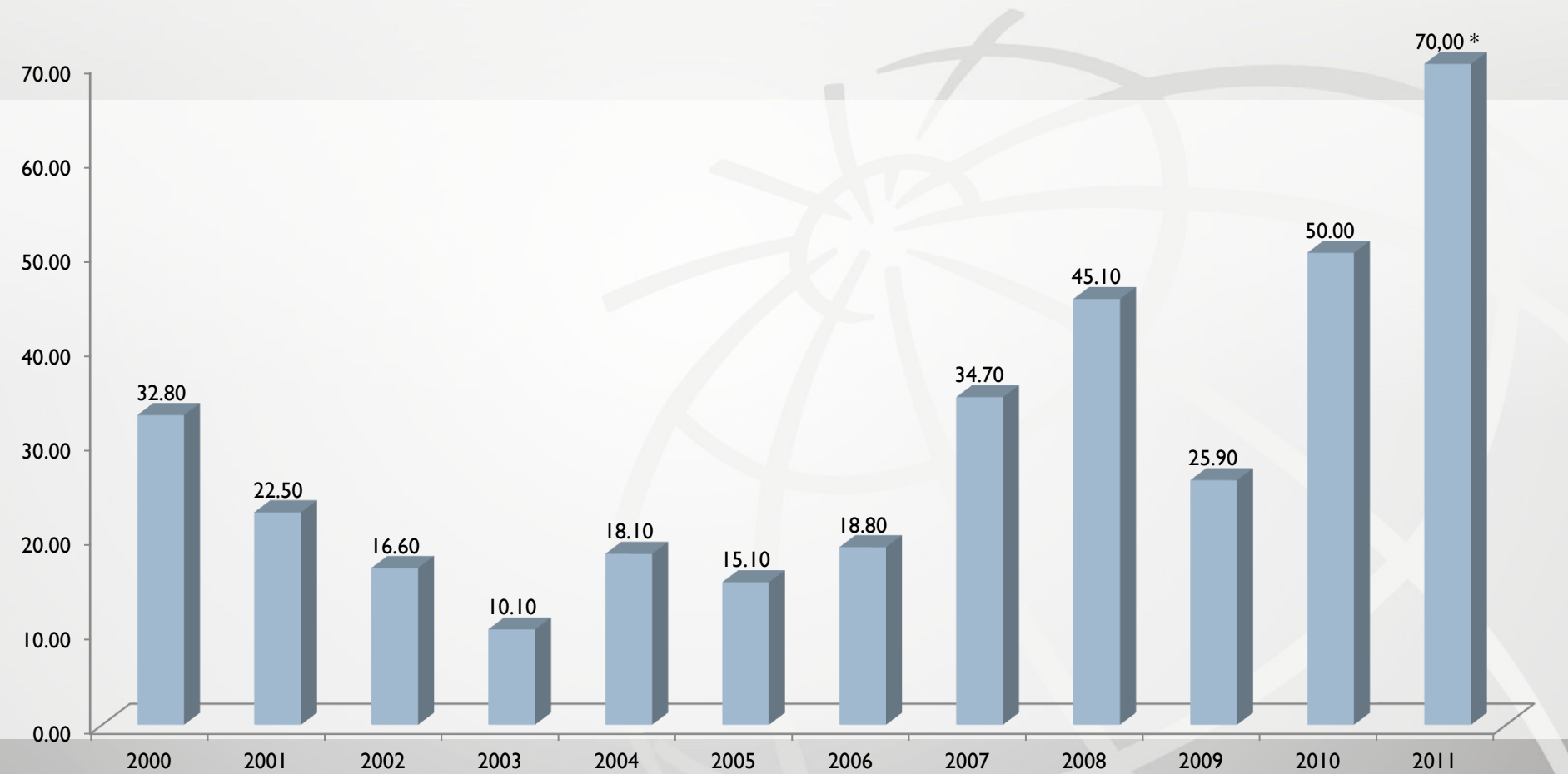
Products	Position between main exporters	% of Total Global Exports
Orange juice	1º	81%
Poultry	1º	35%
Sugar	1º	33%
Coffee	1º	30%
Tobacco	1º	27%
Bovine Meat	1º	24%
Ethanol	1º	13%
Soy	2º	32%
Soy Oil	2º	28%
Pork	4º	11%
Cotton	5º	5%

