MARIO GARNERO

BRAZIL IN THE WORLD

Views on Brazil's Role in the Global Market

Mario Garnero

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MARIO GARNERO FOUNDATION

Brazil - São Paulo - 2008

Designed by: M2BP Comunicação e Negócios
Coordinator: Luiz Paulo Bellini Júnior
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Photo History Collections: Mario Garnero Foundation
Director: Pierre Thomé de Souza
Research: Gilmar Pinton

Translation: Ana Rocha Traduções

Dados Internacionais de Catalogação na Publicação (CIP)
(Câmara Brasileira do Livro, SP, Brasil)

Garnero, Mario
Brazil in the world : views on Brazil´s role in the global market / Mario Garnero ; [translation Ana Rocha Traduções]. -- São Paulo : Aduaneiras, 2008.

ISBN 978-85-7129-524-7

1. Brasil - Comércio exterior 2. Brasil - Relações econômicas exteriores 3. Globalização 4. Relações internacionais I. Título. II. Título: Views on Brazil´s role in the global market.

08-03541 CDD-382.0981

Índices para catálogo sistemático:

1. Brasil : Relações comerciais internacionais 382.0981

2008

Edições Aduaneiras Ltda.
Phone: 55 11 3120 3030 or
55 11 3159 5044

ADUANEIRAS
INFORMAÇÃO SEM FRONTEIRAS

Adress: Rua da Consolação, 77 - Zip Code 01301-000 - São Paulo - SP - Brazil
E-mail: livraria@aduaneiras.com.br

Acknowledgments

To Teta, my wife and guideline, To my sons Mario Bernardo, Alvaro, Fernando and Antonio Fernando.

Companions of all my life, day by day during the work, or around the world.

My thanks for the happiness that they bring, the care that they provide and the love that they give to me.

I also wish to extend my special thanks to Adriano Mattoso dos Anjos, Daniel Lisboa Mesquita, Guilherme Coelho, Luiz Paulo Bellini Júnior, Marcos Prado Troyjo, Paula Sui King, Pierre Thomé de Souza, Sérgio Aguiar de Matos, Tatiana Cohen, Thiago Oliveira Emygdio Pereira and Ana Rocha Traduções. They all stood by me every step of the way, and all in their own way helped to build up a line of thought, collect the most recent and reliable data, translate and revise, create graphic design and layout, and lend the administrative and logistic support so necessary when publishing a book.

And last, but by no means least, I thank God for the time He has given me to compile this work and make it available to readers.

My hopes are that this book may serve our grandchildren who will have the task of designing the "Brazil of the future".

Mario Garnero
April 2008

Picture in front of Brasilinvest Group, in 1998.

About the author

Mario Garnero, whom I affectionately call "President", is a businessman of the world. Holding a degree in law, he is currently Chairman of the Board and CEO of the Brasilinvest Group, Chairman of the Forum of the Americas, and President of the United Nations Association-Brazil. He is one of the most influential leaders in Brazil and Latin America. His company, which has been operating in the private sector for more than 30 years, has a substantial portfolio and, together with 80 partners from 16 different countries, has structured investment projects in Brazil totaling more than USD 4.7 billion.

The Group he chairs has established dozens of economic and business advisory projects that include the transfer and nationalization of ITT-Standard Electric S.A. and NEC in the '80s, as well as providing advisory services for the new corporate structures of Cofap and Bombril in the '90s. Brasilinvest also assisted in the shareholding restructuring of Fiat, the creation of Volkswagen's leasing division, and Varig and Volkswagen's rent-a-car business.

In the field of agribusiness, it provided advisory services in the implementation of Boehringer's industrial plant in Suape, Pernambuco, and took part in enterprises such as Celupa (Companhia Industrial de Celulose e Papel Guaíba) and Mellita.

In the financial and telecommunications sectors, as well as in infrastructure projects and the power generating business, Brasilinvest, with Mario Garnero in command, has played a fundamental role in modernizing Brazil's economy. Mario Garnero was the first to make mobile phones in Brazil (NEC), and the first to produce Brazilian made computers at Labo. The group was Brazil's pioneer private development agency and has now consolidated its position among Brazil's leading business banks.

As a young man, Garnero was a bright student at the Pontifícia Universidade Católica Law School in São Paulo. As head of Centro Acadêmico 22 de Agosto (student council), he established contact with President Juscelino Kubitschek upon the former president's return from his self-imposed exile abroad. When Kubitschek came to São Paulo, Garnero worked with him from 1961 to 1964 and the two became close friends. Mário Garnero was a frequent visitor to Mr. Kubitschek's home where he was treated as a member of the family. He came to know JK in his role as father, head of the family, and statesman. Garnero allowed himself to be influenced by Kubitschek's view of country, and learned from him that only progress and development can guarantee any country a strong voice in the orchestra of nations. Garnero held JK in high esteem, and deemed him the best example of a public person.

Garnero ventured out into the world at a very early age. When he was in the United States in 1964, he knocked on Senator Robert Kennedy's door and invited him to visit Brazil. The invitation was accepted. That triggered a series of international events that turned Garnero into a Brazilian business hub and the Brazilian business community's main spokesman abroad.

Aécio Neves, Governor of the State of Minas Gerais, considers Mário Garnero Brazil's ambassador to the world, and the media appointed him unofficial Chancellor of Brazil. In 2005, Garnero organized an event in London that was attended by Prince Andrew, former President Bush, Lord Rothschild, the Iron Lady Margaret Thatcher, plus various sheikhs, ministers of state, and billionaires. In 2007, the event was repeated in New York where he gathered hundreds of businessmen from all over the world to talk about Brazil. The guest list also included former Presidents George Bush and Bill Clinton, Al Gore, and nearly a dozen Brazilian state governors.

Evidence of Garnero's good relations abroad is a list of over 15,000 diverse contacts. He is at the same time a friend of soccer champion Ronaldo, and of Buzz Aldrin, who commanded the first mission to the Moon in 1969. He speaks regularly to European, Arab, and Chinese leaders regarding investments in Brazil and other

Latin American countries. He has also maintained cordial relations with all of Brazil's former presidents. In the '70s, as chairman of the National Association of Automotive Vehicle Manufacturers (ANFAVEA), Garnero negotiated an agreement with President Lula who, at that time, was still a metalworkers' union leader and was heading a strike against automakers in the so-called ABC region (comprising the cities of Santo André, São Bernardo do Campo, and São Caetano do Sul).

Mr. Garnero also has privileged access to many high-ranking politicians in the United States. He is a close friend of the Bush family and has attended several events held at the White House. Garnero has a standing invitation to the yearly meetings of the Republican Party held at Beaver Creek in the State of Colorado, but is equally welcomed by the Democrats.

The best example of this internationalist vocation is the history of the Board of Directors he chairs, which includes members such as: George Schultz, William Simon, Cesare Romiti, Albin Chalandon, Jacques Solvay, Toni Schmuecker, Franz Lutolf, Eliezer Batista, Antoine Riboud, Abdulla Saudi, Alejandro Orfila, Pierre Ledoux, Hans Friederichs, Fred Bergsten and Nello Celio, all names that helped lend shape and content to the economic and political environment of the 20th century.

A guest speaker at several Brazilian and foreign universities, Garnero has authored several publications both in Brazil and abroad. He has been granted a number of awards, and in 1984 was elected Man of the Year by the Brazil-United States Chamber of Commerce in New York. He speaks five languages fluently and has lived in several different countries. He currently divides his time between traveling abroad and weekends at the family farm in the interior of the State of São Paulo, spending summer in the south of France. He loves wine and reading is his favorite pastime. He is married, has four children and three grandchildren.

Mario Garnero is thus more than qualified to publish this rendering of his views on opportunities throughout the world that Brazil would do well to take advantage of on the international front. All those who are lucky enough to have access to this book will find in it the opinions of a person who has vast practical knowledge of the world, the opinions of an outstanding businessman.

By Marcos Troyjo
April 2008

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Introduction

Brazil - On the path to globalization

Few words have been as much in vogue in the last few years as "globalization", and it became even more of a buzz word after economic neoliberalism gained strength in the late 1980s. However, because globalization is such a complex process featuring countless aspects, all of which warrant analysis, it is difficult to come to any conclusion regarding the benefits – or lack thereof – of an increasingly interconnected world economy. What I propose to do in this book is to use my own personal experience in the field of foreign trade, and the enormous volume of information that we have at our fingertips today, to trace Brazil's role in this increasingly globalized world as realistically as possible.

As one of the major emerging economies on this planet, Brazil is aiming to leave behind its reputation as a "country of the future", to actually become one of the world's leading players, whether denominated as one of the BRIC countries (Brazil, Russia, India and China – which I will explain later in the book) as coined by Goldman Sachs, or any other name we Brazilians may create. But to attain this goal, we must gain clearer insight into Brazil's role within the context of the world economy.

To begin with we must bear in mind that from the economic vantage point, Brazil is already benefiting from globalization. Some 50% to 60% of total exports are already being handled by multinational Brazilian trading companies. Furthermore, the management skills (so termed by experts) needed to train personnel for the business are also a vast and productive legacy that foreign trade left to Brazil. Other relevant contributing factors are the exchange of knowledge prompted by the universities' brain exchange and by the product and technology imports this country currently receives, and exports. Before Brazil entered the global market, it lacked people equipped with the skills needed to take advantage of the opportunities; but today Brazil has an extraordinary diversity of brains and technologies.

Brazil's first giant step towards becoming more aligned with the world economy was the creation of Mercosur (The Southern Cone Common Market – to be analyzed in greater detail later), which initially lifted trade barriers imposed on its neighboring countries – Uruguay, Paraguay, and Argentina. Although Mercosur never attained the same economic weight as NAFTA (the free trade agreement among the United States, Mexico and Canada) or the European Union, the creation of this bloc substantially increased trade among the South American countries and above all caused the countries of the South American continent to pay more attention to their neighbors instead of constantly focusing on the United States and Europe. According to data provided by the Latin American Integration Association-LAIA, in 1990 Brazil exported only USD 4 billion to other Latin American countries. Its exports to those same countries in 2007 amounted to the significant sum of USD 36.4 billion.

Opening of the Brazilian market to the world economy brought the clearly foreseeable problems inherent to any country that is not ready in terms of structure and technology to face foreign competition. Many domestic economic sectors suffered a hard blow and, unfortunately, many companies were unable to withstand that blow and succumbed. But, with time, the Brazilian business community adjusted, and continues to adjust, to the new global market reality. Both large and small entrepreneurs realize that it is useless to complain. A lot of effort is required to compete on a globalized market, but no matter how tough it may seem, it does pay off in the end.

see below). The model that seeks trading opportunities on foreign markets is one that dates back to the famous period of Portuguese discoveries or even to the United Kingdom during the Industrial Revolution. The quest for foreign trade is thus no novelty, but it does seem that we Brazilians are only now waking up to this fact.

