

NORONHA ADVOGADOS

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Brazilian Foreign Trade and Investment Flow

Canning House

Durval de Noronha Goyos Jr.
Senior Partner - Noronha Advogados
London, 21 April 2008.

POINTS OF PRESENTATION

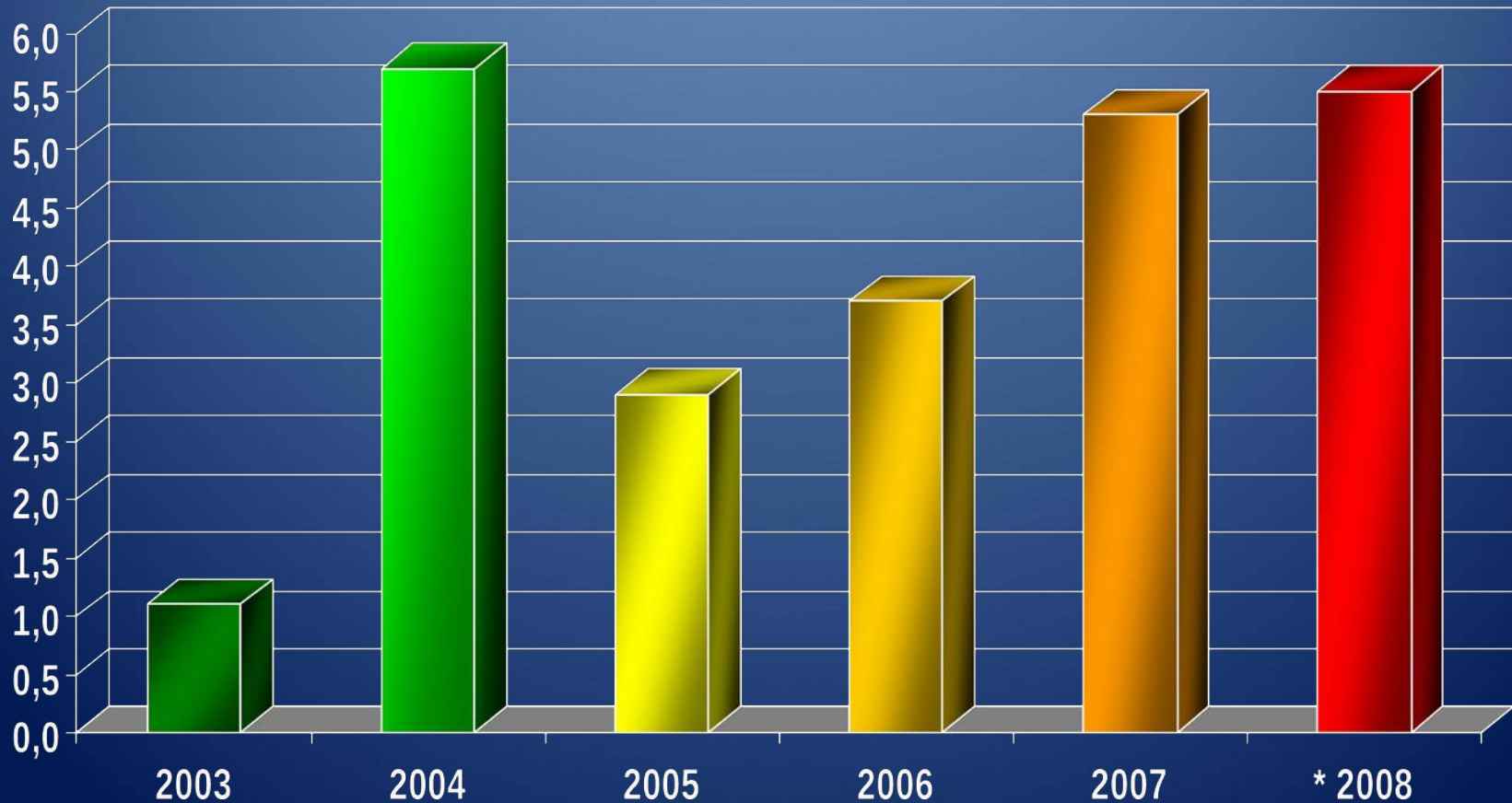
1. Fundamentals of Brazil's Economy
2. Brazil's External Trade and Trade with Selected Partners
3. General Aspects of Brazil's Foreign Policy

Map of South America



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
GDP (Billion)	552	663.4	882	1,006	1,300
Population (Million)	178.9	181.5	185.5	186.7	188.9
GDP per capita (Thousand)	3,10	3,66	4,77	5,41	6,91

Source: Brazilian Institute of Geography and Statistics - IBGE

In yellow – IBGE's new methodology .

