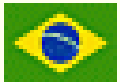


Brazil

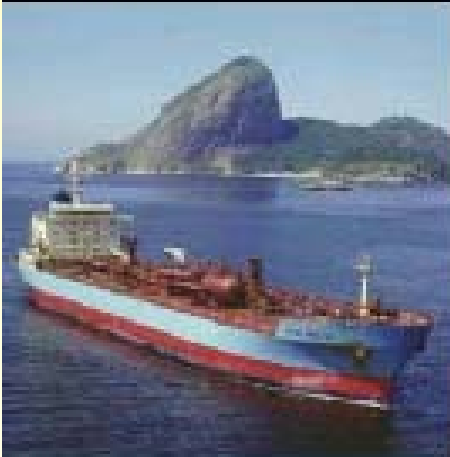


Consulate General of Brazil in Los Angeles

The Brazil we all know...



...and the Brazil you should get to know!



Brazil - Basic Facts

- **Population:** 188.8 Million (2007) – 50 % of the population of South America
- **Income Generation Population:** 87 million Labor Force
- **Area:** 5.2 Million Sq Miles / 8.5 Million Sq Km – 50% of surface area of South America
- **GDP:** US\$ 1.1 trillion(2006); 50 % of South American GDP
- **Per Capita Income:** US\$ 6,200 (2006)
- **Life Expectancy:** 71 years



Brazil – A Continental-Sized Country

Countries with area
> 3 million km²

Countries with population
> 100 million

Countries with GDP
> US\$ 500 billion

Like Russia, China, the U.S.A., and India, Brazil is one of the five countries in the world that have area greater than 3 million km², more than 100 million inhabitants and a GDP that is greater than US\$ 500 billion.



Russia



China



USA



Brazil



India

Brazil – A Politically Stable Country

- Peaceful and Creative Multiracial and Multicultural Society
- Full-Fledged Democracy. Elections every four years
- Free Media
- Independent Judicial System



Brazil – A Huge Domestic Market

- **More than 80% of Brazilians live in cities - 14 of which have more than 1 million inhabitants.**
- **Brazil has the 3rd largest franchise market in the world, surpassed only by the United States and Japan.**
- **Economic leader of the Mercosur free trade block (250 million people - Argentina, Uruguay, Paraguay and Venezuela)**
- **More than 10,000 companies with ISO-9000 certificates**



Brazil – Macroeconomic Overview

Comparative Advantages

- In the second half of the 20th century, Brazil transformed its economy from one that was primarily rural into one that is strong and industrialized
- Largest Industrial Base in Latin America
- Diversified Economic Infrastructure
- High Competitiveness on Commodities and Semi-Finished Products
- Dynamic Market Niches for Purchases, Sales and Investments
- Vast Territory and Natural Resources

Brazil – Macroeconomic Overview

Principal Economic Indicators

Exchange Rate, Reserves, Public Sector Debt (end 2006)

Exchange Rate (R\$/US\$ 1) = 2.13 (2002 = 3.53)

International Reserves (US\$ billion) > 75 (2002 = 37.8)

Public Sector Debt (% of GDP) = 50.6 (2002 = 55.5)

- The government has reduced public debt, and Brazilian authorities recently declined further IMF support. At the end of 2005, President Lula was able to repay ahead of time the outstanding US\$15.5 billion owed to the IMF.
- In 1999, Brazil's foreign debt corresponded to five times the sum of its annual exports. Currently, it is equivalent to a little more than twice the value of its annual exports.
- Brazil has also repaid US\$2.6 billion to creditors of the Paris Club.