Source: MDIC

* December 2010

Investment Flows

4.1 Foreign Direct Investment: Inflows



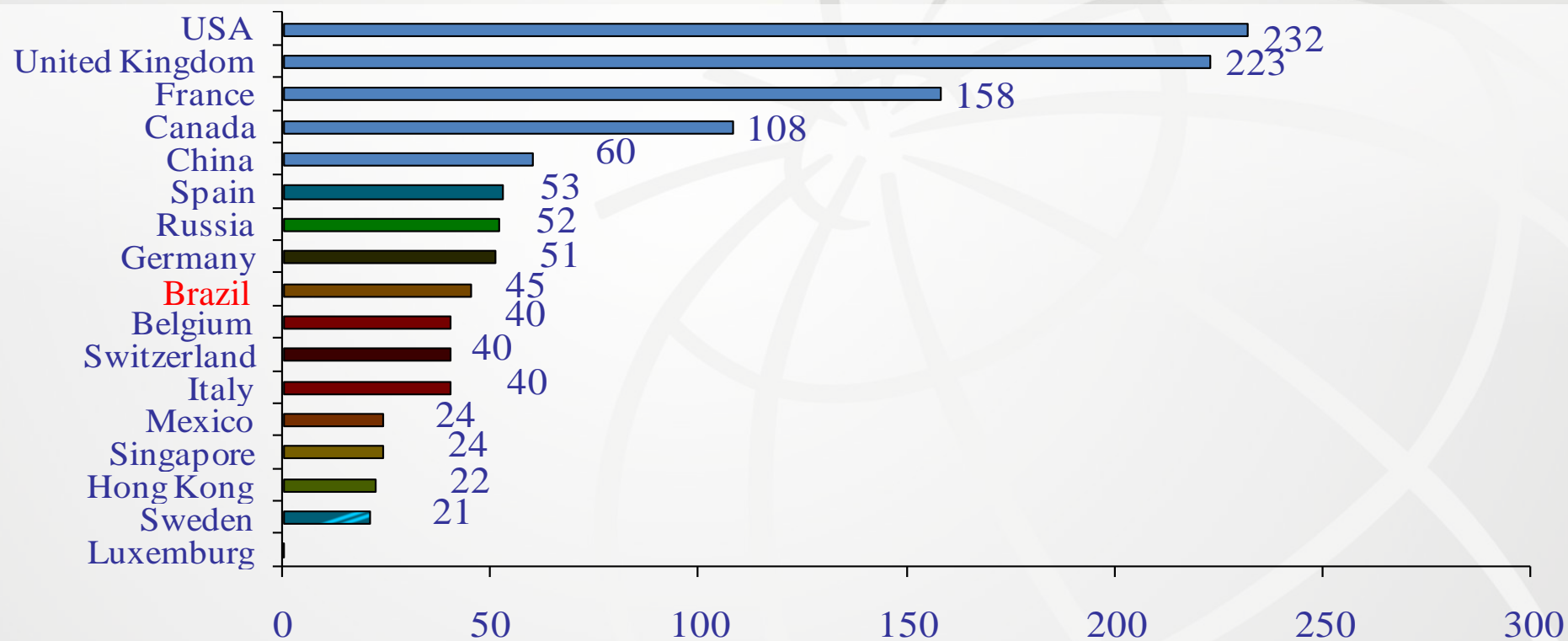
Source: Central Bank

*Central Bank Estimate

Investment Flows

4.1 Foreign Direct Investments: Inflows by Country - 2008

US\$ Billion

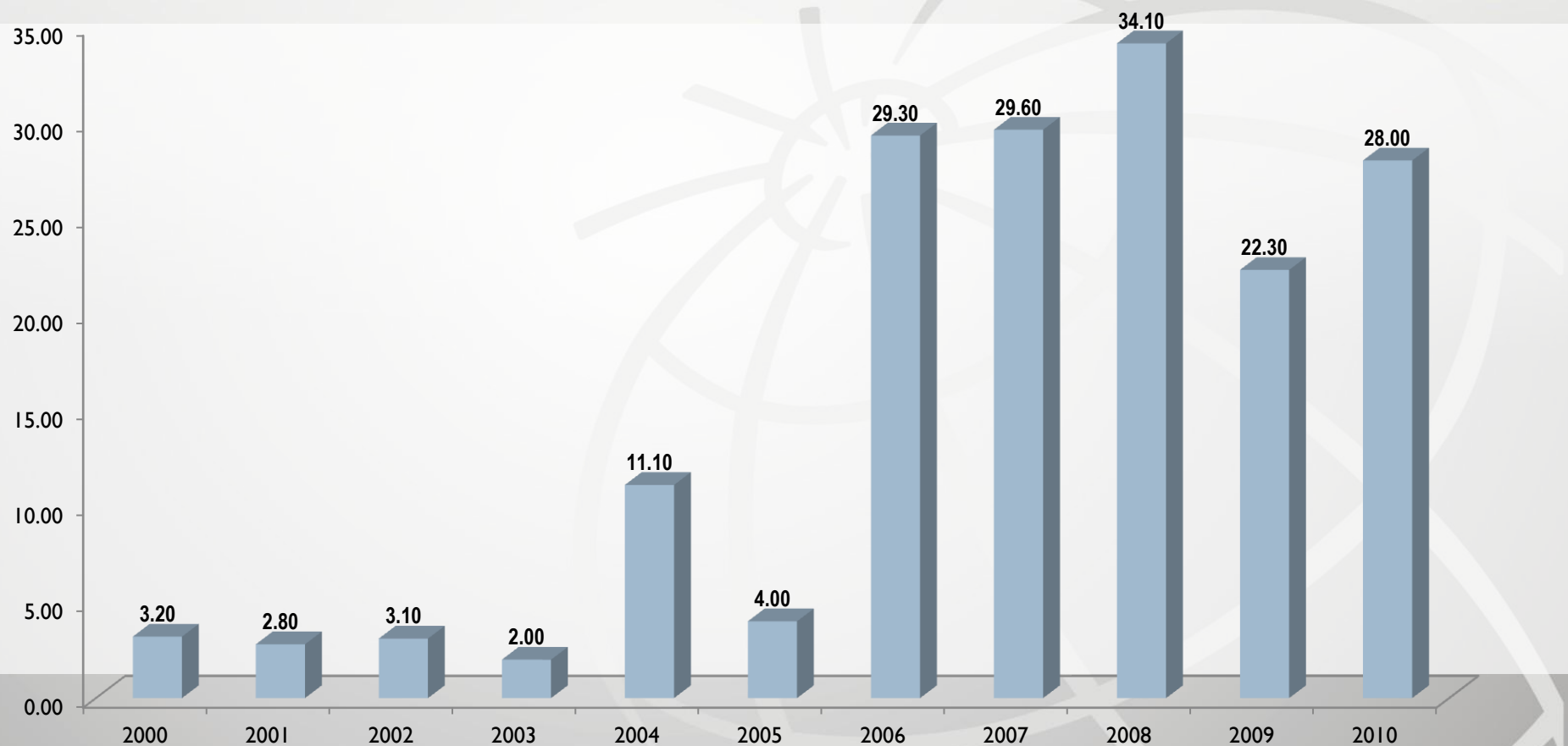


Source: Unctad, World Investment Report 2008

Investment Flows

4.2 Foreign Direct Investment: Outbound

US\$ Billion

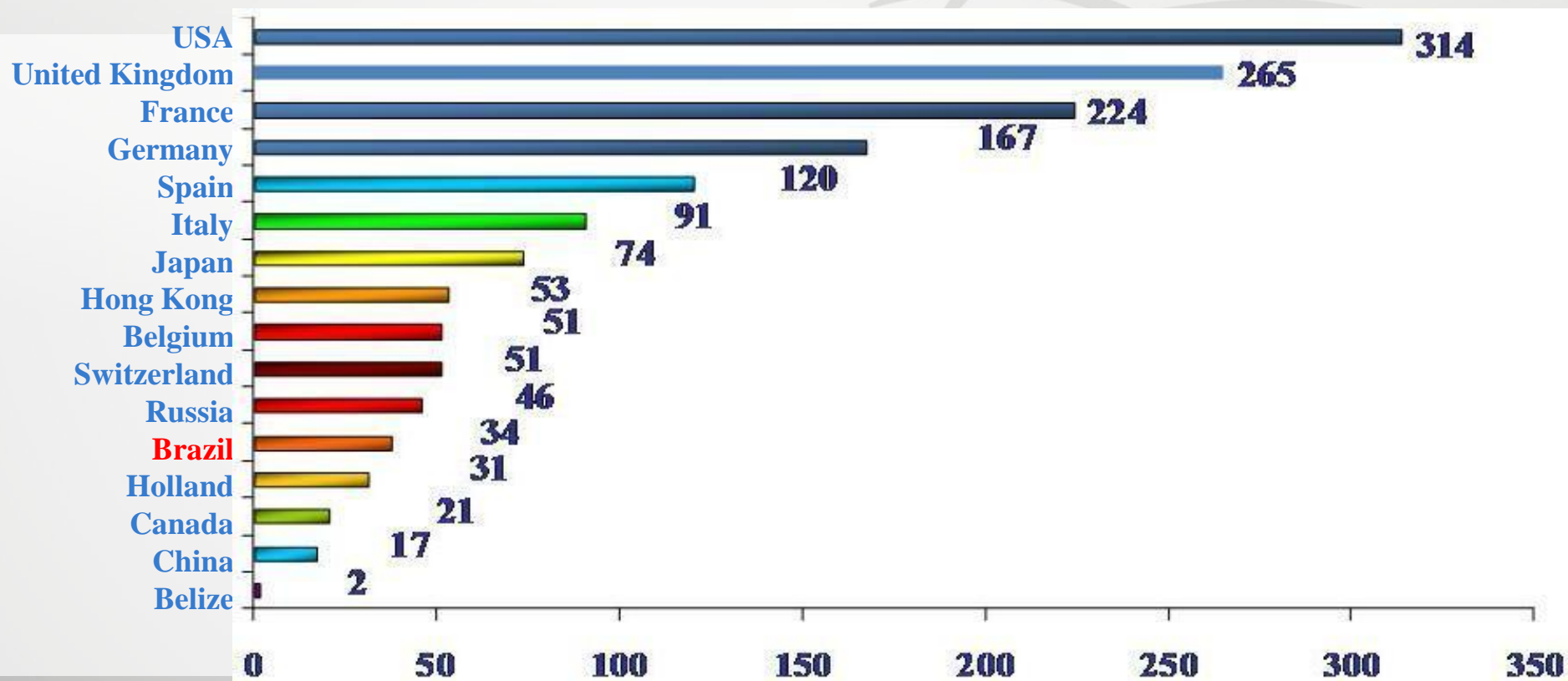


Source: Central Bank

Investment Flows

4.2 Foreign Direct Investment: Outflows by Country - 2008

US\$ Billion



Source: Unctad, World Investment Report 2008

Foreign Trade