Brazil has all it takes to double its exports by 2010, from the current USD 160 billion to little over USD 300 billion. This is something that depends more on businessmen than on the government. Opportunities abound, especially in the East which, as we will see in Chapter IV, is an oasis of opportunity.

The figure may seem grandiose, but Brazil is perfectly capable of attaining the USD 300 billion mark in exports by 2010, or at the latest, 2012. At this level, our economy would consume between USD 220 billion and USD 250 billion in imports, resulting in a spectacular trade balance that would ensure Brazil standing membership to the club of the world's wealthiest and most prosperous nations.

Optimism? No, merely a projection based on recent results achieved by the Brazilian private sector's export efforts. From 2001 to 2007, we jumped from USD 50 billion to USD 150 billion in foreign market sales. Besides, growth is sustained - roughly 60% of this result is due to sales and purchases among the companies themselves – and furthermore, exponential. Everything seems to indicate that the trend can continue. Coupled with other factors, the volume of exports has caused our economy to reach its current total of USD 1.5 trillion, which makes it larger than Italy's, for example. An economy of this size need not indulge in wishful thinking; it needs to establish doubling its total exports as a real goal for its export agenda.

The Brazilian companies' determination to conquer a larger share of the foreign trade market is the driving force behind this push. Government has the political clout to meet demands, to bring the parties together, and even to enter into trade agreements, but it is private enterprise that must take the reins in its hands if it wants to establish a foothold in the various different markets. The United States, the world's largest economy, still has a lot of terrain to be pioneered. The European Union with its current 27 member states, despite its protectionist policy, is very receptive to Brazilian manufactured products. But the best opportunities, in my opinion, are in the Middle East. Because of their policy aimed at curbing the flight of capital, such countries as the United Arab Emirates, Egypt, Syria, Iran, and even Iraq are creating extraordinary domestic demand and turning their countries into gigantic building sites.

At the moment they need all of the products we know how to make, from chocolate to car parts, trucks, buses, machinery, and industrial equipment. In the

past, Brazil has already achieved excellent results by building trade bridges in that part of the world. It's time for us to retrace our footsteps in that direction.

Our lag in terms of infrastructure is undeniably a major stumbling block to successful implementation of these plans, but I am optimistic. The government has been encouraging growth of the shipbuilding industry, and consequently, we have more ships to carry our products. We have not yet reached the stage at which China has arrived – of granting nominal freight subsidies – but the fact that this strategic sector is being brought back to life from the ashes of its past glory is heartening. Despite problems in some specific areas, government is also investing in highway modernization. The results of these investments are not yet visible - our highways are still overly crowded, riddled with potholes, and very costly, but we are heading in the right direction. Such policies will most certainly soon lead to improvement in port conditions and, with luck, the revitalization of strategic railways – a sector of extreme relevance if we are to take our place in the global market.

Both foreign and domestic companies are realizing that to invest in Brazil's infrastructure, taking on a role that was historically played by the State, could prove good business. My bet on the dissolution of this structural bottleneck is based not only on the above-mentioned factors, but also on President Lula's enthusiastic promotion of the biofuel program. There is no doubt that biofuel could be the driving force behind the rapid and sustained expansion of our exports. Within a few years Brazil will be producing 30 billion liters of ethanol, which will result in foreign sales amounting to 800,000 barrels/day. The government cannot possibly imagine that trucks alone would be sufficient to move such a production volume.

In this regard, I believe it would be correct to believe that global demand for our ethanol would speed up the solution to infrastructure deadlocks. The life of exporters would then become much easier.

Brazilian competence

We are a leading nation and have the obligation to firmly uphold our positions in the international business community. In addition to having the same type of professional training, Brazilian businessmen are as capable as American and European entrepreneurs. Brazilians have even been chosen to head some US and French companies, for example. We measure up fully to international standards. The success achieved by groups such as Gerdau, Vale, Embraer, and even Petrobrás, are shining examples. The Gerdau group, leading producer of long steel in the Americas in 2007, increased its sales by close to 7% as compared to 2006 and invested USD 4.8 billion in acquisitions such as that of the US company, Chaparral. Estimates indicate that by 2010 the company will jack up installed production by 14%, to produce 12.7 million metric tons of steel in Brazil, and 15.6 million metric tons in its various plants located in the rest of Latin America, North America, and Europe. This is what I mean by an internationalized Brazilian company.

Following its privatization in 1997, the Vale mining company made huge advances towards becoming a "global player", that is, a world economic power. Operating in 40 countries, the company saw its market value skyrocket from USD 4 billion to the current USD 170 billion, making it the second most valuable mining company in the world. Vale started off in a small municipality in the interior of the state of Minas Gerais using animal traction to carry the ore it extracted. Today, its fleet of close to 1000 locomotives and 62,000 freight wagons transport some 40 different types of ore. But Vale hit the jackpot in 2007 when it acquired Inco for USD 17.6 billion, outbidding several Canadian and US companies.

Another example of Brazil's capacity to compete with other major global companies and conquer foreign markets is Embraer. The world's largest manufacturer of small and medium-sized jets, it currently owns bases in the United States, France, Portugal, China and Singapore, and exports aircraft to dozens of countries. Embraer's net profit jumped from approximately USD 77 million in 1998, to USD 386.41 million in 2007. But the most astonishing figure is the increase in the number of commercial aircraft delivered by the company: from a mere 60 in 1998, to a total of 169 delivered in 2007.

And what about Petrobrás? What is there to add? Not only does it have one of the world's best deep-sea oil drilling technologies and recently discovered Brazil's largest oil deposit off the coast of the state of São Paulo, but the company has also been strengthening its position on the world market. It currently operates in 27 countries of the Americas, Africa, Asia and Europe. The company's target plan clearly shows its ambition to become one of the world's oil industry giants. It proposes to invest USD 15 billion abroad between 2008 and 2012, lending priority to prospecting in Latin America, West Africa, and the Gulf of Mexico.

Agribusiness and nanotechnology are also among Brazil's economic strong areas that have been receiving special attention by the government. If certain Brazilian companies are managing to stand out in the global limelight in such relevant fields of business, there is no reason to imagine that others couldn't do

the same. Thankfully, the age-old, sometimes defeatist, attitude of the Brazilian people is becoming a thing of the past.

Driving for competitiveness

Confidence alone cannot, of course, provide the solution. Brazil must address a number of issues if it intends to become a full-fledged member of the global market. In addition to infrastructure deficiencies, the public financial sector is completely outdated, and the myriad taxes levied on Brazilian companies are an absurdity that places it 72nd in the 2007 Global Competitiveness Report issued by the World Economic Forum. That is still undeniably a very poor ranking, but on the other hand, the document does mention that Brazil has made "remarkable improvements in recent years in the soundness of public finances and reduction of public debt".

The magic word for achieving, or of at least prospectively achieving, success in the globalized world is technology development. This perhaps explains Brazil's still unsatisfactory ranking in the "competitiveness report". It is not that the country is lagging in this regard, since it does have state-of-the-art technology in critical economic sectors. No other country in the world has the technology we have on biofuel production or, as mentioned, deep-sea oil drilling. We also have cutting edge farming technology and EMPRAPA (Brazilian Agriculture and Animal Raising Research Company) has conducted studies that place Brazil on a par with developed countries in fields such as biotechnology. Therefore, the question is not a lack of capacity in technology development, but we must take steps to ensure that resources are more evenly distributed. The claim that Brazil does not invest in technology is not true. We currently invest more than 1% of GDP, or roughly USD 15 billion, in research and development. The level of technological investment is equal to that of most developing countries. What we must do is make sure that investment reaches its proper destination and is not lost along the way.

Brazil and illegal trade

Before ending this introduction, I would like to make a parenthesis here to address some other issues that are very rarely broached when we speak of internationalization. It is pointless to consider only the foreign trade figures, or to focus on the interest rate or GDP growth rate, since there are other factors that hobble the development of any country in the international scenario.

As a result of the greatly increased circulation of people, goods, and ideas stemming from globalization, illegal trade throughout the world has inevitably increased to the same extent, or perhaps even more. Estimates – seemingly underestimated – place trafficking of drugs, weapons, pirated or smuggled goods and people at 10% of total world trade. Drugs alone account for approximately USD 320 billion. The illegal arms trade has almost reached the USD 4 billion mark and, even more horrifying, the illegal trade of people sold as slave labor or for sexual exploitation moves some USD 30 billion each year.

Although these are estimates that differ substantially depending on the organization that discloses them, they serve to illustrate illegal trade's significant role worldwide. Unfortunately, Brazil still contributes largely to these figures. Brazil is the continent's main exit gate for drugs heading to Europe; it is struggling to combat slave-like working conditions in remote areas; its share in weapon trafficking is gradually increasing; and in 2007, according to BASCAP (Business Action to Stop Counterfeiting and Piracy), Brazil ranked 4th among the countries with the worst track records in the fight against piracy.

Therefore, if Brazil wishes to stay on course to become an international economic heavyweight, it must take stronger action against these wrongdoings. They not only tarnish the country's reputation abroad, but also cause it huge economic losses in various aspects. The main difficulty countries all over the world face in addressing these issues is that actions are conducted with the tacit consent of the political, economic and administrative systems, where people and groups manipulate the regulations and work in an organized manner - a fact featured periodically in the international media.

Furthermore, law enforcement is a dying institution all over the world. Organized crime is more organized than the police. And what is the solution? That is a question to be answered by the heads of State.

Brazil's place in the world

The importance of this book lies in the description of my experiences and analyses, which is designed to show Brazil's place and weight in the world, which today is still very small, given that its foreign trade accounts for a mere 19% of GDP. It is pointless for Brazil to claim regional leadership, when its actions on the international market are out of step with this assertion.

I begin Chapter I, "Brazil's Role in the Americas", with an overview of the American continent, divided between the United States and Latin America. I address the US subprime crisis, which I believe will not greatly affect the world economy, based on an excellent survey conducted by a Brazilian professor who has been building a brilliant university career in California. I also assess the role and influence of the United States in the world and its bilateral trade with Brazil.

All the chapters feature recent economic data, as well as comments on trade relations with Brazil. In regard to Latin America, I have outlined a perspective for the near future after the creation of UNASUL (Union of South American Nations) and Banco do Sul. One part that turned out particularly interesting featured comments on the future of Cuba.