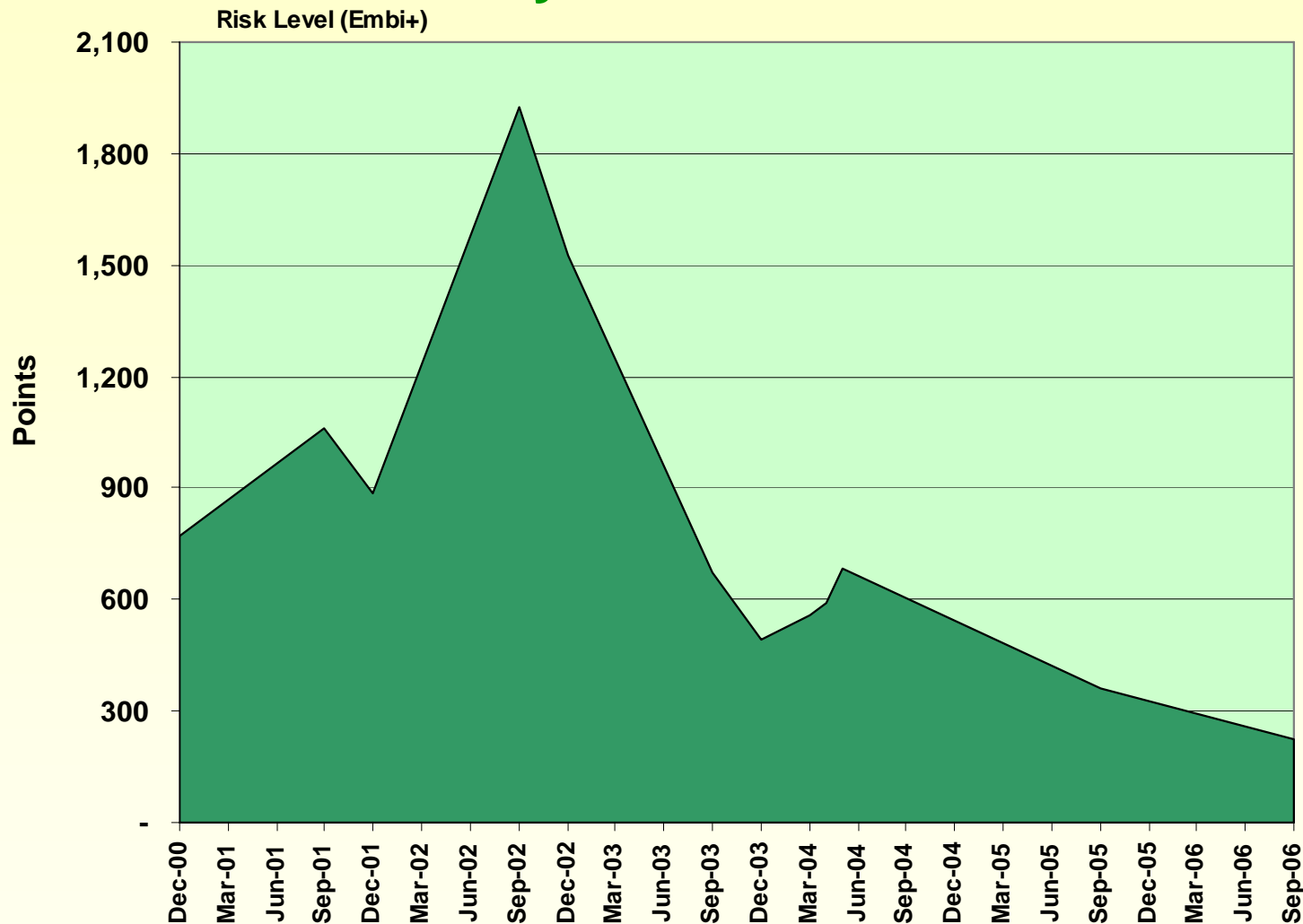
Brazil – Macroeconomic Overview

Anti-Inflation Plan Evolution

1993	2489 %
1994	929 %
1995	21 %
1996	9,1%
1997	4,3 %
1998	1,8 %
2005	5,8%
2006	4%

Brazil – Economic Outlook

Country Risk Variation Level



* The Fitch Ratings announced, in the end of June 2006, that Brazil's grade went from BB- to BB and the country's risk reached a low level of 170 points in March 2007.

Source: Folha de São Paulo, Bacen, Embi+

Brazil – Energy Sector

- **83420 MW installed capacity**
- **37690 MW being incorporated**
- **Electricity Consumers: 54.5 million**
- **Clean energy: 44.7 % from renewable sources**
- **Growing oil output: 1.8 million barrels a day**
- **Leading capacity in off-shore exploration**



Brazil – Energy Sector

Ethanol Production in Brazil

- **LARGEST WORLD PRODUCER OF SUGAR CANE** – 5.3 Million Hectares – 10% of Cultivated Area in Brazil
- **MIXTURE OF ETHANOL IN GASOLINE** – 20 %
- **FLEX-FUEL ENGINES** Ethanol and Gasoline Operated Vehicles. Currently, flex-fuel vehicles represent **77%** of automobile and light truck sales in the country
-
- **BIODIESEL** – Addition of Soya / Palm Oil – Projected 5% Diesel replacement by 2012. Currently: 2%