5. Dilma Rousseff's Administration: The Brazilian Economy and Foreign Trade

- Sound policies of Lula's government are to be sustained;
- Inflation targeting maintained;
- Interest rates policies are to be maintained;
- Over appreciation of Real is to be maintained;
- Some tax reforms will take place;
- Some reforms in Labour Law to take place;
- Public management to be improved;
- Foreign Trade balance to decrease;
- Current account deficit to grow;
- Economy to continue to grow at about 5% per year; and
- Brazil's economy is poised to overtake France's, Britain's and Germany's by the end of Rousseff's administration.



Source: Brazilian Ministry of Foreign Affairs

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.

The London office, opened in 1987, has partners admitted in England and Wales, is regulated by the SRA and supports investments and business with Brazil.

**Address:**

4th floor, 193/195 Brompton Road
London SW3 1NE
England UK

Phone: (44-20) 7581-5040

Fax: (44-20) 7581-8002

Contact:

Vera Helena de Moraes Dantas

Address:

Av. Brig. Faria Lima, 1485 – 17^o
andar – Torre Norte
01452-002 – São Paulo – SP
Brasil

Phone: (55-11) 5188-8090

Fax: (55-11) 5184-0097

Contact:

Durval de Noronha Goyos Júnior
Lilian Thomé



NORONHA ADVOGADOS





Durval de Noronha Goyos Jr.

dng@noronhaadvogados.com.br

www.noronhaadvogados.com.br