In Chapter II, "Brazil's Role in Asia", I view China's growth with different eyes, from a domestic viewpoint. In other words, how China's growth will impact the Chinese people, an aging population, and based on this, the consequences of said growth to Brazil. I recall the 1990 Japanese crisis, so that we keep in mind how stagnation began in Japan, and talk about its recovery at the beginning of the 21st Century. The Asian Tigers are shown as fine examples of economic development, and I ponder on what is to be learned from them. And, of course, I have not forgotten India.

I left my views on the Old Continent for Chapter III, "Brazil's Role in Europe". In this chapter, I expound on Mercosur-European Union negotiations, the impact of Turkey possibly joining the EU, and Russia's power compared with that of other European countries. Last but not least, I talk about East Europe, as Brazil has not taken full advantage of the opportunities that region has to offer.

This brings us to Chapter IV, "Brazil's Role in the Middle East", the oasis. Opportunities and examples abound, but I preferred to deepen my understanding of what the Middle East is, since many are inclined to mix up all of the various countries' characteristics – religion, people, and culture. Turkey is again brought up in this chapter.

The African continent, often seen as a single country, is featured in Chapter V, "Brazil and its Role in Africa". In fact its 53 countries feature enormous social, economic, and cultural diversity. Brazil has historical ties with this region and it is therefore important to learn more about it.

I have not left out the very new world. In Chapter VI, "Brazil in Oceania", I comment on Australia, the continent country, from a historical viewpoint, and New Zealand and its special role in the field of education, to which many Brazilians are attracted.

Lastly, before closing, I could not neglect to talk about the environment, the topic addressed in Chapter VII. Humanity has finally awakened to the need to preserve the planet. Mobilization to save the planet is global, and it is not only political decisions – crucial though they may be – that will affect our way of living. Ways and means of production will change. In this chapter, I propose to explain the old problems and the progress Brazil has made in the environmental sector.

You will note that I have made no footnotes in this book, nor have I cited any sources. However, I would like to inform here in the introduction that all data were taken from the following sources: CIA World Factbook 2008, Brazilian Ministry of Development, Industry and Foreign Trade (MDIC), Foreign Trade Office (SECEX – subordinated to MDIC), Central Bank of Brazil (BACEN), and the World Bank.

My goal throughout this book has been to make clear Brazil's leadership in the mentioned areas and regions. The country has huge powers of innovation, a competent business community, and a population that is open to new ideas. All these factors require that Brazilian leaderships view the world as a stage on which Brazil must take its rightful place as a player that understands all its co-players and is capable of interacting with all of them at the same time.

Chapter I

Brazil's Role in the Americas

The United States - its power and influence

Capital: Washington
Area: 9.8 million sq km
Population: 301 million
Official GDP: USD 13.79 trillion
Per Capita GDP: USD 44,400
Exports: USD 1.14 trillion
Imports: USD 1.98 trillion
Foreign trade with Brazil: USD 43.78 billion
Brazilian trade balance: a surplus of USD 6.34 billion

The United States of America is without any doubt the world's foremost economic and military power, and this holds true not only in numbers. The influence of American culture has driven generations since the early 20th Century. The United States never fell behind in this respect, not even during the Cold War that featured a struggle for world hegemony between the US and the Soviet Union.

The United States exercises this leadership in various different forums: political, military, economic, and cultural. The US media, for example, reaches millions of people across the world every day through cable TV channels, news channels, and movies. The fact is that no one is impervious to this influence which, depending on the viewpoint, may be negative or positive.

Many criticize the United States hegemonic effect on the world, but a single country's hegemonic dominion is nothing new. Rome once held this title. Portugal, at the time of the great discoveries, and then Spain, also had dominant influence in the world, each in its own way. There was also a time when the Dutch managed to garner sufficient political and military clout to achieve world hegemony. The next in line for hegemonic control was France, which upheld its hegemony until it was beaten by the British Empire.

The fact is that every nation exercises its leadership to its own benefit, in its own way, to take the best possible advantage of its power as long as that power lasts.

During the Cold War, the world was divided into two main fronts: American and Russian. By the late '80s, with Japan's economic growth, the expansion of its companies on the international level, and the end of the Cold War, there were said to be three spheres of power: the United States, Germany (Europe's locomotive), and Japan. But the Japanese economy proved unable to sustain growth.

Some experts in economy currently claim that global power is divided between the United States and China, which has been steadily registering an average yearly 10% growth rate since it implemented economic reforms in 1979, and has considerably more clout than the United States in Asia and in some parts of Africa.

Another group of analysts prefers to admit that the developing nations are making good headway towards conquering greater power, especially in view of the creation of the G20, the group of emerging market countries formed in 2003 whose main goal was to defend the interests of the developing countries. This group represents 60% of the world's population, and the key member states (Brazil, China and India), together with Russia, make up the so-called BRIC countries. (BRIC is an acronym coined by Goldman Sachs for the four main emerging

economies). Latest projections indicate that these economies combined may become the world's leading economic power by 2050.

And yet a third mindset, based on statistical data, maintains that there are three major economic powers: the United States, the European Union, and China. Together, these three register a GDP of USD 35.35 trillion (measured in purchasing power parity), which represents 53.7% of the total world GDP.

But no matter how we analyze the figures, the US economy is currently responsible for roughly 22% of the world economy. This figure has been higher – nearly 50% of the total. The downward trend is natural, since the economies of other countries are on the rise. We can compare this with what happened to the city of São Paulo, Brazil, which once accounted for 50% of Brazil's total GDP, and now produces only 33% of that total. However, the city cannot be said to have experienced any crisis merely because it lost some share of Brazil's economic weight. Anyone who has some knowledge of São Paulo's history and the economic influence it wields will understand what I am talking about. The world economy is currently faced with the same situation: the economies of other countries grew and the "world economy pie" had to be shared among a larger number of contenders.

What led to the idea that the economy of the United States was weakening was basically the issue of the twin deficits, plus difficulties related to the wars in Iraq and Afghanistan.

Afghanistan was the first important victory after the September 11, 2001 attacks, but it soon led to a more serious problem – Iraq. Quick success in Afghanistan fostered a concept of war that simply could not be adjusted to fit the Iraqi front.

In one of my conversations about Kuwait with former President George Bush Senior, he told me that the only mission he had assumed during his administration was to get the Iraqi army to withdraw from Kuwait, and nothing more. The purpose of that war was not to unseat Saddam Hussein. He also told me – and this is very interesting insofar as it relates to the reality of the last Iraq War – that Collin Powell, the current President Bush's former Secretary of State, said, "President, we will only begin to withdraw from Iraq when we have all the weapons necessary for an invasion and 500,000 troops on standby."

If we consider that the United States had only 120,000 troops in place when it invaded Iraq, a country with a population of 27.5 million people, divided by sects and tribes, and under the influence of strong religious beliefs, it is quite clear that a strategic error was made. One other fact that prevented the development of a safer framework in Iraq and which I, personally, consider to have been a tragedy for the Iraqi people, the United Nations, and the coalition countries, was the death of Sérgio Vieira de Mello. He most certainly would have conducted the peace process in a manner completely different from that of Paul Bremer. One of Bremer's mistakes was the complete separation of the military from the police forces. That is something that can never be done in any war that has been victorious. The right thing would have been to follow the example of the measures taken after World War II. The entire Nazi command structure was preserved, the key persons were gradually removed, and then the ideology was eradicated. The occupying countries were thus able to gain control over the structures and effectively assume command of the occupied country, keeping discord down to a bare minimum.

All successful occupations in our history were conducted in this way. But Bremer assigned the American troops to all sorts of duties: keeping peace, fighting against the rebels, controlling vehicle traffic, pushing papers in administrative institutions, and others.

But to return to the question of US hegemony, the sum of the factors mentioned above seems to give the impression that the United States is a power in decline, on the threshold of recession. I disagree.

Again, America's power is not limited to the military arena. It is something that is accumulated in people's minds, in innovation centers, and above all, in the strong, seemingly magnetic power the US currently has for attracting the world's brains. The United States is a great motivator of new ideas and ranks first on the list of countries that invest heavily in research and innovation. This has enabled the United States to maintain its global position and its influence on the world even when its economy is undergoing a slight setback.

The controlled crisis

From being a word not much used in financial circles less than six months ago, subprime mortgage has become an expression known to all social classes, and the main player in the proclaimed new worldwide financial tragedy.

The subprime mortgage crisis, first announced in the United States with branches reaching out to the European countries, has become the main dish of those who are well versed in its effects that are already reflecting on home

buying, stagnant employment, reduced spending as a precaution and for fear of stronger winds that sow the seeds of financial hurricanes in those countries.

Is the crisis really as serious as it is being proclaimed, already being termed as recession in the United States and placing all the other countries in quarantine?

At this point I would like to relate a comment made by Marcelle Chauvet, a Brazilian professor who is building up a brilliant university career in California where he is considered a major authority on the study of economic cycles, and especially recessive cycles in the United States.

"Recent data of December 2007 and January 2008 indicate a relative deterioration in the performance of the US economy. Without a doubt this economy is growing at a slower rate, but data contradict negative growth. The dating of a recession in the USA is determined by a committee of economists of the National Bureau of Economic Analysis (NBER) that use the employment, industrial production, real income, and real sale of manufactured goods series. Industrial production and real income level in the USA continue to show positive growth, while employment and manufactured goods showed negative growth.

The estimated probability of recession based on a combination of these series currently stands at 20% - higher than in the previous months, but not high enough to characterize recession.

From a historic perspective, in the last 18 years the USA has had two recessions (in the 1990-1991 biennium and in 2001), and four phases of slow growth (excluding this current phase): two slow-growth phases preceded the above-mentioned recessions, and the other two did not turn into recessions. One common characteristic to these two past recessions is the fact that credit crises were not their main cause.

The current crisis on the subprime mortgage market, however, is much more sensitive to changes in the monetary policy that the Federal Reserve has been implementing. But there is some uncertainty about whether the Fed will lower the interest rate as far as necessary to avoid a recession should inflation continues to rise. There is also some uncertainty as to the lag between falling interest rates and their impact on the economy. In any case, I believe that due to its origin, if the current slow-growth phase does turn into a recession, it will be far less severe and shorter than the previous recessions."

I agree completely with the comments above. However, I would like to qualify certain concerns, not those of Marcelle Chauvet, but of the financial markets, and now, of the general outcry from people on the streets in both the US and Brazil.