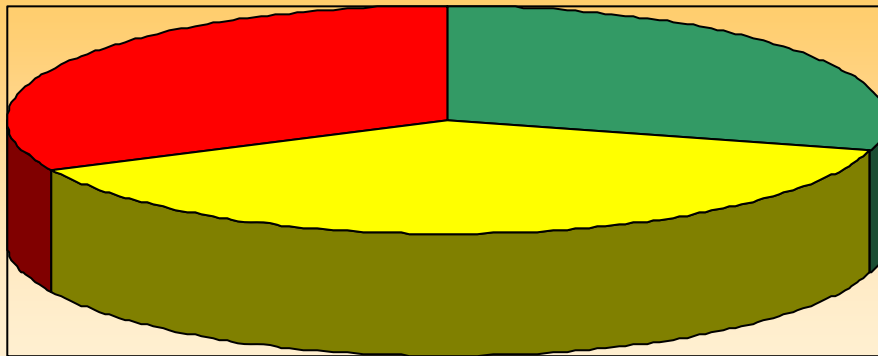
The Brazilian Cost Advantage

Brazil has the lowest sugar and alcohol production costs among major international competitors

Sugar, US\$/ton			Alcohol, US\$/liter	
Producer	Cost	Source	Cost	Source
Brazil	120	Sugar Cane	0.20	Sugar Cane
Thailand	178	Sugar Cane	0.29	Sugar Cane
Australia	195	Sugar Cane	0.32	Sugar Cane
U.S.A.	290	Corn	0.47	Corn
E.U.	760	Sugar Beet	0.97	Cereals

Brazil – Primary Sector

Brazilian Agribusiness



- 33,8 % of Brazilian GDP
- 44 % of Brazilian Exports
- 37 % of Brazilian Jobs

- Sector employs about 17.7 million Brazilians (2004)
- 3rd largest exporter, after the U.S.A. and E.U. with US\$ 38 billion in 2004
- Participation in GDP (2004) – around US\$ 180 billion

Brazil – Primary Sector

Brazilian Agribusiness - Ranking (2004)

Produce	Production	Export
Sugar Cane	1 st	1 st
Orange Juice	1 st	1 st
Coffee	1 st	1 st
Soybeans	2 nd	1 st
Beef / Poultry	2 nd	1 st
Corn	2 nd	1 st
Fruits	3 rd	3 rd

Brazil – Industrial Output



- Among the largest economies in the world and the largest and most diversified industrial base in Latin America and the Caribbean

- The world's 1st producer of regional aviation jets exported worldwide

- It has the 5th-biggest rubber industry, and the 7th-largest pulp industry

- The world's 7th-largest consumer market

- In the first quarter of 2006, the Brazilian GDP showed an increase of 3.4%. The industrial sector rose 5%, and its best performer was the extractive mineral industry, growing 12.6%, thanks mainly to iron ore (+ 16.8%).



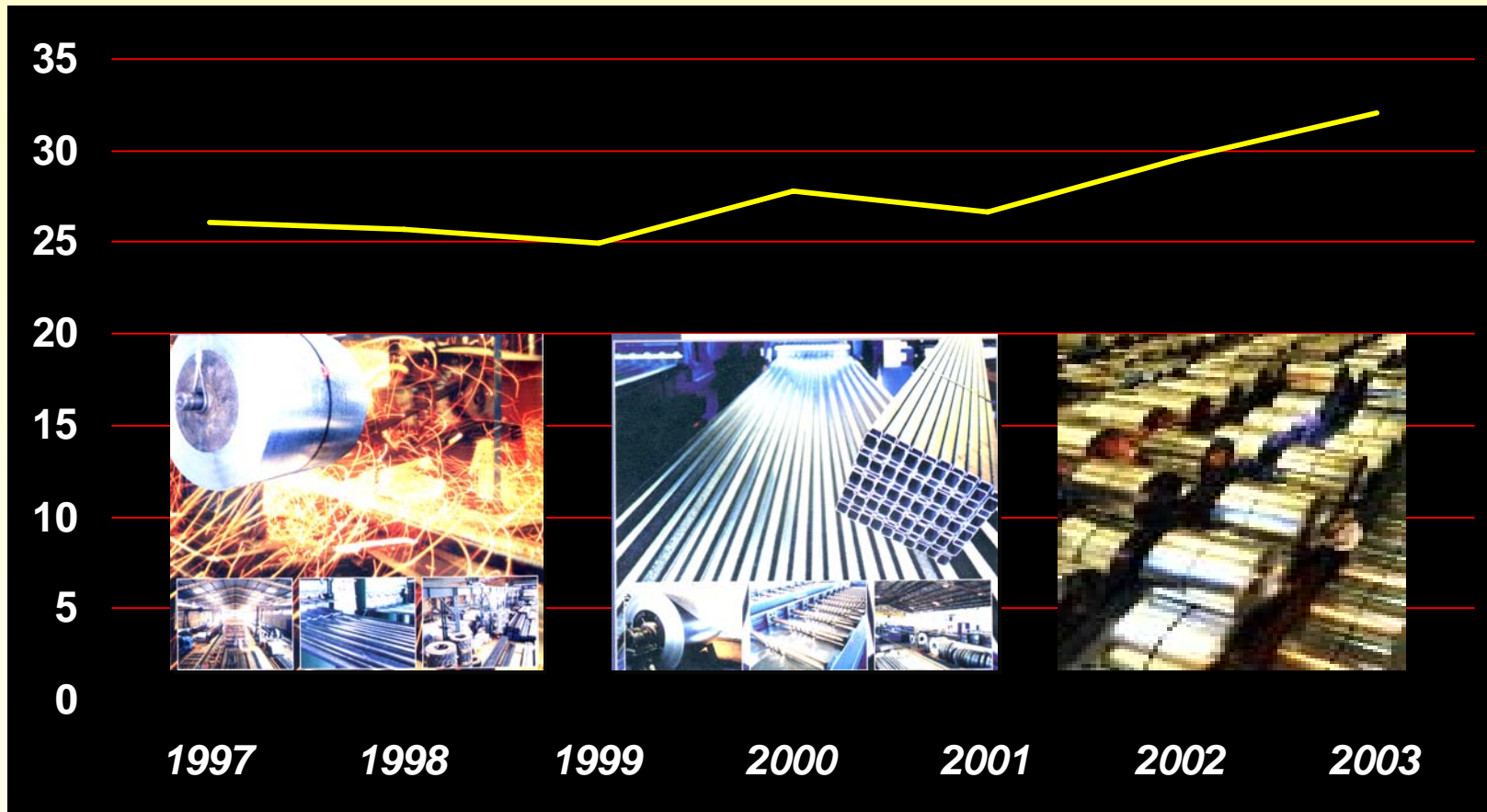
Brazil – Industrial Output Mineral and Mining Sector (incl. Gem and Jewelry)