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

Source: Central Bank

* MAR/2008

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	192,902

Fundamentals of Brazil's Economy

Brazilian International Reserves

US\$ Billion



Source: Central Bank

*MAR/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

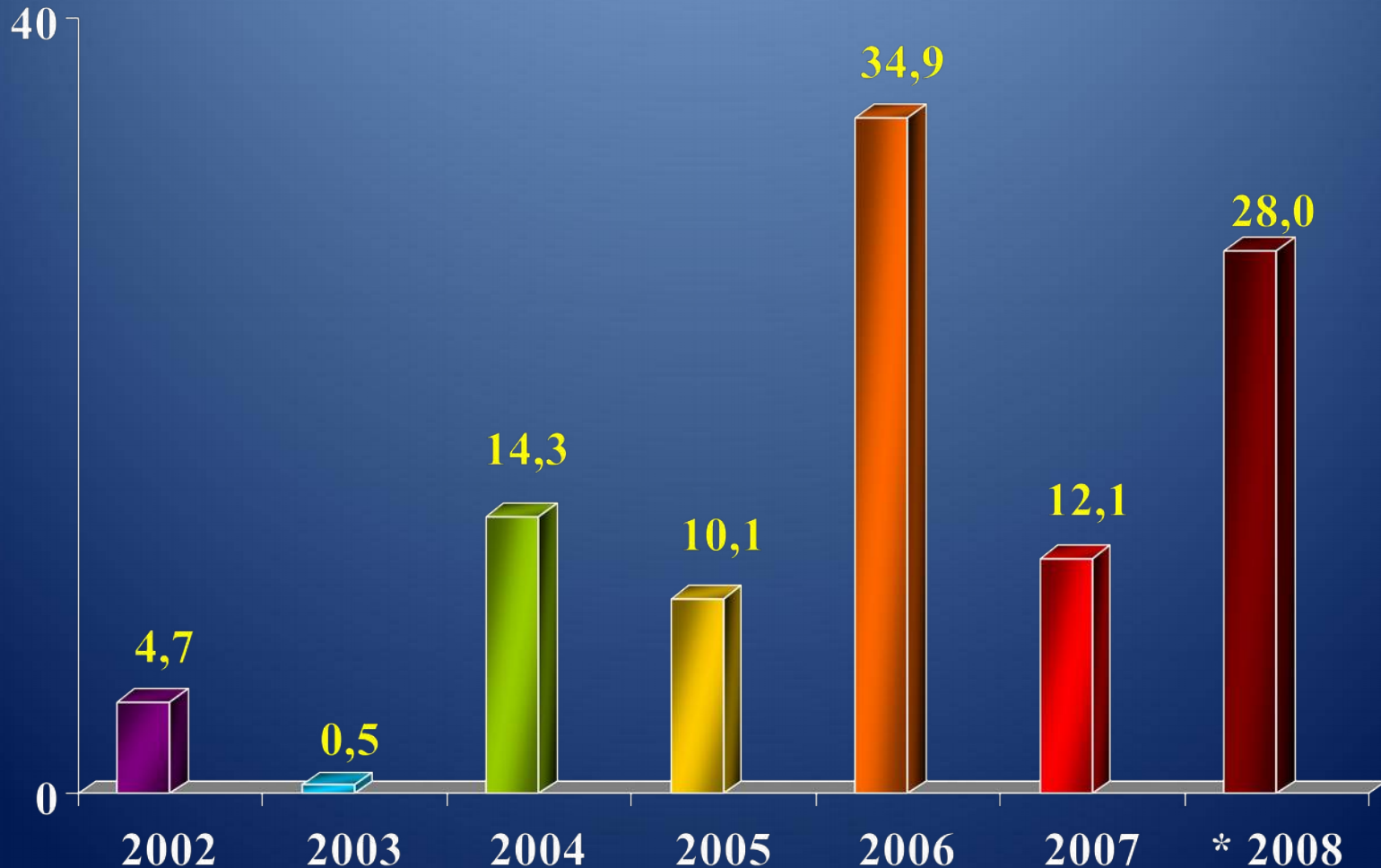
Source: Central Bank

*Estimate

Fundamentals of Brazil's Economy

Brazilian Direct Investment Abroad

US\$ Billion

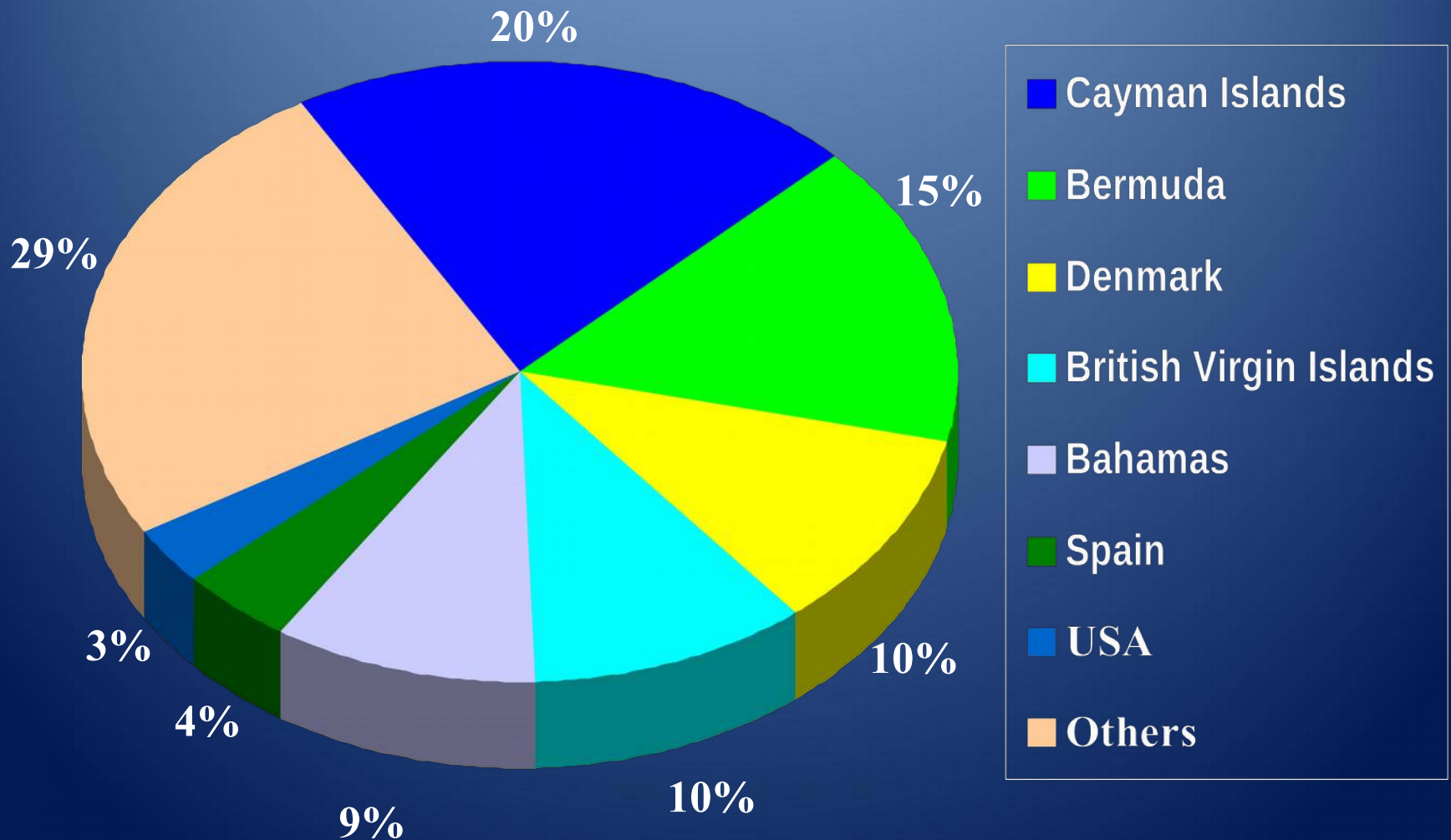


Source: Central Bank

*Estimate

Fundamentals of Brazil's Economy

Brazilian Direct Investment Abroad: Main Countries in 2007

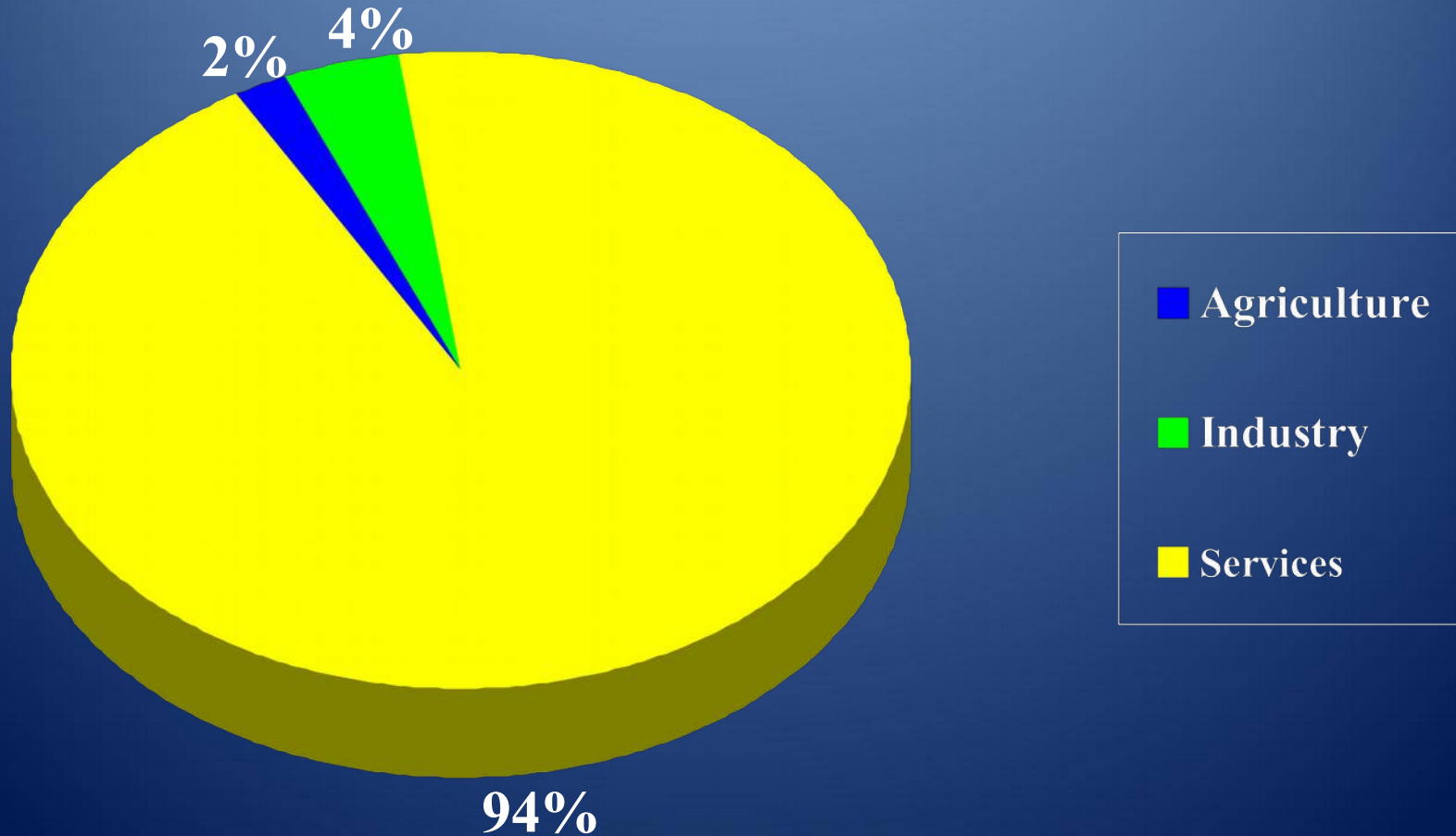


Source: Central Bank

Fundamentals of Brazil's Economy

Brazilian Direct Investment Abroad

By Sector in 2007



Source: Central Bank

Fundamentals of Brazil's Economy

Some Brazilian Acquisitions Abroad

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

Sources:

¹ Estado de São Paulo, 3 January 2008

² www.jbs.com.br

³ www.gerdau.com.br

⁴ Valor Econômico, 27 December 2007

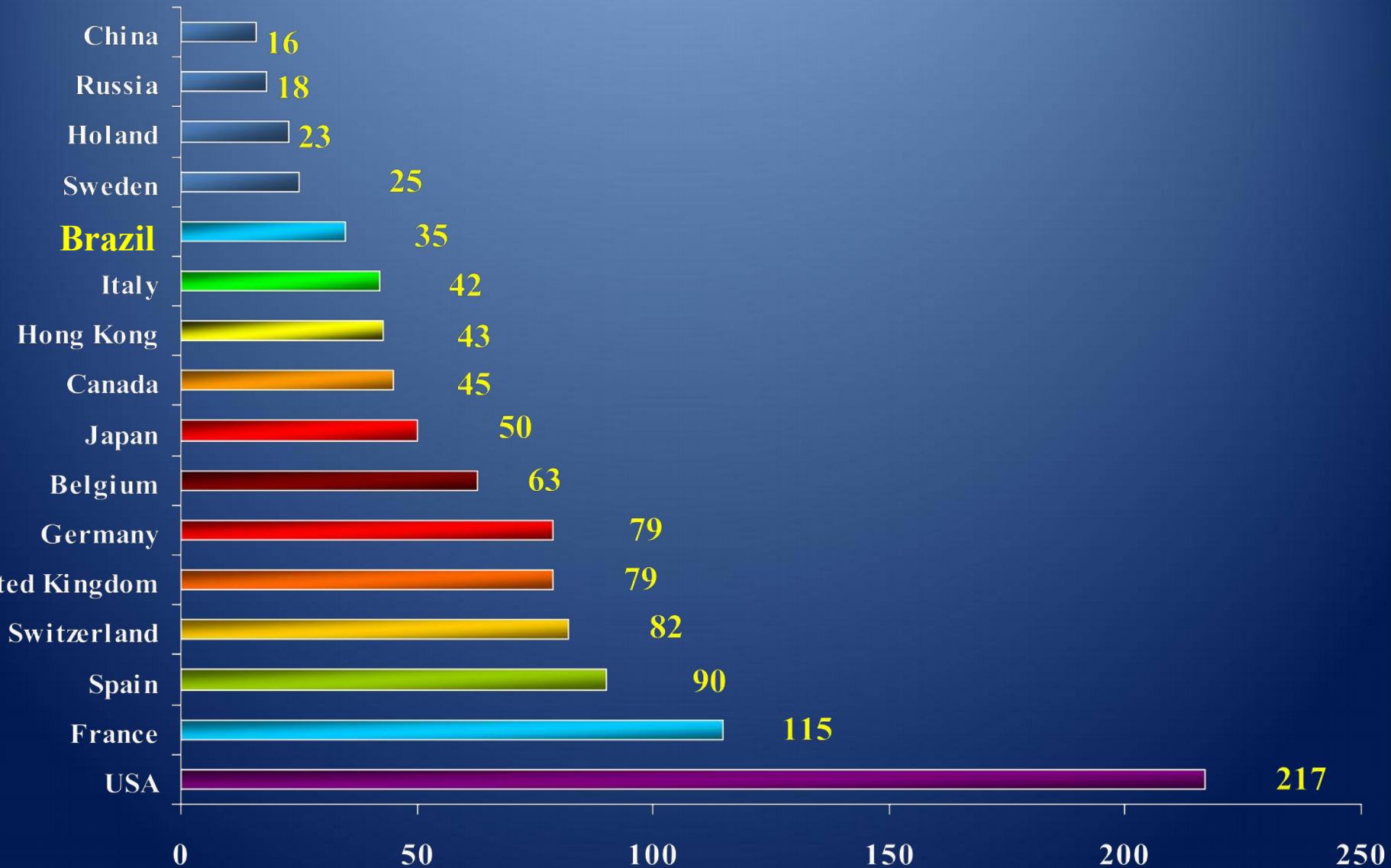
⁵ www.vale.com.br

⁶ www.camargocorrea.com.br

Fundamentals of Brazil's Economy

Foreign Direct Investments: Outflows by Country

US\$ Billion

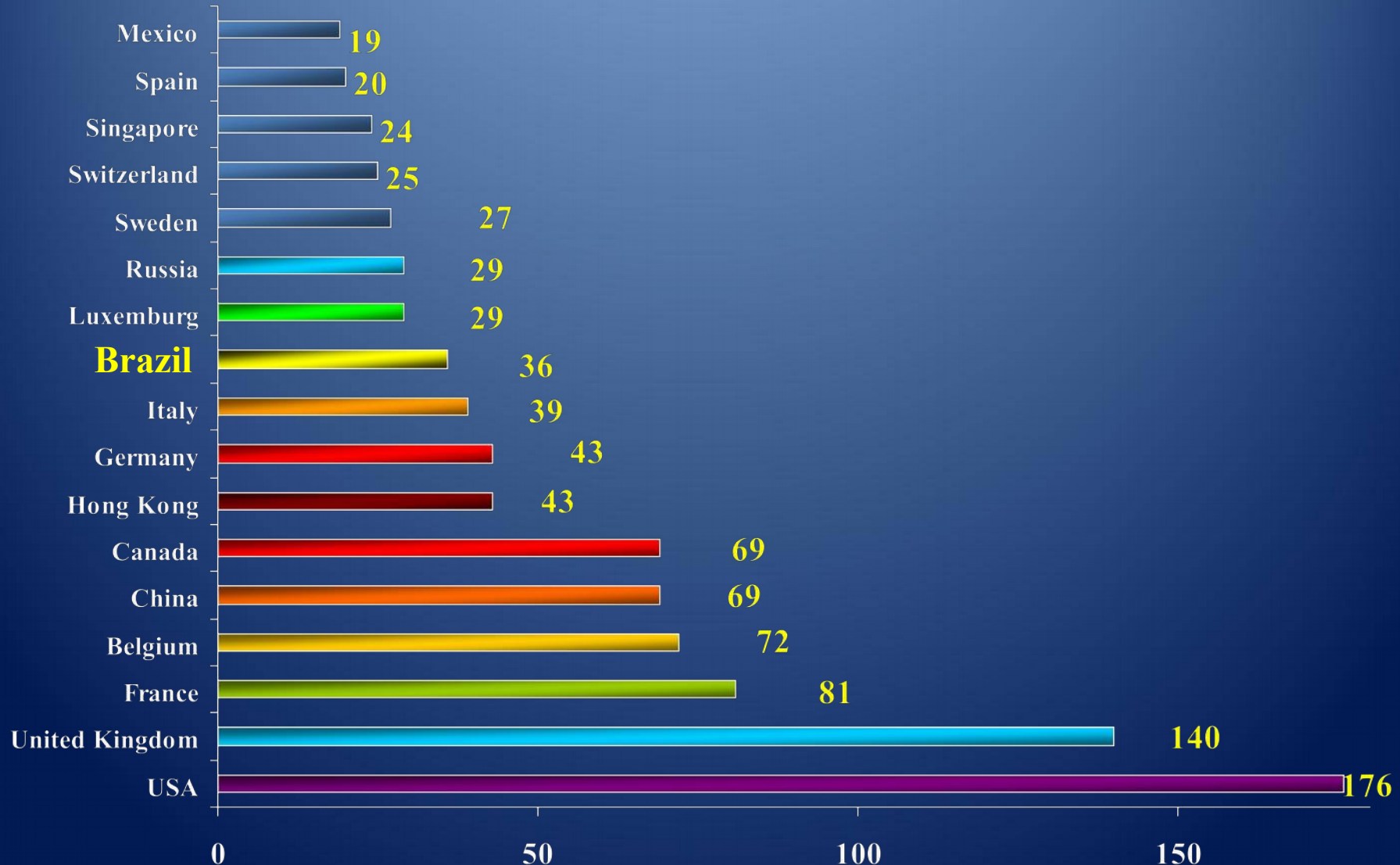


Source: Unctad, World Investment Report 2007

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\$



Source: Central Bank

Fundamentals of Brazil's Economy

Development R\$ x €



Source: Central Bank

Fundamentals of Brazil's Economy

Development R\$ x RMB



Source: Central Bank

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

Brazilian Agribusiness

Products	Position between main exports	% of Total Global Exportations
Orange juice	1°	81%
Chicken Meat	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

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 doubles Brazilian reserves.
- 2008 – Discovery of Carioca oilfield with estimated 33 billion barrels of oil. Discovery more than doubles oil reserves again.
- 2010 – 3.4 million barrels a day*



Source: Petrobrás

*** Petrobrás estimate**

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

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.
- 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 :