The lack of liquidity of US banks is nothing new. The most recent Bank Restructuring Program prior to that which will be created by the subprime crisis was implemented during the Reagan administration. The banks were saved. Citi, Manufacturers, Chase, and America were bailed out thanks to a clever combination of low interest rates and stretching out of their payments to the FED that enabled the banks to sanitize their portfolios. And thanks also to Saudi Prince Alwaleed bin Talal who, for a very modest price, became the largest private shareholder of Citigroup. Citi is now repeating the magic with money from Abu Dhabi. Therefore, the major banks in Europe and in the United States will not be closing their doors, but they will have to digest the enormous profits that the "plump and desirable" subprime mortgage market yielded over the last few years.

With the help of central banks and the new treasurers of the world (Indian, Chinese, Russian, and Brazilian), they will again become the most liquid banks on the planet, after having to swallow and digest the Japanese junk loans.

It is important to keep in mind that not all subprime mortgage loans are lost receivables. Once the system regains liquidity, real estate prices will resume their upward trend and the ghost of those seemingly lost receivables will be transformed – with substantial government help – into liquid assets.

One other noteworthy point is that the United States is rushing to reduce its trade deficit that currently amounts to nearly 6% of total wealth. In another two years, the percentage will be close to the historic average of 3% to 3.5%. That stands for USD 400 billion to USD 600 billion per year, which will give other countries a chance to increase their exports to the US, Brazil included.

The undervalued dollar, especially in relation to the euro, the real, the yen, and the Chinese Yuan surplus, will spur a race, en masse, to acquire American assets and companies. Thus, the inflow of investments will make up for the possibly diminished attraction of US treasury bonds.

Furthermore, negative interest rates, i.e. below the level of inflation, will reverse pessimistic expectations regarding economic performance and lead to a major surge of investments in production capacity.

Consequently, in terms of economy, I do not believe in the end of the world, especially because the price of oil will hit the USD 150 per barrel mark, and it won't take long to get there. That price increase will once again be absorbed by ongoing productivity gains achieved by economies throughout the world.

Global anti-depression reserves are currently in the hands of the countries that are growing at a rate of roughly 10% per year such as China, India, and Latin America, especially Brazil, which in 2007 again posted the same minimum 5% dose. And that is without mentioning South Africa, Angola, and other African countries such as Libya and Morocco.

We cannot overlook the Persian Gulf countries and major oil producers such as Russia, the joint reserves of which exceed the sovereign wealth funds by more than USD 10 trillion. This is almost equal to the total wealth produced by the United States in a year. These countries currently make up the de facto International Monetary Fund-IMF. That institution's importance in today's world has all but vanished.

Understanding the US housing bubble

- Stimulated by creation of the Internet, the market created the NASDAQ listing to trade securities of companies in this new economic sector, leaving the Dow Jones to the "old market".
- Investors transferred part of their Dow Jones investments to the recently created NASDAQ. Warren Buffet continues faithful to the Dow Jones.
- NASDAQ reports spectacular gains from the valuation of its securities and attracts more new capital.
- Abundance of available funds and high sales. But the companies of the sector fail to show satisfactory profits or to meet expectations of commercial and technological success.
- NASDAQ faces a crisis and investors sell off their securities (at a profit) and move their funds to the US real estate market.
- The US real estate market is flooded with funds and reports high growth rates.
- The prime mortgage market is saturated.
- Encouraged by the surplus funds, the excellent growth rates, and the sector's financial gains, some banks decided to initially begin investing a small volume of funds in the lower quality loan market – the subprime mortgage market – lured by the climate of optimism and the higher interest rates that the subprime market paid.
- Banks step up the volume of subprime loans.
- The problem is not in the prime mortgage market, and never has been. The problem is in the subprime market.

- The banks knew that the subprime was a higher risk market with higher interest rates because the subprime delinquency rate is traditionally higher than that of the prime market.
- As funds began to pour into the subprime market, they caused a proportionally large increase in the delinquency rate.
- The error began when the banks failed to post provisions for bad debts on their balance sheets, since those provisions would mean smaller bonuses for their executives and smaller dividends, which would bring down the price of their shares on the stock exchange. Thus, the banks started to use expedient accounting policies to "sweep under the carpet" the delinquency that actually began four years ago.
- Another problem was "herd behavior". As the banks adopted a standard form of accounting for what was going on, competition among them encouraged all to use the same calculation platform. None wanted to show their competitors any sign of weakness.
- But they ran out of accounting artifices and controllers' reports began to show signs of problems.
- Shareholders start carrying out internal audits to find out the extent of the delinquency crisis.
- The problem, as expected, was in subprime mortgages.
- The volume of funds allocated to subprime mortgages was higher than expected.
- The amount of the expected loss was double that disclosed.
- The prime mortgage market remained calm.
- The shareholders make a decision: to clean up the balance sheets in one fell swoop in 2008; inject new funds in the bank after it has been given a clean bill of health; condemn the weakest link of the chain to the stake. In other words, fire or retire the responsible directors with all honors, without any scandals or filing of charges so as to avoid undermining the institution's credibility.

Brazil-United States trade relations

The United States is Brazil's number one trading partner. The similarities of these two countries justify their leading positions in the Americas. The size of the US market calls for ongoing efforts to define strategies capable of fostering constant increases in the bilateral flow of trade and investments.

The importance of greater economic interaction between Brazil and the

Commercial Exchange Brazil and USA (in millions USD)

Year	Exportation	Importation	Brazillian Balance	Commercial Trade Total
2001	14.208,573	12.905,492	1.303,081	27.114,065
2002	15.377,823	10.287,452	5.090,370	25.665,275
2003	16.728,079	9.569,455	7.158,624	26.297,534
2004	20.099,235	11.357,062	8.742,174	31.456,297
2005	22.539,732	12.666,508	9.873,224	35.206,240
2006	24.524,749	14.657,480	9.867,269	39.182,228
2007	25.065,048	18.723,338	6.341,710	43.788,387

Font: MDIC/SECEX - Brazil

United States is evidenced by the United States' share in the overall trade flow of Brazilian products and services, and by the fact that the US is the top ranking investor in the Brazilian economy.

From 2000 through 2006, the United States was the country that most invested in Brazil – an aggregate sum of USD 47 billion. This corresponds to 21% of accrued direct foreign investments of USD 219.75 billion in the course of these seven years. In the other direction, Brazil invested roughly USD 17.32 billion in the US from 2001 through 2006.

However, bilateral trade has not always been favorable to Brazil. In the 1995-1999 period, Brazil accumulated a bilateral trade deficit of USD 13.76 billion, but in 2000 it was able to reverse this framework due to a sharp increase in Brazilian exports to the United States. In 2007, Brazil boasted a trade surplus with the United States of USD 6.34 billion, 30% less than the USD 9.86 billion trade surplus registered in 2006.

The fact is that Brazil has a most important strategic alliance with the United States. To prevent us from seeing a replay of the situation we faced in the second half of the '90s, the private sector and the government must identify means of eliminating the obstacles that limit access to the US market. Obviously, that is no easy task. But we cannot afford to be left behind, because the United States will still be a dynamic world power for at least the next 100 years.

Latin America

Latin America is a region with 23 countries among which Brazil is the only Portuguese speaking country. The official language in all of the other countries, from Mexico to Argentina, is Spanish. In 2007, the region's official GDP was roughly USD 3.5 trillion, with Brazil accounting for 45%, making it the regional leader not only due to its economic power, but also because of its territorial dimension.

Current Latin American governments have shown a growing desire to strengthen regional economic and political ties with a view to strengthening their economies and increasing their trade volume.

Some measures to foster greater proximity are more recent. They include development of the Union of South American Nations-UNASUL. The purpose of this bloc is to transform the entire region into a free trade zone by merging Mercosur with the Andean Community of Nations. Modeled after the European Union, the proposals include a single currency, passport, and a common parliament. UNASUL was established

in 2006 with the signing of the Cuzco Declaration.

For the time being, UNASUL's headquarters will be located in Quito, Ecuador. Meanwhile, another step towards greater integration of the regions was the founding of Banco do Sul (Bank of the South), located in Caracas, Venezuela. The Bank's role will be to grant loans to Latin American countries for social and infrastructure development programs.

Banco do Sul will have an initial capital of USD 7 billion. The first project to be analyzed will be the construction of the 12,500 km gas pipeline extending from Venezuela to Argentina, passing through Brazil.

Heads of state announced that UNASUL will be modeled after the European Union for the next 15 years. Will this be difficult? Yes, but not impossible. First and foremost, we must find solutions for such regional problems as the guerilla groups and the rise of populist governments.

In addition to regional integration, one other issue of relevance that must be tackled is Latin America's (and UNASUL's) relationship with the United States. This is an integration that cannot be viewed solely from an ideological point of view, as has been the case with some Latin American governments. Ideally, Brazil will take a more pragmatic course, since we are well aware of the commitments existing between the largest country of Latin American and the United States of America, the largest country of the continent. We depend on them; but they also depend on us, especially in view of the growing importance that certain issues, such as water, forest, and climate management will take on in the near future, as well as the above-mentioned trade and investment aspects.

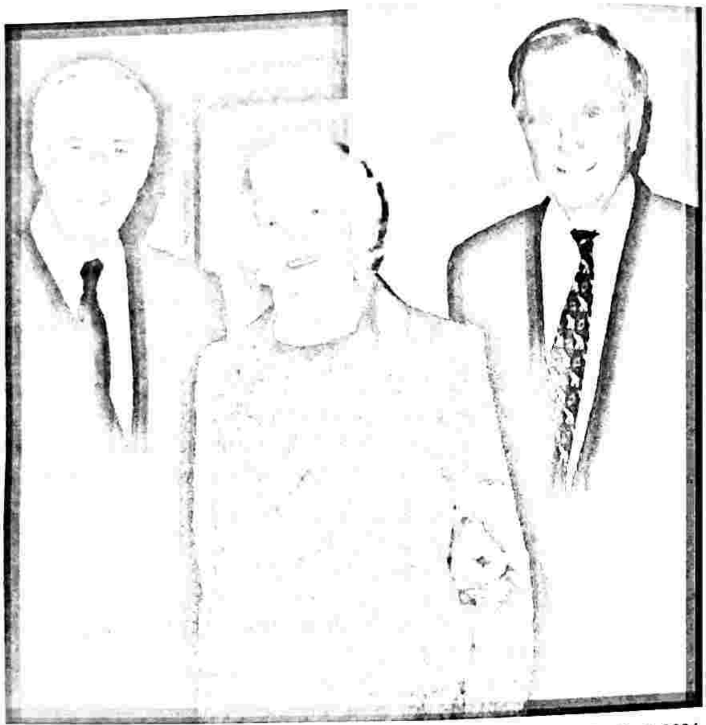
Cooperation in infrastructure

- South American Regional Infrastructure Integration Initiative, sponsored by the Inter-American Development Bank.