- One of the world's largest producers and exporters of raw and processed minerals, precious and semi-precious stones
- Giant deposits of iron ore, bauxite, manganese, tin and gold
- Over \$ 30 billion in output value, excluding oil and natural gas. Mineral sector makes 8% of GDP
- **Gem and Jewelry:** the whole process, from mining, cutting, foundries, manufacturing to marketing
- 96% of output from small to medium-sized companies



Brazil – Industrial Output

Steel Production – (Million Tons)



The Brazilian steel industry produced 31.6 million tons of steel in 2005, ranking Brazil 9th in the world.

Brazil is the 4th exporter of steel in the world.

Brazil – Industrial Output

- 9th Automobile Producer in the World
- 2.5 million units produced in 2005
- 106,000 jobs (2005)
- The production and sales of flex-fuel vehicles in Brazil started with 48.2 thousand units in 2003, and reached 2 million units in August 2006



Brazil – Industrial Output

- Very modern and competitive textile industry – 30,000 companies; Sales: US\$ 21 billion/year
- It is the world's 6th-largest market for cosmetics, with US\$ 9 billion
- Brazil is one of the largest producer of Footwear/Leatherwear in the world
- It has a very dynamic furniture industry, with sales of US\$ 4,3 billion (2004), and exports of US\$ 1 billion. The main importers of Brazilian furniture are: the United States, France and Argentina



Brazil – Digital Economy

Development of a Very Modern IT Industry

- Automation (many sectors)
- Telecommunication networks
- Hardware (more than 400 companies)
- Software (more than 3500 companies) – Sales of US\$ 10 billion in 2005
- Internet (more than 22 million users)
- 18 million Brazilians use Internet banking, and the banking industry invests about US\$3 billion a year in IT
- Brazil has the world's most modern electronic voting system, with over 100 million votes cast nationally and completely tabulated results by midnight election day
- 99% of tax returns in Brazil are filed electronically



60 % of all sites in Latin America are in Brazil

Brazil – Digital Economy

Computers

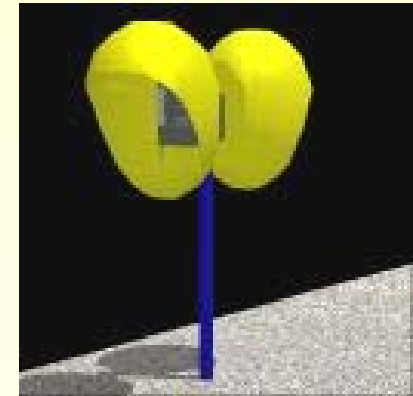
- 6.2 million computers units were sold in Brazil in 2005 – a **24%** increase in sales compared to the units sold in 2004
- 32 million computers in use (2005)
- Forecast for 2007/2009: 50 million computers in use
- 17 personal computers per 100 inhabitants - above the world average



Brazil – Digital Economy

State-of-the art telecommunications system (2005)

- Fixed telephone lines (50.5 million)
- Mobile telephony access in use 86.2 million (2005)
- 306.7 thousand jobs (2005)
- US\$ 2.8 billion exports (2005)
- US\$ 1.7 billion imports (2005)
- US\$ 7 billion in investments(2005)