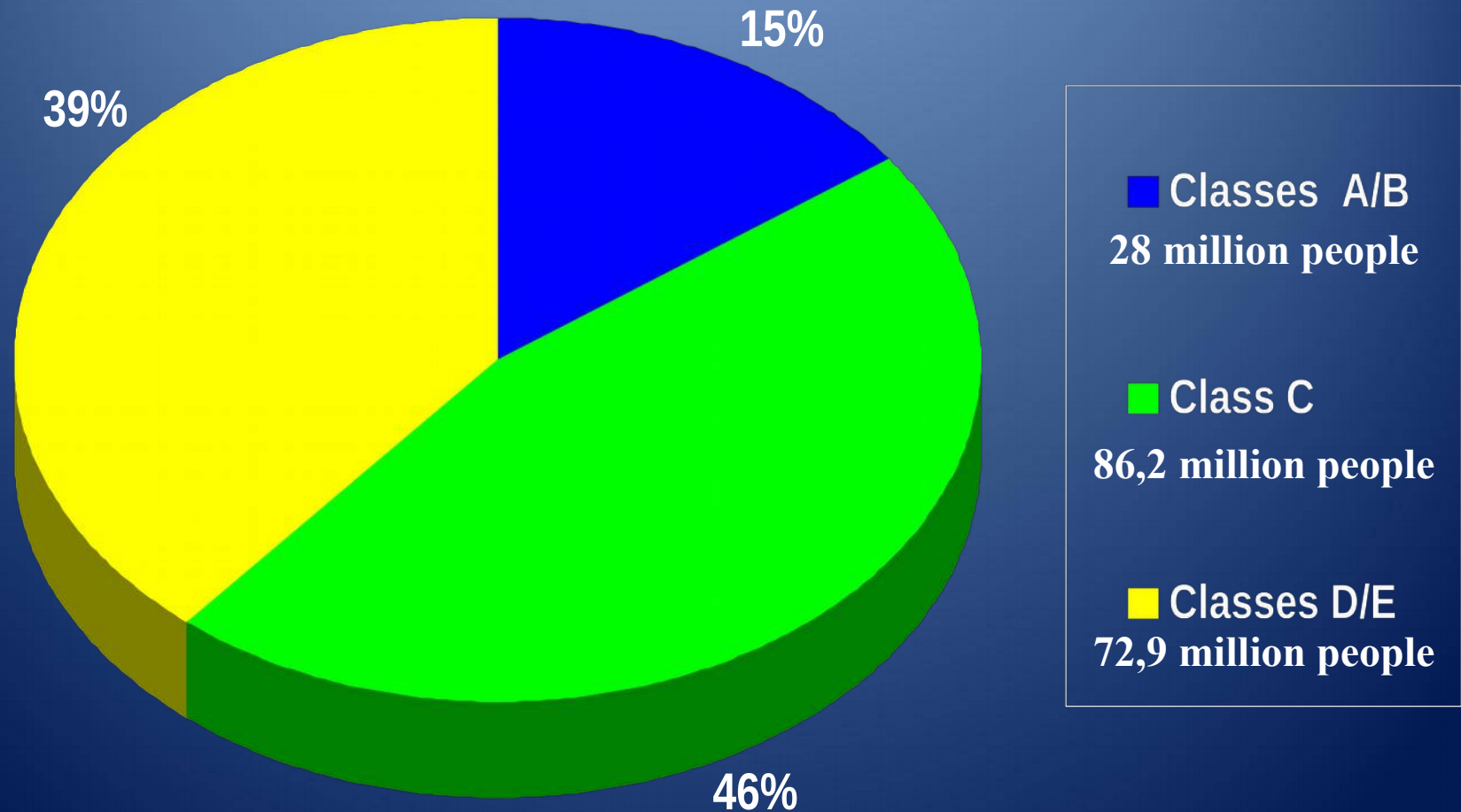
- In 2007, Brazilian production reached record levels, closing at 40 million tons, up from 30,9 million of 2006.
- The estimate for 2008 is an increase of 10,8%

Cement :

- In 2007, Brazil produced 45.878 millions tons of cement, an increase of 9,4% from 2006.

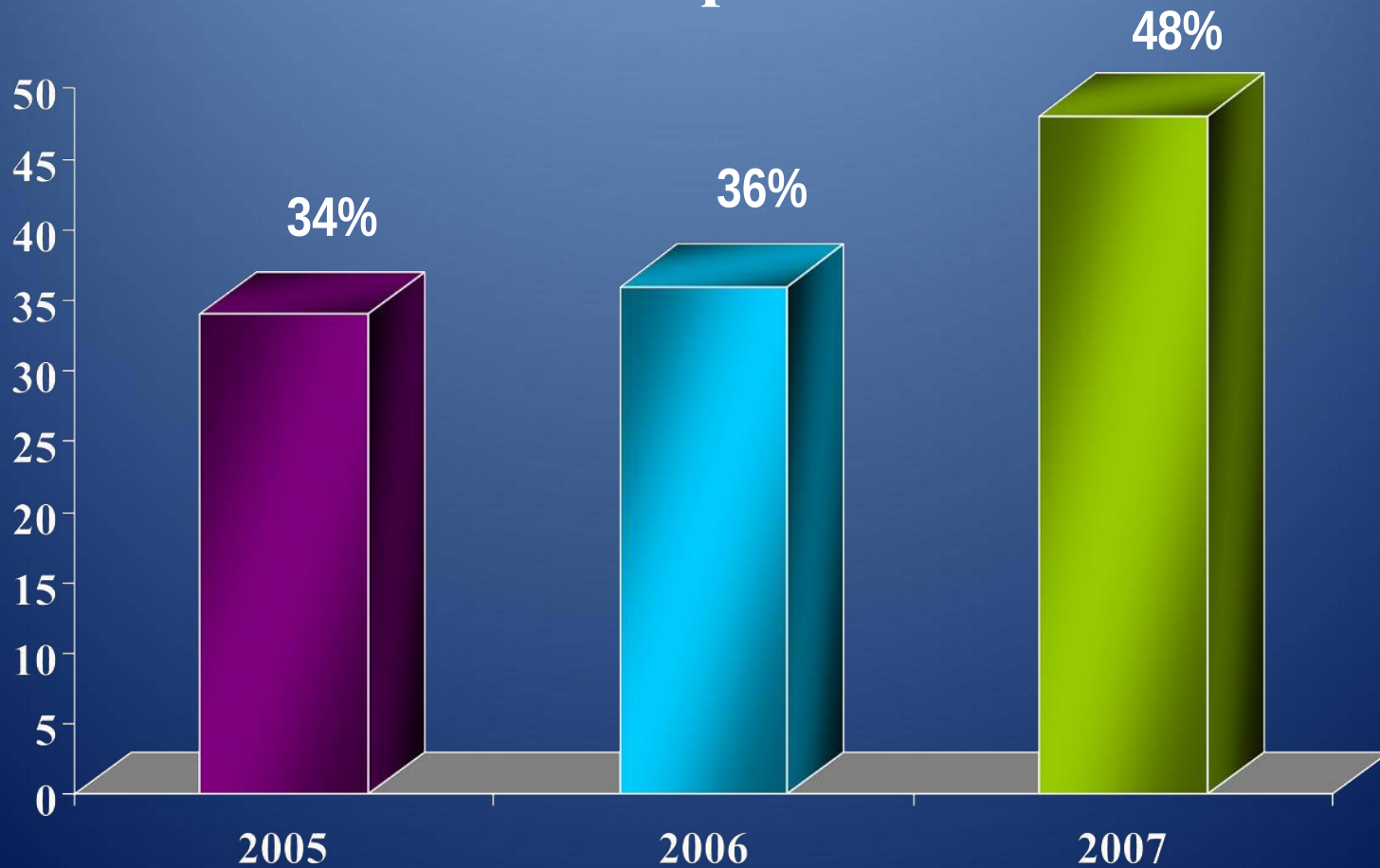
Fundamentals of Brazil's Economy

Brazil's Social Development: Division by Classes in 2007



Fundamentals of Brazil's Economy

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



Brazil's External Trade and Trade with Selected Partners

US\$ Billion

Brazilian Trade

Year	Exportation US\$ FOB	Importation US\$ FOB	Balance US\$ FOB	Flow of Commerce 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	182	155	27	337