- The Peru-Brazil Inter-Oceanic Highway: a highway designed to link the Pacific coast countries – especially Chile and Peru – to Brazil and Argentina, as well as providing Bolivia with a connection to ports.

- Work on the first part of the Inter-Oceanic Highway was begun in 2005 with 60% of the funding provided by Brazil, and 40% by Peru. The highway is scheduled for completion by the end of 2009.

- Setting up the South American Energy Ring to supply Argentina, Brazil, Chile, Paraguay and Uruguay with natural gas from various sources. For the


Barbara and Goerge Bush, in 2004.

time being, this is still more of a protocol of intent signed by the member states than an actual project.

UNASUL Member States

Argentina
Bolivia
Brazil
Chile
Colombia
Ecuador
Guyana
Paraguay
Peru
Suriname
Uruguay
Venezuela

Observer States

Mexico
Panama

Brazil's role in Mercosur

Although this regional bloc has only five member states (Brazil, Argentina, Uruguay, Paraguay and Venezuela), it is complex. Founded in 1991 by the Treaty of Asuncion, the trade alliance aimed to lend impetus to regional economy by means of the exchange of goods, people, work force, and capital among the member states.

The bloc's combined GDP is on the order of USD 2.1 trillion, with Brazil, accounting for 71% of the total, as the main economic driving force. The numbers make it clear that there is great disparity among the countries: Paraguay's GDP (USD 9 million), the region's lowest, is 166 times less than that of Brazil (USD 1.5 trillion), the region's highest. Because of this disparity, the two smallest economies, Paraguay and Uruguay, demand certain economic concessions to make up for losses.

In addition to its member states, Mercosur has five associated states – Bolivia, Chile, Peru, Colombia, and Ecuador. Mexico is recognized as an observer. The bloc's trade flow totaled USD 29 billion in 2007, up 1.49% as compared to 2006, a percentage that has remained stable since 2004. Brazil runs a trade balance surplus on the order of USD 5.7 billion with an aggregate 2004-2007 surplus totaling USD 17.9 billion.

Total direct foreign investments by the Mercosur member states in Brazil in the 2000-2006 period came to USD 8.2 billion. During that same period, the country that invested most in Brazil was Uruguay – to the astonishment of the business community that always believed it was Argentina – with reported investments of USD 3.2 billion, almost 39% of the total. Argentina invested USD 1.3 billion, and Mexico, USD 2.76 billion. These figures came as a surprise to me as well. I believe that the reason for Argentina having ranked only third was due to the crisis that hit that country in 2001 and 2002.

Brazil confirms its leading position in the bloc also by the total it has invested in the Mercosur states: USD 33.77 billion from 2001 to 2006. This is almost twice the total invested in Brazil. Uruguay was the country that received the largest Brazilian investments (USD 17 billion), followed by Argentina (USD 11.16 billion).

The recovery of Argentina's economy in the last four years has prompted Brazilians to increase capital investments in their neighboring country. Between 2003 and 2006, total investments amounted to USD 7 billion, or 62% of the total since 2001. A large portion of these investments went to the acquisition of Argentine companies. Alpargatas, Vulcabras, Dilly, Paquetá, and West Coast are examples of Brazilian companies that are investing in the manufacture of footwear in Argentina. Vulcabras, for example, acquired Indular. Alpargatas Brazil acquired Alpargatas Argentina. Dilly and Paquetá built their own plants.

Other large groups that acquired Argentine companies include Camargo Corrêa, AmBev, Petrobras, and Friboi, which respectively acquired Loma Negra, Quinsa, Pecom, and Swift Armour. Small and medium-sized Brazilian companies have also played their part by penetrating the Argentine market in segments such as auto parts, footwear, and textiles.

There is still plenty of room for improvement in Mercosur trade relations, but increased internal conflicts and red-tape are holding back the bloc's advance. What then are the Mercosur problems? In addition to a series of trade disputes

among its member states, the bloc's apparent lack of capacity to carry on its negotiations with the FTAA, for example, demonstrates the strong contrast between discourse and practice of the member states. What we have is a free trade zone masquerading as a common market that features is constant bickering over customs practices and a total lack of policy coordination.

What is really lacking in Mercosur member states is the will to institutionalize. Their current challenge in order to ensure the bloc's growth, even with the possibility of its being upgraded to UNASUL, is to put the regional economy on an even keel.

Argentina

Capital: Buenos Aires
Area: 2.76 million sq km
Population: 40.3 million
Official GDP: USD 245.6 billion
Per Capita GDP: USD 6,090
Exports: USD 54.6 billion
Imports: USD 40.2 billion
Foreign trade with Brazil: USD 24.82 billion
Brazilian trade balance: surplus of USD 4 billion

In 1920, Argentina's farm sector was more advanced than that of the United States. But it was the radicalism that permeated Argentine following the Peron Administration that prevented the country from continuing to uphold the position it once enjoyed in the world.

After Argentina's GDP reached a Record USD 299 billion in 1998, the country slid into a long period of recession due mainly to exhaustion of the economic policy that called for "one dollar-one peso" parity. The crisis reached a peak in December 2001 after a run on the banks and foreign Exchange bureaus led to the worst economic and social disaster in Argentina's history.

However, as of 2003, following devaluation of the peso and the country's moratorium on foreign debt, the economy began an economic turnaround with GDP registering 8.8% in that year. In 2004, 2005, and 2006, growth continued on an average of 8% per year.

Argentina has made significant advances over the last five years. I recall when it was said that Argentina would no longer have access to foreign funding because of the moratorium. Time has shown that in the long run, everyone pays their debts.

What happened in Argentina is similar to what we went through in Brazil: fear of rampaging inflation. Fear of a replay of the inflation that had eradicated the Argentine middle class; inflation undermined the social pyramid. The level of poverty in Argentina had remained low for 70 years, especially in Buenos Aires (5%). In 2002, at the peak of the crisis, poverty had struck 57.5% of the population and unemployment was on the order of 31%. In 2007, the level of unemployment dropped to 8.9%.

To illustrate the impact of this crisis on the regional level, in the 2000-2002 period, trade between Brazil and Argentina plunged 54%, from USD 13 billion to USD 7 billion. Now we are seeing the other side of the coin. Recovery of the Argentine economy increased the trade flow by 3.5 times as of 2002, and in 2007 closed at USD 24.82 billion.

The main products currently traded by the two countries are those of the automotive industry: from diesel oil to engines, to cars and tractors. This is due to the fact that the major European, American, and Japanese assembly plants are located in Brazil and Argentina.

Argentina has been taking advantage of opportunities arising in the export area. The country is of course facing some difficulty in modernizing its manufacturing plants which became outdated, but tax benefits are changing this reality. For example, many soybean crushers are relocating from Brazil to Argentina to where they will transform soya into biodiesel fuel because Brazilian fiscal measures are becoming outdated and hampering business.

Recovery of the economic level of Buenos Aires is underway. Argentina was once considered the Europe of South America because of its wealth and educational level. I believe the previous administration made the right decision when it chose to be pragmatic and reject the International Monetary Fund's advice. By all indications, Cristina Kirchner's administration will continue on the same course, that of pragmatism.

I am an enthusiastic fan of Argentina because of its strong economic rebound after such a severe crisis. The country is capable of upholding sustainable growth by adopting an aggressive policy that strategically makes use of its geographic and political position.

Chile

Capital: Santiago
Area: 756,900 sq km
Population: 16.28 million
Official GDP: USD 160.8 billion
Per Capita GDP: USD 9,870
Exports: USD 66.43 billion
Imports: USD 41.8 billion
Foreign trade with Brazil: USD 7.74 billion
Brazilian trade balance: a surplus of USD 781 million

Chile is the country that, economically speaking, developed most in the last few years. Its GDP growth averaged 6% per year in 2004 and 2005. In 2007 that growth rate fell slightly, to 5.2%. The level of growth was only attained due the government's strategic decision to invest 7% of GDP in education, and to focus on exports.

Implementation of policy that features tariff-reduction and the lifting of trade barriers, becoming a Mercosur associate and a member of the Asia-Pacific Economic Cooperation – APEC (through which it has free trade access to the United States and the European Union), have boosted Chile's international trade. As though this were not enough, the country is now negotiating economic access to China, India, and Japan.

However, because Chile is dependent on copper, its export products still lack diversity. But Chile has gradually managed to reduce the percentage copper represented in its exports from 60% in the ´70s, to 35% in 2004. It is important to note that the 35% that copper continues to represent in the country's total exports is still very high, and one of the main reasons for Chilean growth is the high price of copper on the world market. In 2006 alone the price soared 74% to a record high of USD 7,000.00 per metric ton. In 2007, the price per metric ton of copper was 320% higher than it was four years earlier.

All these factors helped Chile reduce its poverty level from 50% in 1987, to 18.2% in 2005. The unemployment level has been falling gradually and closed 2007 at 7%. Good social indicators such as an HDI of 0.854 make Chile the second best country in South America to live in. But as all other South American countries, its distribution of income still has flaws.

We must also keep in mind that Chile made an intelligent mixture in its transition from an authoritarian to a social democratic regime. It combined democratic use of the economic bases launched by the military government, with the Chilean social movement's demands for improvement of its institutions. These demands emphasized certain basic issues with education topping the list.

The volume of trade with Brazil totaled USD 7.74 billion in 2007, up 14.26% as compared to the previous year. Brazil has run a surplus trade balance since 1991. Brazil's aggregate surplus in the 1991-2007 period amounted to USD 10.10 on a total flow of USD 48.7 billion in bilateral trade for that same period.

Despite this considerable volume, the trade agenda lacks diversity. Approximately 32% of total Brazilian exports to Chile consisted of oil and oil products, and the automotive industry accounted for 50%. In the opposite direction – this must be obvious – copper accounts for the great majority of Brazilian imports from Chile: 69% of the total USD 3.48 billion in 2007.

Can we increase the volume of trade between these two countries? Yes. I am a firm believer in the possibility of increasing trade transactions. Chile could be an exit gate for Brazilian exports bound for Asia. Although it does not border on Brazil, logistic integration among Brazil, Argentina, and Chile would enhance both trade and the political relationship with this country that has a good eye for the future.

The Chilean population has clearly understood that in any society's development process, it is necessary to establish future goals and to bury scars from the past. Chile is a country that realized the importance of strategic planning and, for example, set about to become a gateway between South America and the Asian countries.