Brazilian Companies with Significant International Presence

Values in US\$ million					
Company	Sector	Net Sales	Net Income	Total Assets	No. Employees
Petrobras	Oil, Gas	58,360.8	10,135.7	78,404.4	53,933
CVRD	Mining	14,522.5	4,461.5	22,896.5	25,000
Gerdau	Steel	9,076.7	1,188.3	9,347.3	25,253
Odebrecht	Engineering and Construction	8,268.8	141.0	9,255.6	31,643
Embraer	Aviation	3,902.0	302.9	7,255.5	9,300





Petrobras



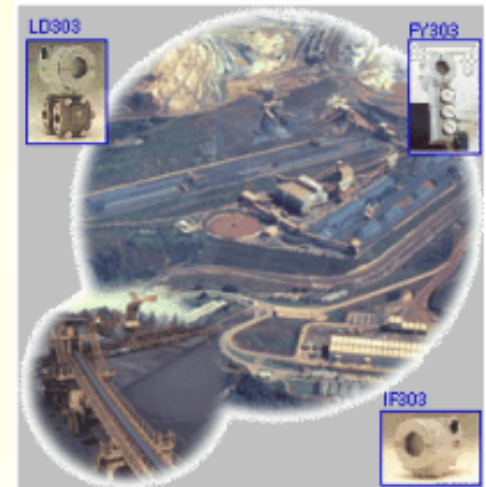
- **Petrobras is the world's 7th largest oil and natural gas producer (based on oil reserves) and the 3rd largest industrial corporation in Latin America. It is a world leader in deep-water drilling.**
- **Petrobras controls oil and power industries assets, as well as related business activities, in 16 nations in Africa, North America, South America and Asia.**





Companhia Vale do Rio Doce (CVRD)

- CVRD is the world's largest iron ore producer and exporter.
- The company undertakes commercial operations in countries in four Continents: United States, Peru, Chile, Argentina, Belgium, France, Norway, China, Japan, Bahrain, Gabon and Mongolia.
- Vale's offices are located in four important business centers (NY, Brussels, Tokyo and Shanghai).





GerdaU

- The GerdaU Group is the largest producer of long steel in the Americas, with mills in Brazil, Argentina, Canada, Chile, Colombia, the United States and Uruguay.
- Currently, GerdaU has an installed capacity of 19 million metric tons of steel per year.



Odebrecht Engenharia e Construção

- Is Latin America's largest engineering and construction company, and Brazil's largest services exporter.
- Odebrecht has an active business presence in South America, Central America and the Caribbean, North America, Africa, the Middle East as well as Europe.





EMBRAER

- **Embraer has five plants in Brazil as well as subsidiaries, offices, technical assistance and supply parts distribution centers in China, Singapore, the United States, France and Portugal, all representing a total workforce of more than 16,900 employees(2005).**
- **In 2003, Embraer started operations in its facility in Harbin, northeast China, the first Embraer plant located outside of Brazil.**
- **Embraer was Brazil's largest exporter from 1999 to 2001 and the second largest in 2002, 2003 and 2004.**



Brazil – Foreign Trade

Opening the Economy

Brazil has liberated its economy, allowing foreign goods, services and institutions to enter the country, and operate on a non-discriminatory basis