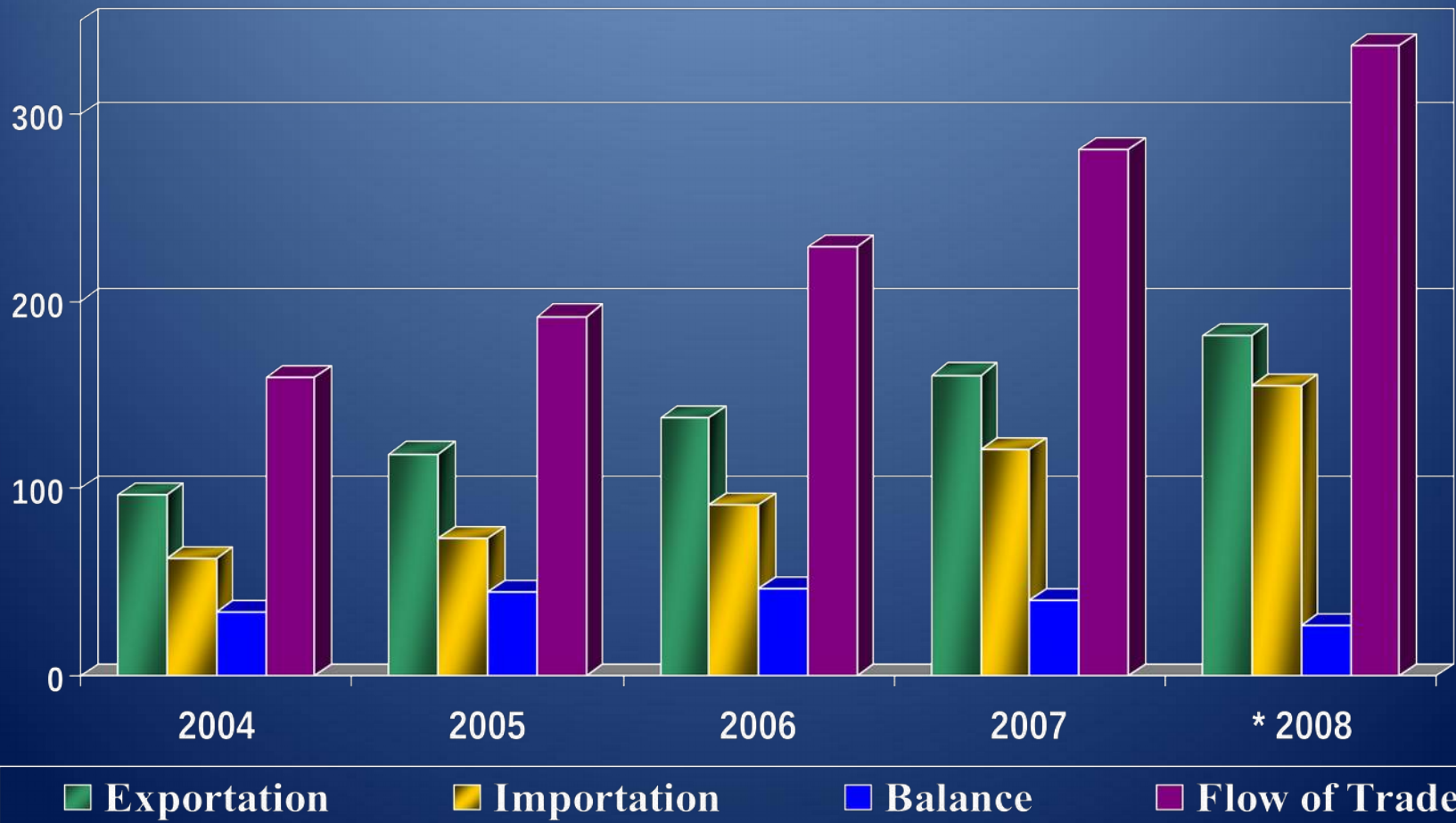
Source: Development, Industry and Trade Ministry - MDIC

*** Central Bank estimate**

Brazil's External Trade and Trade with Selected Partners

Brazilian Trade

US\$ Billion



Source: Development, Industry and Trade Ministry - MDIC

* Central Bank estimate

Brazil's External Trade and Trade with Selected Partners

Brazilian Trade with European Union

US\$ Billion

Year	Exportation US\$ FOB	Importation 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	6,36	5,37	0,99	11,73

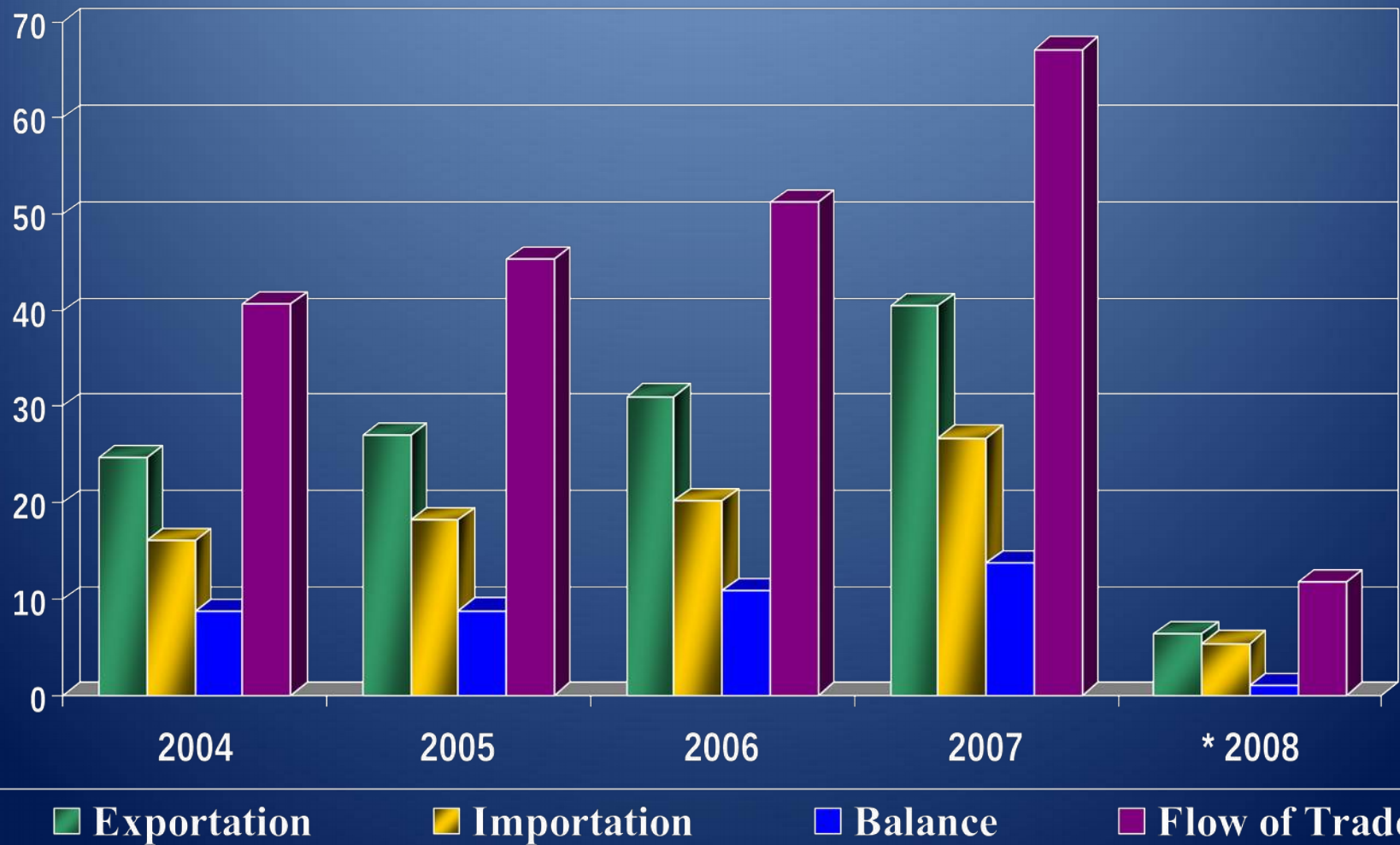
Source: Development, Industry and Trade Ministry - MDIC

*** JAN/FEV 2008**

Brazil's External Trade and Trade with Selected Partners

US\$ Billion

Brazilian Trade with European Union



Source: Development, Industry and Trade Ministry - MDIC

* JAN/FEV 2008

Brazil's External Trade and Trade with Selected Partners

US\$ Billion

Brazilian Trade with China

Year	Exportation FOB	Importation 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	1,41	2,86	-1,45	4,27

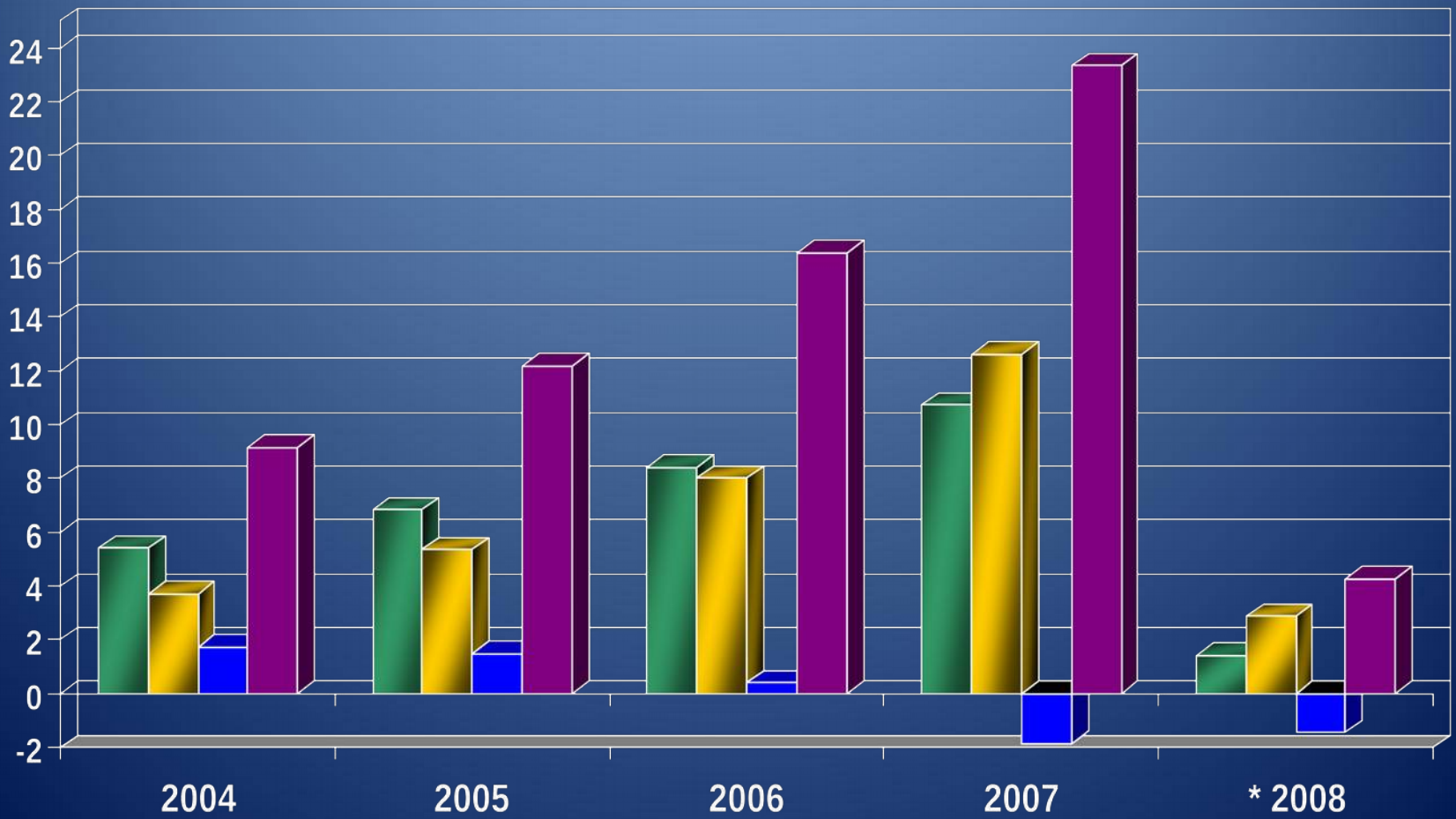
Source: Development, Industry and Trade Ministry - MDIC