APEC members

Australia
Brunei
Canada
Chile
China
Hong Kong
Indonesia

Japan
South Korea
Malaysia
Mexico
New Zealand
Papua-New Guinea
Peru
Philippines
Russia
Singapore
Taiwan
Thailand
United States of America
Vietnam

- APEC started off as a mere discussion forum when it was first created in 1989. In 1993, the member states gave it the framework of an economic bloc, with benefits for member states, with a view to transforming the Pacific into a free trade area.

- APEC member countries currently account for one-third of the world's population – approximately 2.6 billion people. The bloc's GDP stands at roughly USD 19 trillion.

Paraguay

Capital: Asuncion
Area: 406,700 sq km
Population: 6.67 million
Official GDP: USD 9.34 billion
Per Capita GDP: USD 1,400
Exports: USD 6.89 billion
Imports: USD 7 billion
Foreign trade with Brazil: USD 2.08 billion
Brazilian trade balance: a surplus of USD 1.21 billion

The Triple Alliance War, between 1865 and 1870, in which Paraguay lost two-thirds of its adult male population and a large part of its territory, left the country's economy relying strongly on informality.

The fact is that since the War of 1865, the country has never managed to reorganize its production sectors. It currently relies on the foreign capital brought in by merchants, like the Brazilians, who cross over the border into Paraguay to find less expensive goods. Furthermore, agriculture is the mainstay of the Paraguayan economy and employs about 31% of the work force. The country's main farm products are sugarcane, cotton, soybeans, and tobacco, which account for 22% of its GDP.

Despite its small economy – a little over USD 9 billion – the country has managed to uphold a fair growth rate. The year 2005 marked the third year running in which Paraguay registered GDP growth. In 2007, the country reported 4.5% growth. This has improved the level of employment, which closed the year of 2007 at 11.4%, the lowest in the last four years.

The Brazil-Paraguay trade balance favors Brazil. Trade has increased from USD 942 million in 2002, to USD 2.08 billion in 2007. I believe that this increase was spurred by the recovery of Argentina's economy, which had a positive effect on all the Mercosur member countries.

Because Paraguay's economy is highly dependent on agriculture, almost 82% of Brazil's imports for that country are from this sector (corn, wheat, cotton, soybean, leather and rice).

Uruguay

Capital: Montevideo
Area: 176,220 sq km
Population: 3.46 million
Official GDP: USD 21.17 billion
Per Capita GDP: USD 6,110
Exports: USD 4.5 billion
Imports: USD 5.5 billion
Foreign trade with Brazil: USD 2.07 billion
Brazilian trade balance: a surplus of USD 502 million

From the end of the 19th Century to midway through the 20th Century, more specifically until the '60s, Uruguay was known internationally as the "South American Switzerland". This reputation was earned due to its high development and educational indicators. But, later, problems began to crop up with the onset of a scarcity of mineral, technological, and energy resources. The drop in prices of wool and beef on the world market was a hard blow to the Uruguayan economy.

To make matters worse, the military regime that ruled from 1973 to 1984 brought on social instability and gave rise to guerilla groups.

It was only after the end of dictatorship, with the privatizations that began in the 1990s plus incentives granted to the financial sector, that Uruguay was able to resume growth up to 1998.

After growing at the rate of 5% per year between 1996 and 1998, the country faced problems between 1999 and 2002, mainly due to economic difficulties in Brazil and Argentina. The foreign exchange crisis that swept across the Mercosur member states affected many Argentine clients who had deposited US dollars in Uruguayan banks, which led to a crisis in Uruguay's financial system.

After this "hurricane", the Uruguayan economy rebounded and grew 21% from 2003 to 2005. Its GDP resumed the 1999 level, mainly due to Argentina's economic stabilization and an increase in world prices of commodities produced by Uruguay.

Currently, Uruguay's main trade partners are Brazil, which accounted for 23% of Uruguay's total exports and 17% of its imports in 2007, and Argentina. Beef, fish, rice and textiles are among its main export products.

A curious fact about direct Brazilian investments in Uruguay is that in the 2001-2006 period, a total USD 16 billion was invested in Uruguay. This ranks Uruguay in first place among the Latin American countries that received direct foreign investments from Brazil.

Bolivia

Capital: La Paz
Area: 1.09 million sq km
Population: 9.11 million
Official GDP: USD 12.8 billion
Per Capita GDP: USD 1,400
Exports: USD 4.26 billion
Imports: USD 3.10 billion
Foreign trade with Brazil: USD 2.45 billion
Brazilian trade balance: a deficit of USD 750.4 million

Bolivia is one of the poorest and most underdeveloped countries in Latin America. Its economy is based mainly on mining, oil, and natural gas. The farm sector employs 40% of the economically active population, while industry employs only 17%. In the international context, the rise in prices of raw materials, and especially in fuels, such as gas, has been a great boon to Bolivia's economy, which grew about 4% in 2007.

However, the internal political climate in 2005 was marked by major mobilizations, especially in May and June, when the population demanded that hydrocarbon resources be nationalized. These disturbances brought about the resignation of former President Carlos Mesa.

In the subsequent elections, Evo Morales, candidate of the extreme left, dramatically changed the political situation in that country. He is a man who was raised under the same sort of difficult conditions as President Lula. We should have known what to expect from him since his ties with his Bolivian origin are very strong. But Evo Morales is beginning to realize that ideology alone is not enough. What is needed is ideology applied to an appealing economic and social program. We in Brazil know all about this. After all, our current President started out in the same way. That's why I call Evo Morales "Lula's younger brother".

It was actually the Brazilian government that was to blame for what happened between Brazil and Bolivia; it was poorly informed and never believed that "little brother" would pull such a "stunt". Morales made the decision he made because of his campaign promise to nationalize. When he won, both the population and government members demanded that he keep his promise. If he failed to do so, his Administration would be weakened right from the start.

The stance assumed by Bolivia was autonomous, independent, and compliant with international law, so much so that there was no outcry from the international media. Anything is eligible for nationalization as long as a fair price is paid for the expropriated or nationalized property. Because Brazil plays an integrating role in South America, its role involves paying certain types of agreements that may not always seem the most advisable. But that is part of the continental cooperation system. In other words, Brazil must uphold its agreements with Bolivia because that is a politically and economically relevant part of its role.

We must take into account our relations with Bolivia in the long-term,

since presidents are transient, but institutional ties will become increasingly stronger. Brazil is becoming one of the largest world economies, and this involves providing cross border funds as well as increased trade based on political forces exercised by means of a stronger Brazilian business and trade presence abroad. This is the case of Brazil's presence in Bolivia.

Colombia

Capital: Bogotá
Area: 1,138 million sq km
Population: 44.38 million
Official GDP: USD 171.7 billion
Per Capita GDP: USD 3,868
Exports: USD 28.39 billion
Imports: USD 30.83 billion
Foreign trade with Brazil: USD 2.76 billion
Brazilian trade balance: a surplus of USD 1.91 billion

Colombia is considered to be the country where the best Spanish is spoken outside of Spain. It has an important elite and a strategic agricultural base, and has achieved impressive growth rates. In 2007, its GDP grew 6.5%, one of the highest growth rates in South America. The driving force behind economic growth was the excellent performance of domestic demand coupled with an expansion in foreign trade. Trade with Brazil alone more than doubled in the 2004-2007 period, from USD 1.18 billion to USD 2.76 billion.

The country's budgetary situation has also seen ongoing improvement in line with its economic growth, while its expansionist monetary policy made it possible to go on lowering interest rates while upholding ample liquidity in the economy. All these factors have brought about an increase in the occupation curve and an ongoing downward trend in the level of unemployment, roughly 10%.

The pace of export expansion in turn has been accelerating for several years. The greatest impetus has come from the country's traditional export products - coffee, oil, emeralds, bananas – thanks to their high prices on the world market. This dynamic growth has affected all kinds of products in a general way and heightened purchases of capital goods for the building, transportation, chemical, and energy industries.

The 2006 reelection of President Álvaro Uribe, a right-wing candidate allied to the United States, was mainly due to his security policy of order and social cohesion, despite the armed conflicts with the Revolutionary Armed Forces of Colombia (FARC). His election did not follow the current trend in South America where most governments are either left or center-left. In the first year of Uribe's administration, the violence rate dropped at the same rate that social indicators improved.

Generally speaking, both the United States and the European Union consider Colombia as an important target country for new investments, especially in energy and tourism.

THE FARC

The Colombian crisis in 2008 almost blew up into continental proportions, especially when it threatened to involve all of Latin America in an armed conflict that, strictly speaking, should have been resolved solely by Ecuador and Colombia.

The FARC, which have tried to unsettle successive governments since the movement was first created back in 1964, has some 17,000 members recruited mainly from the peasant population. The organization has communist traits and is considered, not only by the United States but also by the European Union, a terrorist group maintained by drug trafficking, more specifically by controlling cocaine sales on the international level.

Obviously, there are other views regarding the FARC. One of these views is that of President Hugo Chavez of Venezuela who sees the FARC as a political and not a terrorist force.

In Brazil's case, the pressure brought to bear on the FARC by the United States, as we saw at the outset of activities against the paramilitary force, has begun to shut down drug access to the United States via Brazil. The underlying reason for this was that, as the only country that could refine the cocaine, Brazil was placed on the natural route and path of this drug.

However, despite the kidnappings carried out by the FARC, I perceive that the group is gradually changing into a political party. How long will this take? As long as Uribe's power to win back FARC-dominated territory lasts. No one can

put a million people on the streets without a good cause. No head of any state in the world would do so. It calls for very strong motivation.

In addition, people on the national and international level are beginning to revolt against the kidnappings. The rejection rate in relation to FARC actions has hit 93%.

Therefore, the demilitarized region of Colombia will likely be completely legalized by the government within the next five to seven years. The FARC are certain to see some weeding out among the command echelon. The younger members are no longer accepting command posts, and it is they who will seek the road to legality.

Ecuador

Capital: Quito
Area: 283,500 sq km
Population: 13.75 million
Official GDP: USD 44.5 billion
Per Capita GDP: USD 3,230
Exports: USD 13.3 billion
Imports: USD 13 billion
Foreign trade with Brazil: USD 692 million
Brazilian trade balance: a surplus of USD 631 million

Ecuador, one of the smallest countries in South America, has substantial oil reserves: 5.11 billion confirmed barrels of oil in 2007. In 2004, close to 78% of the country's total production was destined to the global market.

In 2005, Ecuador registered a 3% growth rate, less than half of the 6.9% reported in 2004. In 2007 it was down to 2.6%. This shows that the country has not yet managed to recover from the specter of public debt and escalating foreign debt in the 2004-2006 period.