Policy of import tariff reduction and removal of non-tariff barriers

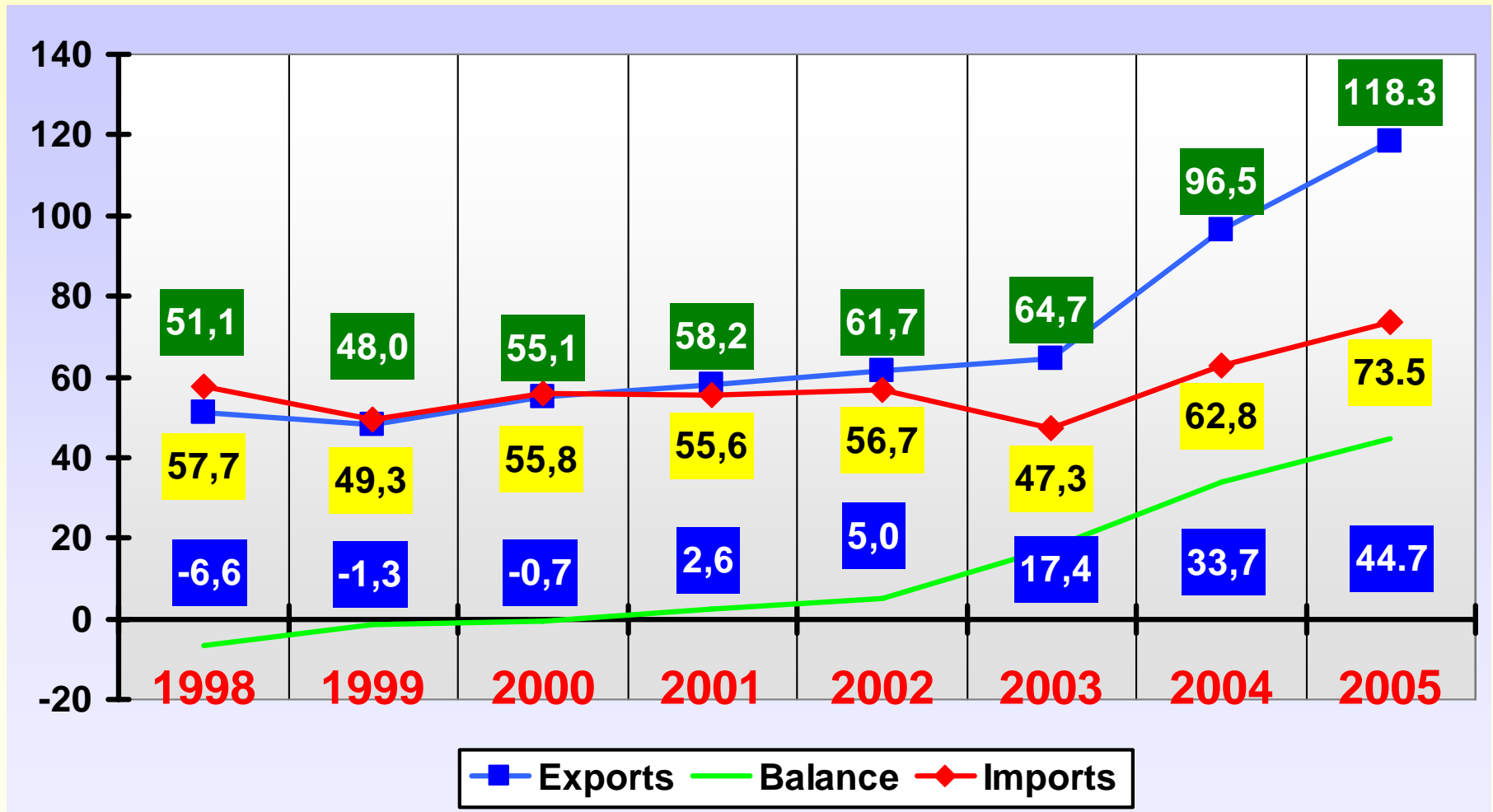
Highest import tariff was reduced from above 100% to the 30% level

Average import tariffs were brought down from 35% to 12%



Brazil – Foreign Trade

Trade Account – US\$ Billion



Brazil's export sector is growing continuously – total of US\$ 83 billion exports from Jan to Mid August 2006

Brazil – Foreign Trade

Leading Partners - Imports (US\$ Billion)

COUNTRY	2005	Market Share (%)
UNITED STATES	12,8	17,5
ARGENTINA	6,2	8,5
GERMANY	6,1	8,4
CHINA	5,3	7,3
JAPAN	3,4	4,6
ALGERIA	2,8	3,9
FRANCE	2,7	3,7
NIGERIA	2,6	3,6
S. KOREA	2,3	3,2
ITALY	2,2	3,1