* JAN/FEV 2008

Brazil's External Trade and Trade with Selected Partners

US\$ Billion

Brazilian Trade with China



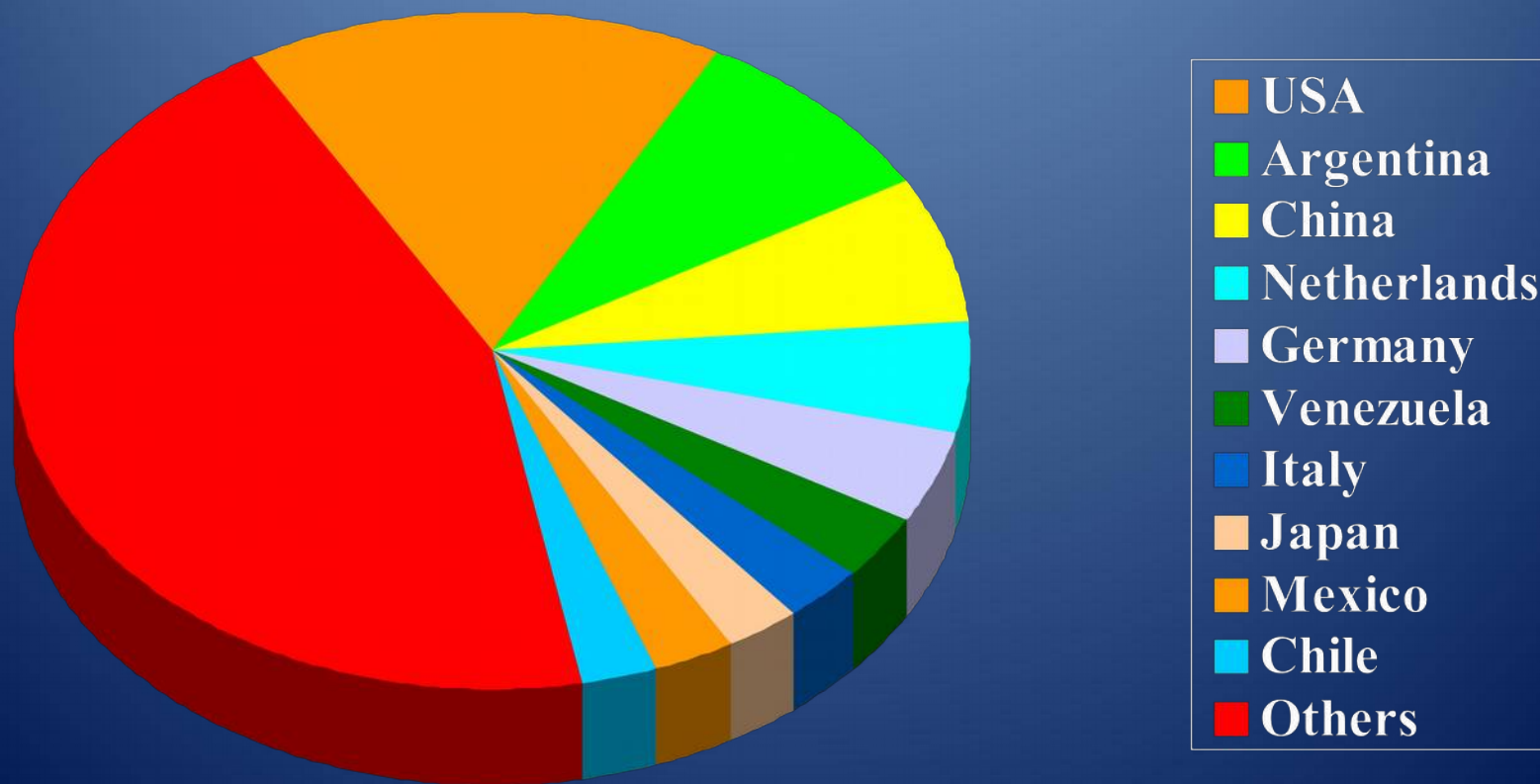
■ Exportation ■ Importation ■ Balance ■ Flow of Trade