One other obstacle to growth was that in 2005 there was only a scant increase in the extraction of crude oil. While in 2004 the average daily production amounted to 526,000 barrels per day, in 2005 it rose no higher than to 538,000 barrels per day despite the steadily rising price of oil on the world market. This slight growth was due to the fact that the government has not launched any new oil fields. The limited operating and financial capacity of the government-owned company limited growth to a mere 2.36% from 2005 to 2006.

Peru

Capital: Lima
Area: 1.28 million sq km
Population: 28.67 million
Official GDP: USD 101.5 billion
Per Capita GDP: USD 3,540
Exports: USD 27.14 billion
Imports: USD 18.75 billion
Foreign trade with Brazil: USD 2.64 billion
Brazilian trade balance: a surplus of USD 652 million

According to the World Bank, Peru places fifth in the ranking of countries featuring the greatest growth in exports. In 2005 the country satisfactorily concluded its talks on a free trade agreement with the United States. It also has a free trade agreement with the Andean Community, some of the Mercosur member countries, and with Thailand. The European Union is also trying to forge a treaty with Peru, and negotiations to this effect are already under way. As a result, Peru will likely place second in South America in terms of access to the world market.

With exports on the rise, Peru's GDP has grown consistently since 2000. According to The Economist, Peru ranks sixth among the countries reporting the highest economic growth rates in the world. The Peruvian economy grew 6.67% in 2005, and 7.5% in 2007. Furthermore, the level of inflation has remained low at roughly 1.5% per year, one of the lowest inflation rates in South America.

As a counterpart to this economic expansion, the informal market still accounts for a large part of the Peruvian economy, something on the order of 60%. However, unemployment, which in 2003 stood at 9.6%, dropped to 7.4% in 2007 (these data refer to Lima, the capital city, which accounts for 70% of the country's GDP). This evidences a high concentration of income. For example, 40% of the country's total wealth is in the hands of 10% of the most affluent persons in Peru.

In regard to Peru's bilateral trade with Brazil, the products most traded

in both directions are minerals such as copper, zinc and silver, fish, oil and oil products, and auto parts. Although in financial terms the bilateral trade is not very significant, it was up 264% in the 2003-2007 period, from USD 727 million to USD 2.64 billion, which goes to show that the Peruvian government's actions to gain a foothold in the global market have had a positive effect on the country's economy.

Venezuela

Capital: Caracas
Area: 912,000 sq km
Population: 26 million
Official GDP: USD 226.9 billion
Per Capita GDP: USD 8,720
Exports: USD 65.94 billion
Imports: USD 44.38 billion
Foreign trade with Brazil: USD 5.07 billion
Brazilian trade balance: a surplus of USD 4.37 billion

Before commenting on Venezuela, its economy and people, I would like to tell you of my encounter with Hugo Chavez who became the President of that country in 1999.

I met Chavez in 1998 when he was still a candidate. The occasion was a luncheon at the Hotel Mofarrej in the city of São Paulo to which I had been invited by the Venezuelan ambassador to Brazil. Very few Brazilians attended the event and because I was seated at the head table together with Chavez, I was able to have closer personal contact with him. My impression of Chavez was that he was a very decided man who had his own ideas, but who, after the failed coup, would abide by democratic principles. And with the exception of a few episodes, he has done so.

I currently see Chavez as a man who leads his country. He lost the plebiscite but won the last elections. The plebiscite served to show the maturity of the Venezuelan people, and I believe that their democratic character is more deeply rooted now than when Chavez was sworn into office.

Venezuela is a country of extremes both in regard to mineral wealth and to business. Access to the huge US market, via lobbies or distribution

of goods has been essential to the Venezuelan economy, but, in contrast, the administration claims that it does not care for the policies implemented by the United States.

Venezuela has joined the Mercosur, and for Brazil, this is a strategic move. It is important that everything be carried out with an authentically democratic aspect, and not in the way it had started, creating intrigues and uneasiness among the bloc's member countries. Venezuela's membership in the Mercosur is complicated for Brazil, which has raised its level of investments in Venezuela – more than USD 280 million in the 2004-2006 period. This figure will likely rise in view of the substantial movement of funds by large Brazilian construction companies operating in this neighboring country and the logistic infrastructure projects that are being carried out in Latin America. In the opposite direction, between 2003 and 2006, Venezuela's direct investments in Brazil have increased tenfold, from USD 2.65 million to USD 12.88 million. With the setting up of UNASUL and Banco do Sul, bilateral investments will likely grow, possibly at the same rate that trade expanded in the 2004-2007 period – 204%.

One of the measures taken by Chavez – highly criticized on the world market – was to buy Argentine government debt bonds. He went to Argentina and bought the debt at a discount rate of 8% to 10% and failed to transfer the discount to Venezuela's National Treasury. As there is strict control over foreign currency in that country and a large number of Venezuelans live abroad, Chavez organized internal auctions of these debt bonds among the Venezuelans who were living abroad, who bought part of the Argentine debt in US dollars at discounts ranging from 10 to 15%. As a result, Venezuela's National Treasury is making a 20% profit on each transaction. It was a very clever and pragmatic move. Nothing wrong with that as far as I can see.

Going back to the Venezuelan economy, its main source of income is oil exploitation and refining for export and for domestic consumption. The oil industry represents roughly 33% of Venezuela's GDP, 90% of total exports, and more than half of government revenue. Other sectors such as the financial, commercial, and building sectors have also helped foster economic recovery in Venezuela. After two slumps in 2002 and 2003, its GDP in 2007 reported 8.3% growth. Because of the high oil prices and new international policies in regard to this commodity, estimates indicate that

Venezuela should see substantial economic and social development over the next few years.

Cuba

Capital: Havana
Area: 110,860 sq km
Population: 11.39 million
Official GDP: USD 45.1 billion
Per Capita GDP: USD 3,960
Exports: USD 3.23 billion
Imports: USD 10.86 billion
Foreign trade with Brazil: USD 412.64 million
Brazilian trade balance: a surplus of USD 235.06 million

There will likely be changes in Cuba's socialist economy in the wake of the resignation of Fidel Castro, Cuba's leader for the last 49 years, but we cannot expect that much will be accomplished in the short term. The doors to foreign investment may open up gradually, as was the case of the tourist industry.

During my visit to the former President of Portugal, Jorge Sampaio, in 2006, we talked a lot about Brazil and its relevance to Latin America. At the time, Sampaio mentioned that he was in favor of Brazil participating in Cuba's possible economic transition as a counterpart to the influence of the United States. At the time, Fidel was still in full command.

But during one of my meetings with Cardinal Cienfuegos I was shown another viewpoint. The Cardinal said "The Cuban transition must be made by the Cubans without any interference from Miami". In a way, this transition is being made autonomously by the Cubans themselves.

When I was in Cuba with President Lula, we signed an agreement related to the tourist industry, and others that dealt with the sugar industry. In my opinion, Brazil will have an important role to play in both political and economic issues. It is thus essential for Brazil to strengthen its ties with Cuba now to help it through the gradual opening of its economy that is currently being conducted by Raul Castro. The tendency is that Carlos Lage Dávila will become the first civilian president after the transition is completed, since he is familiar with the workings of the Cuban administrative machine and has the support of government members as well as the people. Cuba is thus heading for a more open regime – a democratic system "a la cubano". The new generation of Cubans will seek the more open agenda of a social democracy to be set up in Cuba possibly within the next 10, 15, or 20 years.

In all my dealings with the Cubans, they have always been very receptive. They were very open and showed a great deal of interest in how Brazil managed to establish a certain positioning in terms of innovative technologies. Above all, Cubans consider Brazilian entrepreneurs to be very practical and not involved in any ideological warfare or in any struggle to change their system or their work methods.

In regard to the development of that country, ever since Castro assumed command following the 1959 Revolution, he maintained the economy under tight government control leaving little room for private enterprise, and rejected the type of reforms that fostered rapid growth in other communist countries such as China and Vietnam.

The Cuban economy has sailed in dangerous waters, particularly in the '90s, when the collapse of the Soviet Union brought an end to the aid provided by that superpower. That was when problems related to the shortage of food and other basic items began.

The situation improved slightly as of 2004, mainly due to the donation of oil by Venezuela in exchange for Cuban doctors. The increased revenue enabled the government to double imports, expand investments in infrastructure, put its trade balance back on an even keel, pay off its debts, and report growth. In 2007, Cuba's GDP was up 7%.

Brazil has played a role in Cuba's growth mainly through exports. Since 1995, Brazil has run a surplus in its trade balance with Cuba to an accumulated sum of USD 1.28 billion up to 2007. The total is not large, and bilateral trade is paltry, but it multiplied 4.5 times in the 2002-2007 period. Most of the trade products are related to the areas of agribusiness and medicine. Therefore, the Brazilians must strengthen their relations with the Cubans to take greater advantage of a possible liberalization of its market and bilateral trade potential, and center their attention particularly on tourism, energy, and construction.

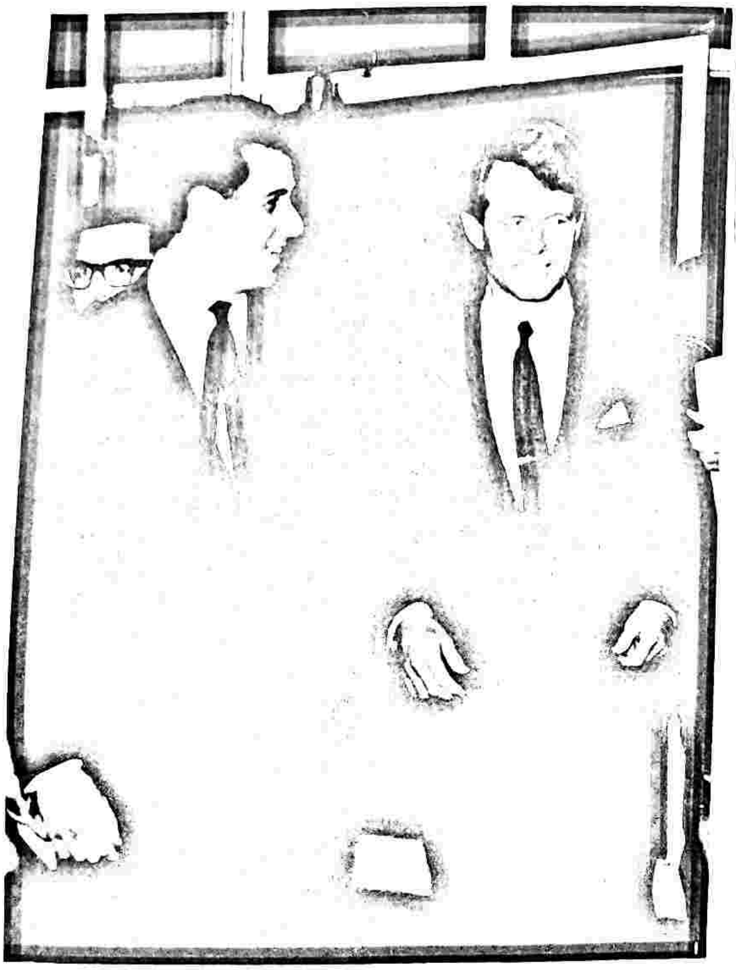
Viewpoint

What caused Cuba to break off relations with the United States?