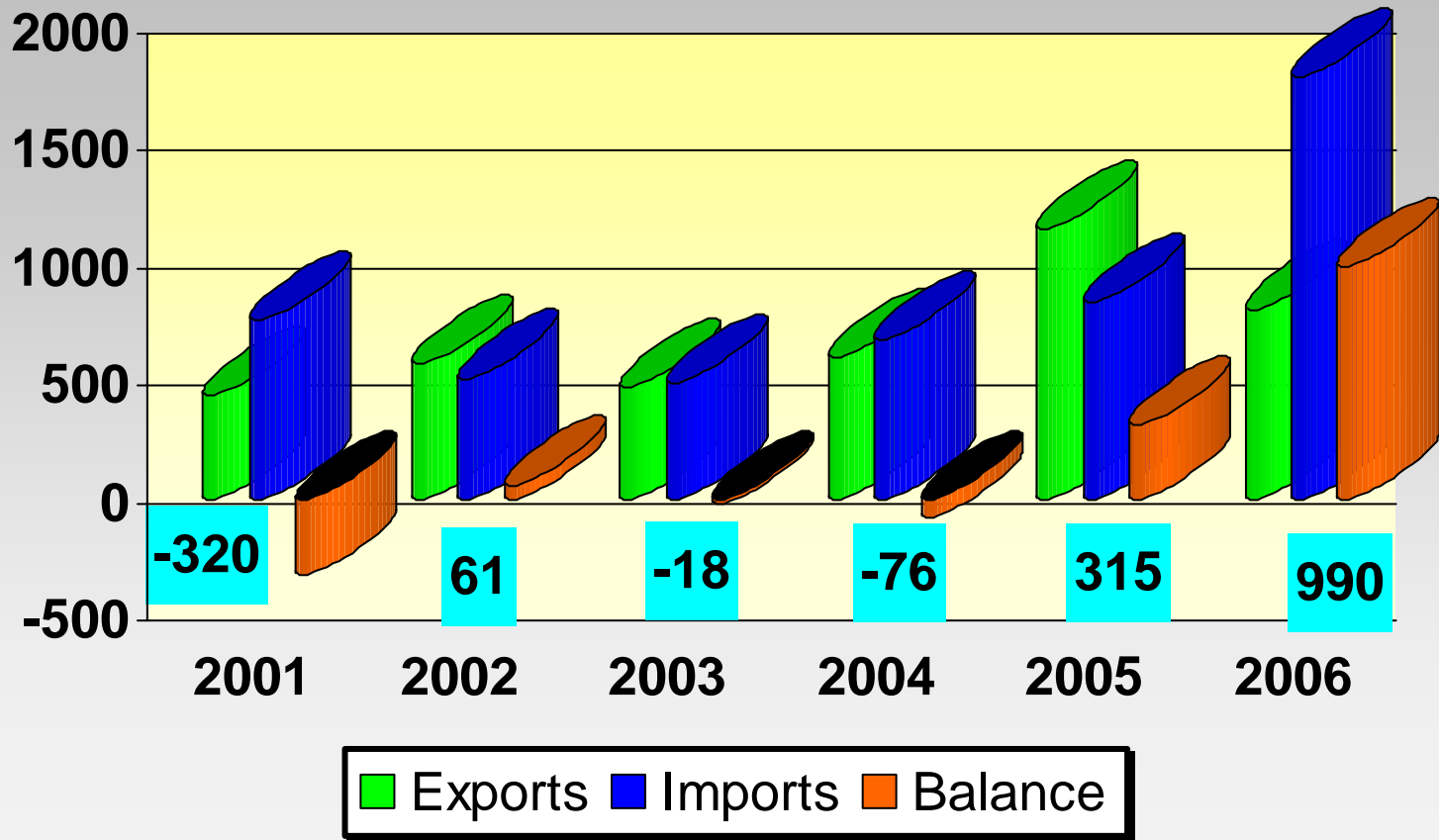
Brazil – Foreign Trade

Leading Partners - Exports (US\$ Billion)

COUNTRY	2005	(%) Market Share
UNITED STATES	22,7	19,2
ARGENTINA	9,9	8,4
CHINA	6,8	5,8
NETHERLANDS	5,2	4,5
GERMANY	5,0	4,2
MEXICO	4,0	3,4
CHILE	3,6	3,1
JAPAN	3,4	2,9
ITALY	3,2	2,7
RUSSIA	2,9	2,5

Brazil – Foreign Trade

Trade Brazil-California – (US\$ Million)



- Export data: products exported from California to Brazil
- Import data: products imported from Brazil to California

Trade Brazil-California

Products Exported to California

PRODUCTS (US\$ Million)	2005	2006
FUEL / OILS – CRUDE OIL	600	1,108
SEMIFINISHED PRODUCTS	190	223
WORKED MONUMENT	86	114
ETHYL ALCOHOL	25	59
PREPARED MEATS / FISH	20	47
NEW PNEUMATIC TIRES	10	19
WOOD PRODUCTS	8.7	12
FRUIT/NUTS	3.0	9.2
GLAZED CERAMIC FLAG	10.7	10.9
FOOTWEAR	15	10.2

Trade Brazil-California

Brazilian Imports from California - 2006

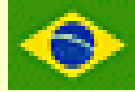
- ➔ **Aircraft Parts - US\$ 133 Millions**
- ➔ **Machines Parts and Accessories US\$ 127 Million**
- ➔ **Electronic Integrated Parts– US\$ 101 Million**
- ➔ **Medicaments – US\$ 45 Million**
- ➔ **Automatic Data processing machines – US\$ 36 Million**
- ➔ **Medical, Surgical Apparatus – US\$ 19 Million**
- ➔ **Electric Apparatus – US\$ 18 Million**
- ➔ **Semiconductor Devices – US\$ 18 Million**
- ➔ **Electric Transformers, Static Converters US\$ 11 Million**
- ➔ **Turbojets – US\$ 6.7 Million**