Source: Development, Industry and Trade Ministry - MDIC

* JAN/FEV 2008

Brazil's External Trade and Trade with Selected Partners

Brazilian Flow of Trade

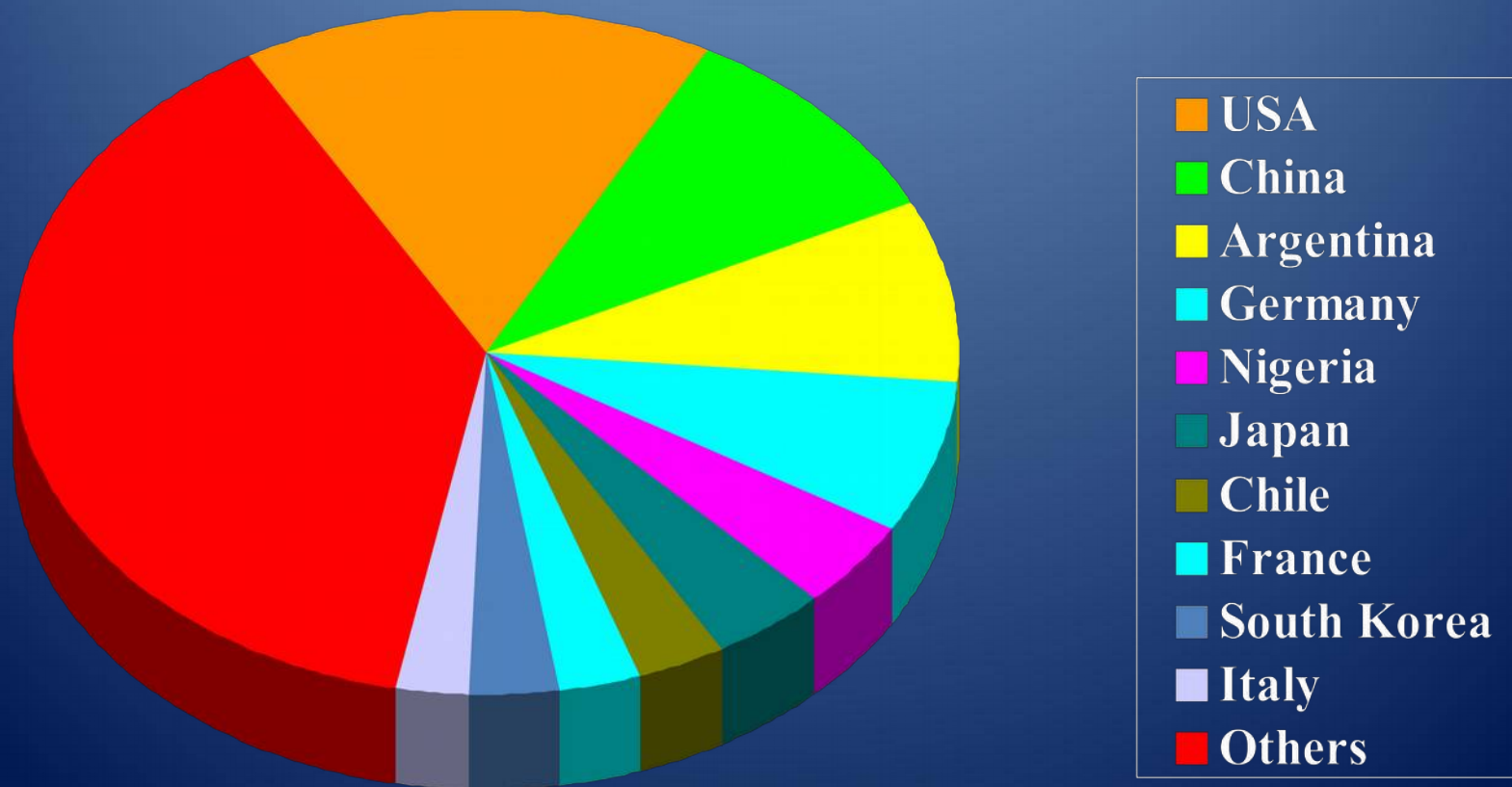


Source: Development, Industry and Trade Ministry - MDIC

FEB/2008

Brazil's External Trade and Trade with Selected Partners

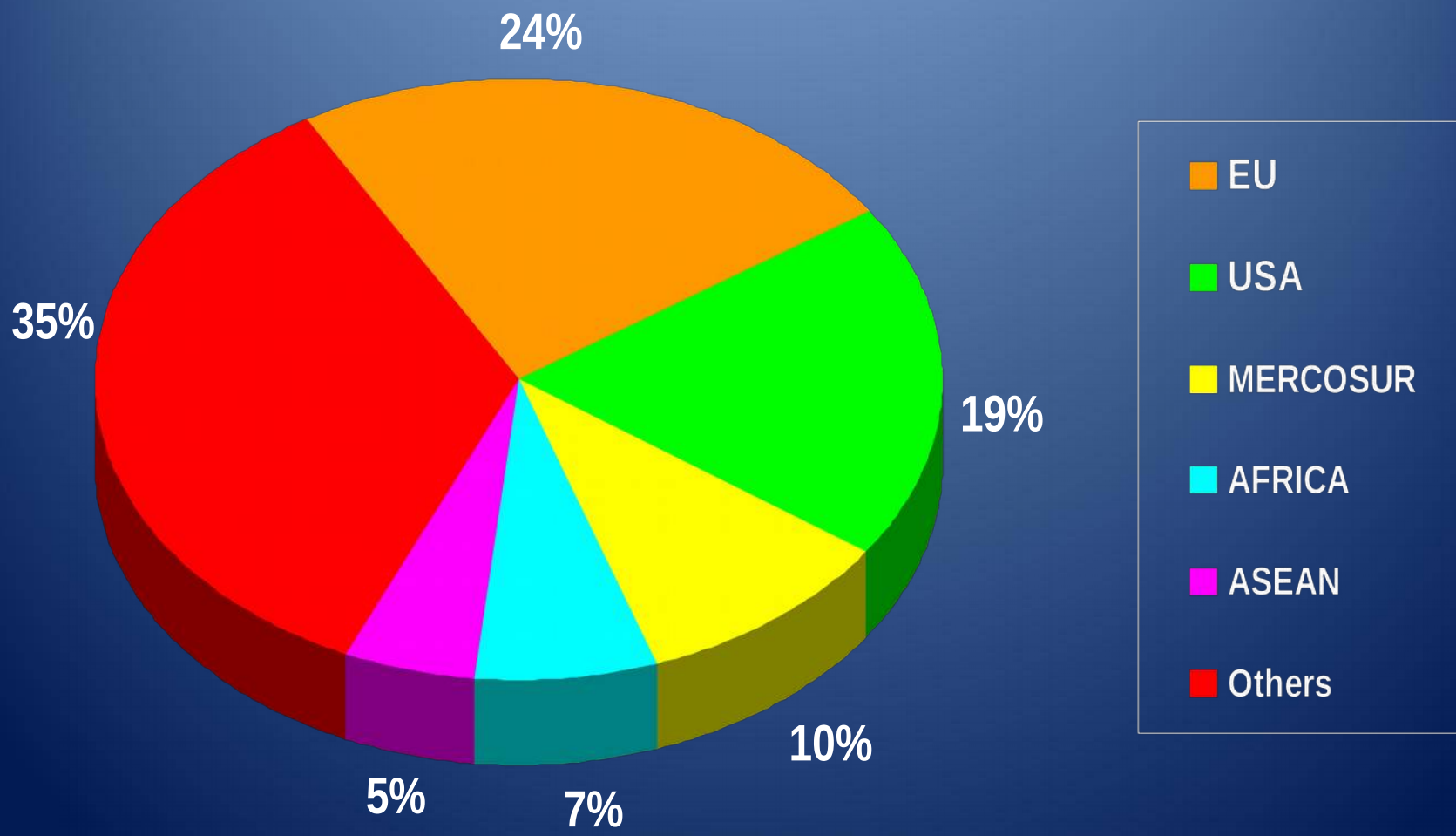
Sources of Brazil's Imports



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

Brazil's External Trade and Trade with Selected Partners

Flow of trade between Brazil and selected economic blocs

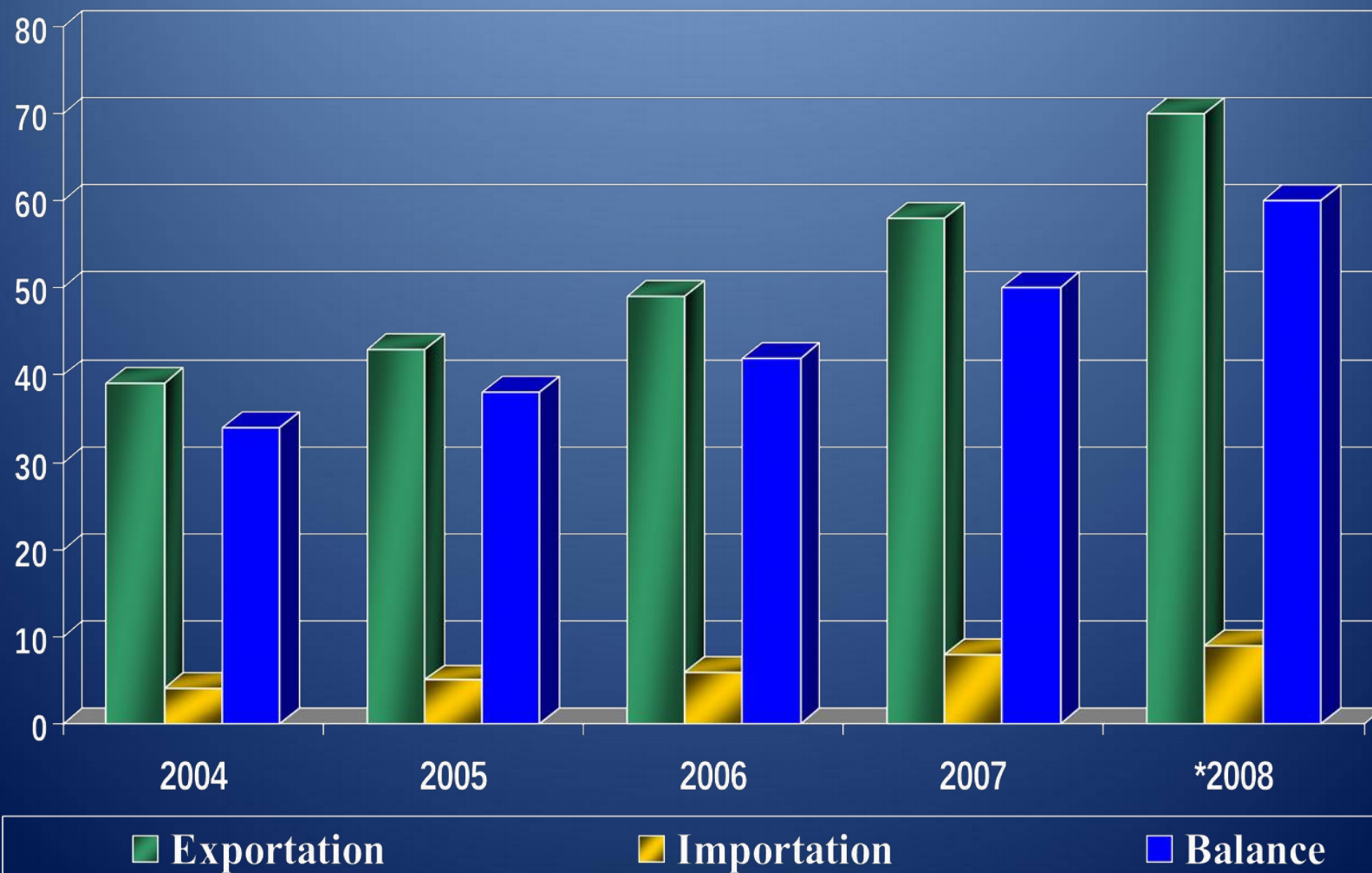


Source: Development, Industry and Trade Ministry - MDIC
FEB/2008

Brazil's External Trade and Trade with Selected Partners

Brazil's Agribusiness Trade

US\$ Billion



Source: Brazilian Confederation of Agriculture and Livestock - CNA

*Estimate

Brazil's External Trade and Trade with Selected Partners

Main Destinations for Brazil's Agribusiness Exportation

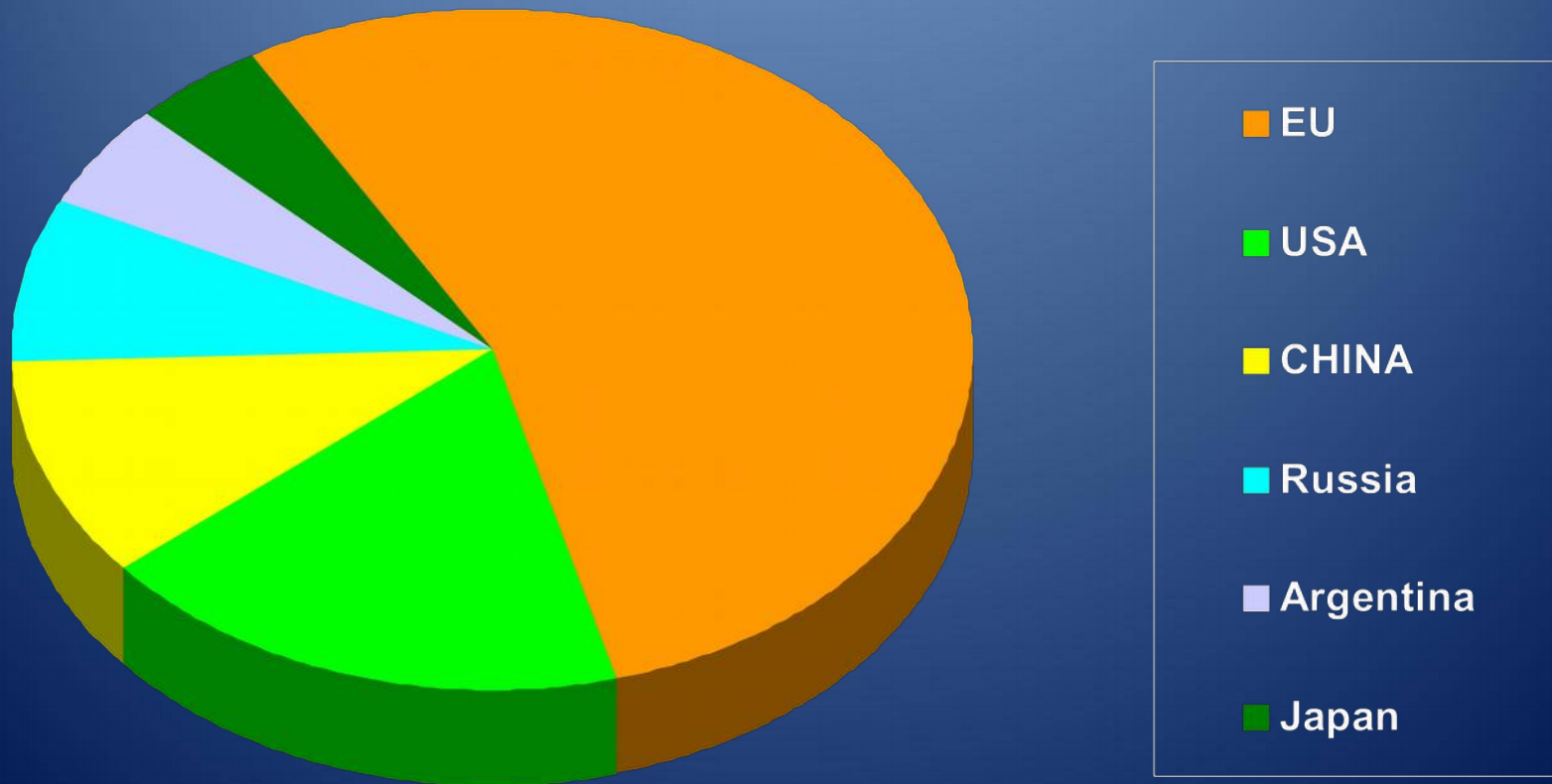
Destinations	Agribusiness Exportations (US\$ million)		Var. % 07/06 (b/a)	Total Exp. (c)	Increased Value %		
	2006 (a)	2007 (b)			Basic	Semi	Manufactured
1.EU	16.153	21.232	31,44	40.357	57,43	14,53	28,04
2. USA	7.370	6.840	-7,19	25.065	19,55	19,70	60,75
3. China	3.802	4.691	23,38	10.749	67,69	29,23	3,09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

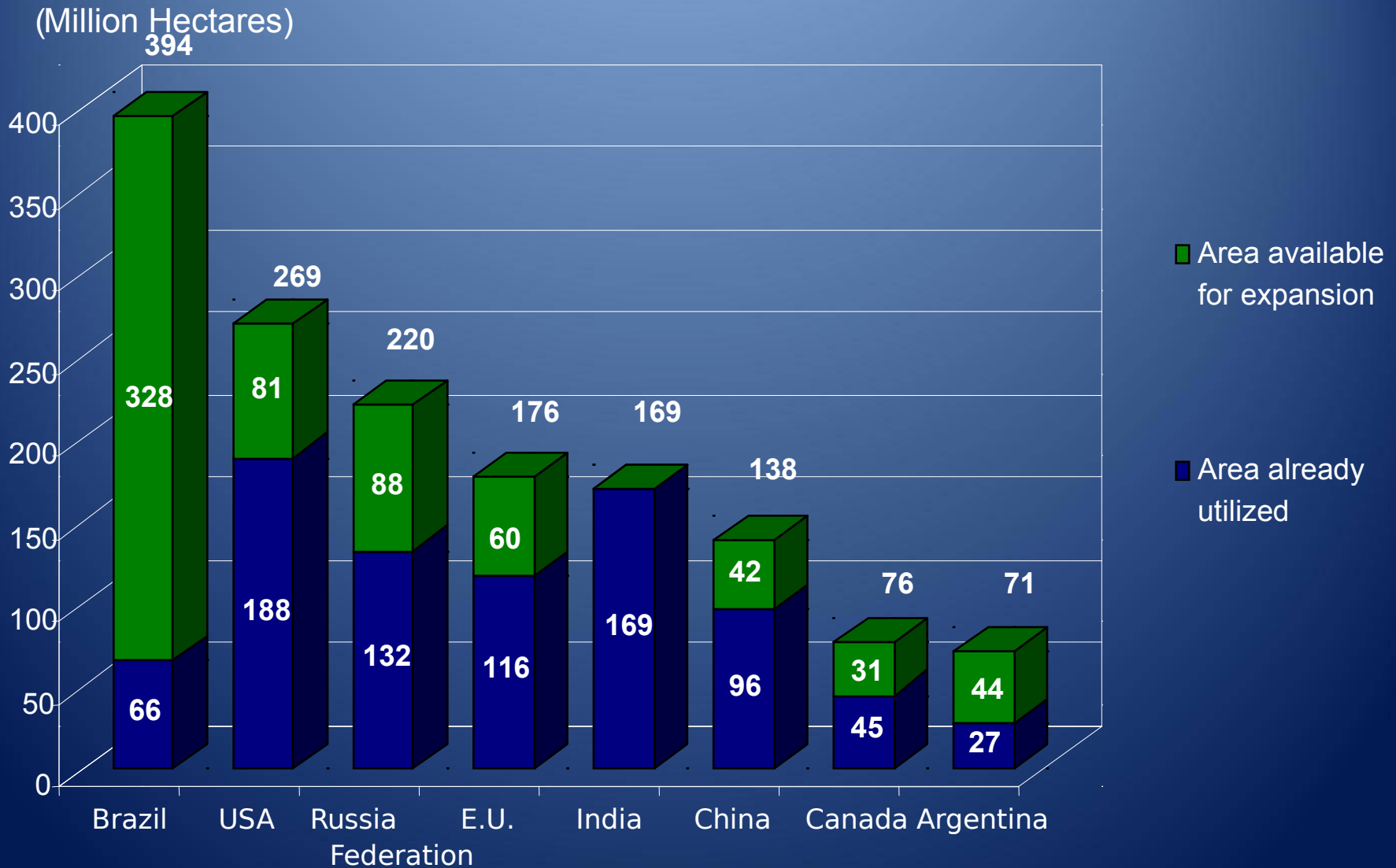
Main Destinations for Brazil's Agribusiness Exportation



Source: Brazilian Confederation of Agriculture and Livestock - CNA

*Estimate

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.

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The office has a wide range of international professionals, capable of practising law in different European jurisdictions, as well as in Brazil.



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