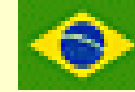
- Brazil is a member of the World Trade Organization, the International Monetary Fund, and the World Bank
- Foreign financial institutions, including the most important global players, have come into the country to operate on an equal basis with their domestic competitors
- Brazil's Stock Exchange (BOVESPA) is the largest stock exchange in Latin America and the second largest equity option exchange in the world, while the Mercantile & Futures Exchange (BM&F) is the world's fifth largest futures exchange

Brazil – Outlook 2007

- **FDI: US\$ 18 billion forecast**
- **Inflation: 3.87%**
- **Exports: US\$ 150 billion**
- **GDP Growth: 3.7%**
- **Foreign Exchange Rate (per annum average): 2.22**
- **Debt (% GDP) 42**
- **Trade Balance –US\$ 43 billion**
- **Brazilian Foreign Investments-US\$ 14 billion**

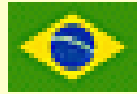


Investing in Brazil



Why Brazil?

- **Brazil has the best infrastructure of all the BRIC countries (Brazil, Russia, India and China), considered to be the 4 developing countries with most potential for development in the next 50 years. Investment in infrastructure continues**
- **Brazil has 68 airports; 54 ports; the 11th largest rail network, and the 3rd largest road network in the world**
- **Natural-resource intensive sectors** – the country has privileged geographical conditions, with a guaranteed abundance of a wide range of natural resources
- **Skilled and creative workforce** - Brazil has 6000 new PHD graduates every year
- **Level Playing Field** - Brazil has a long record of good relations with foreign direct investment. Approximately 80% of the Fortune Top 500 companies have subsidiaries in the country



Investing in Brazil



Why Brazil?

Incentives: In Brazil, investors enjoy several tax benefits, access to financing, state-government support programs, and other advantages that may be obtained individually or as part of incentive packages offered by state, municipal and federal governments. Brazil has several financial institutions, development banks, sector programs, and the financing of investments, working capital or current spending. The main institutions for financing are:

- [Banco do Brasil](#)
- [BNDES](#)
- [Banco do Nordeste](#)
- [FNE](#)

*** From 1994 through 2004, Brazil's outward investments in the market jumped from US\$ 700 million to US\$ 9.5 billion***

Foreign Stock and Investment Flow In Brazil

FOREIGN STOCK AND INVESTMENT FLOW IN BRAZIL - 1995/2000-2004 (US\$ million)

RANKING	COUNTRY	STOCK in 1995	STOCK in 2000	ANNUAL FLOW				TOTAL FLOW	STOCK 2004
				2001	2002	2003	2004		
1 ^o	UNITED STATES	10,852.18	24,500.11	4,464.93	2,614.58	2,382.75	3,977.83	13,440.09	37,940.20
2 ^o	NETHERLANDS	1,545.80	11,055.33	1,891.85	3,372.46	1,444.88	7,704.85	14,414.04	25,469.37
3 ^o	SPAIN	251.01	12,253.09	2,766.58	586.90	710.47	1,054.93	5,118.88	17,371.97
4 ^o	CAYMAN ISLANDS	891.68	6,224.81	1,755.07	1,554.46	1,909.58	1,521.80	6,740.91	12,965.72
5 ^o	FRANCE	2,031.46	6,930.85	1,912.82	1,814.97	825.23	485.86	5,038.88	11,969.73
6 ^o	GERMANY	5,828.04	5,110.24	1,047.46	628.29	507.61	794.73	2,978.09	8,088.33
7 ^o	PORTUGAL	106.61	4,512.10	1,692.26	1,018.76	201.20	570.20	3,482.42	7,994.52
8 ^o	JAPAN	2,658.52	2,468.16	826.60	504.48	1,368.35	243.17	2,942.60	5,410.76
9 ^o	VIRGIN ISLANDS	901.22	3,196.58	911.91	500.45	548.73	245.39	2,206.48	5,403.06
10 ^o	BERMUDA	853.07	1,940.05	606.86	1,468.78	623.49	210.94	2,910.07	4,850.12

SOURCE: BANCO CENTRAL DO BRASIL.



Trade and InvestmentTool: Online Services - BrazilTradeNet

BrazilTradeNet is the Ministry of External Relations' trade portal and the biggest and most complete trade information net of Latin America, created to stimulate Brazilian exportation and to attract foreign direct investment to Brazil.

BrazilTradeNet - Features

- Information and data about the Brazilian market, including links
- Information on Brazilian companies to foreign investors and importers
- Information on foreign markets, including product surveys, to Brazilian companies
- Lists of Brazilian and foreign companies by sector
- Information on trade opportunities in Brazil

SIPRI – Investment Promotion and Technology Transfer System for Companies



Thank You !

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