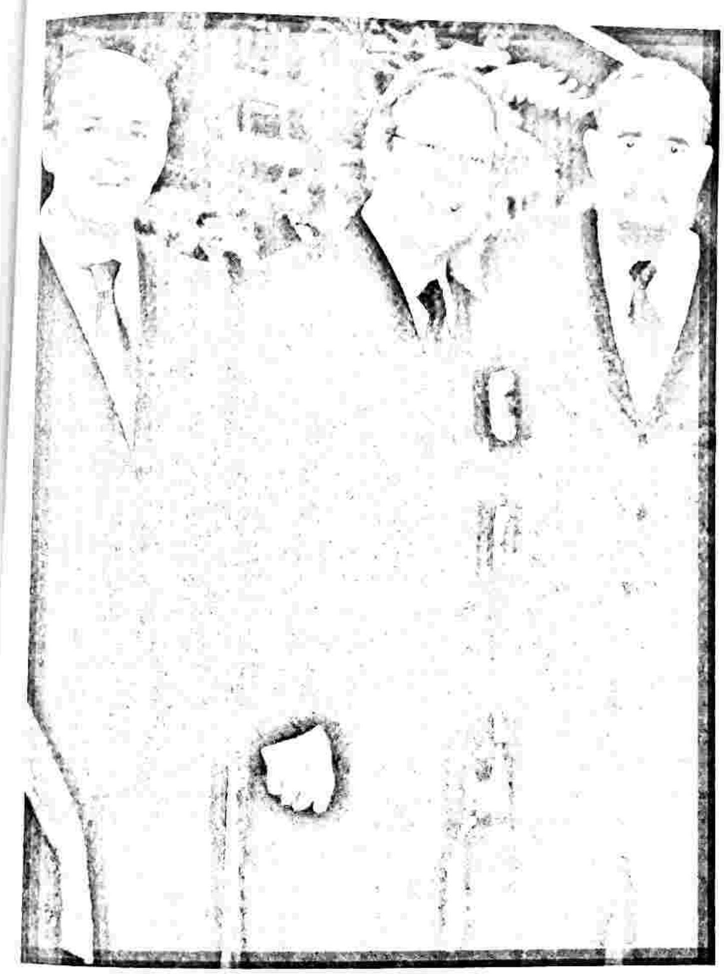
I will tell you one thing which I have been analyzing that may prove fundamental in explaining Cuba's breaking off with the United States.

A very interesting film about the Cuban Revolution and Fidel Castro's ascension to power was featured on the Discovery Channel. Fidel's first visit after taking control of Cuba was to the United States where he had claimed he would like to go to because it was Cuba's closest and most important neighbor. Fidel was thus issued an official invitation to the White House by President Eisenhower.

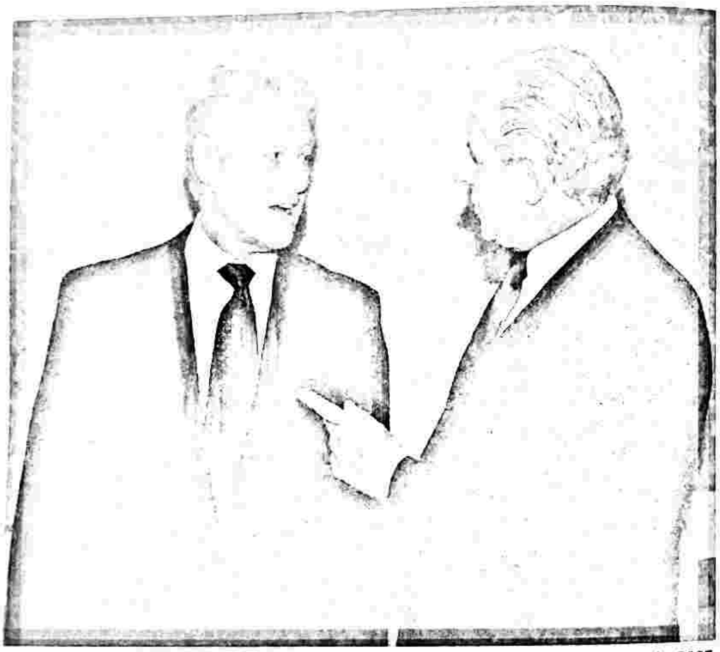
At the first dinner held in New York, Fidel was a success. He met with all the business community, including bankers. But after a while he disappeared and nobody knew where he had gone. He was finally located at a Cuban restaurant in the Village. On the morning of the next day he was supposed to meet with President Eisenhower. So Fidel took a shuttle flight to Washington and upon arriving, after climbing down the stairs from the airplane, was approached by someone who said something to him. His features changed completely. Eisenhower had cancelled the meeting with Fidel and foisted him off on Richard Nixon, the Vice President. Fidel met with Nixon for an hour. When he left, he was visibly upset and made his way back to New York on his own. On the way to the airport, Nixon made a speech in which he declared that Fidel was a communist who had to be fought; that he was an enemy of the United States; and that the Cuban Revolution was poisonous to US interests in that it served as a communist base. Upon his arrival in New York, Fidel declared that Nixon had understood absolutely nothing of their conversation.



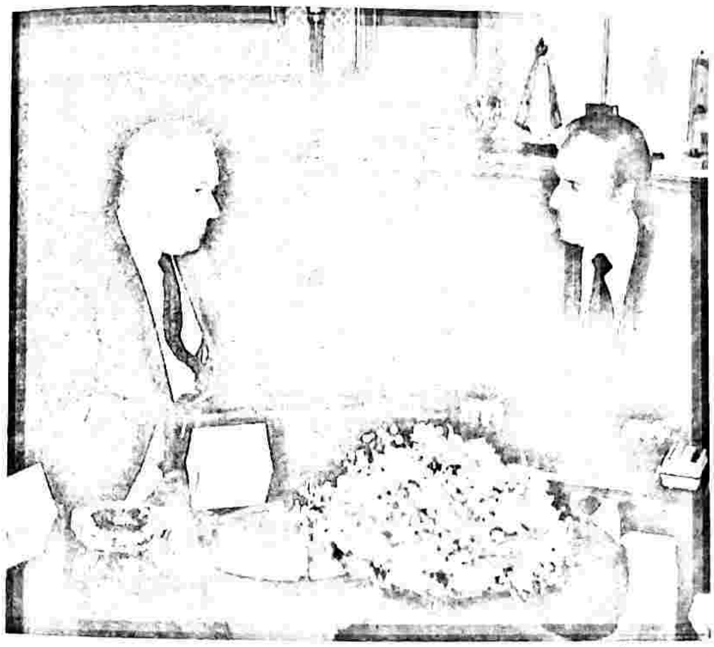
Bob Kennedy, in 1967.



José Dirceu and Fidel Castro, in 2002.



Bill Clinton, in 2007.



Carlos Menem.

Chapter II

Brazil's Role in Asia

Will China age before it becomes wealthy?

China's spiraling economic growth over the last quarter of a century has topped all records and set new benchmarks in the history of world economic development. China's average GDP growth rate of 9.6% per year for the 1978-2007 period constitutes an even faster pace than that achieved by any other Southeastern Asian country ever registered even in their periods of sharpest growth. Fiscal 2007 closed with China recording a total GDP of USD 3.2 trillion and foreign investments on the order of USD 75 billion (CIA World Fact Book).

However, specialists call attention to the fact that rapid aging of the Chinese population will hamper the country's future growth. China benefited from a strong increase in gross job openings from 1970 to date. But the outlook, according to the United Nations and Goldman Sachs consultants, is for a gradual slowdown in labor force expansion over the next few years, and ultimately, a decline as of 2030.

Two forces are driving these changes: 1) increase in life expectancy; and 2) the policy of one child per couple, which has slowed the adult-population growth rate. The latest 2007 data show that 71% of the population is in the 15 to 64 age bracket, and 8% are over 65 years of age.

Many specialists are concerned about this fact because China may well age before it manages to become rich.

An aging population has always been seen almost exclusively as a problem that affects the industrialized economies. However, few experts have associated aging with the problems inherent to developing countries where jobs are usually abundant and the cost of raising children is often low. China tends to be an exception. Although it is still considered to be a developing country, among the 4 developing countries that make up the BRIC group (Brazil, Russia, India, and China), China was the only one in which aging of the population was diagnosed as a problem. One solution that has been implemented by many developed countries is to attract foreign labor. But this creates other problems such as job competition. Ultimately, it boils down to a question of choice.

Based on projections drawn up by specialists, in 2027 China will join the ranks of the so-called developed countries. However, it will still be considerably poorer than the United States or Japan in terms of per capita income.

I believe that the rapid accumulation of human capital and ongoing release of workers from the excessively large farm labor force offset the negative impacts this aging problem may have on China's future.

Prospects for a country with a fast-growing economy but increasingly aging population

Despite China's aging population, its economy will likely get a boost from its rapidly urbanized and more highly skilled work force. Gains resulting from the development of human capital and the strong growth of cities will bolster work force expansion.

Furthermore, auspicious economic prospects will provide new opportunities for China's Asian neighbors and make up for a relative cooling down of the G7 economies. Political agendas should therefore be directed to helping these countries to benefit from China's economic ascension.

Consequently, heavy investments will be ongoing for two reasons. The

Commercial Exchange Brazil and Asia (in millions USD)

Year	Exportation	Importation	Brazillian Balance	Commercial Trade Total
2001	6.954,303	8.926,077	-1.971,774	15.880,379
2002	8.798,155	7.995,941	802,215	16.794,096
2003	11.685,389	8.922,965	2.762,424	20.608,354
2004	14.576,851	12.279,682	2.297,168	26.856,533
2005	18.565,977	16.870,114	1.695,863	35.436,092
2006	20.816,367	22.888,165	-2.071,799	43.704,532
2007	25.086,433	30.717,129	-5.630,696	55.803,562

Font: MDIC SECEX - Brazil

first is that the rural exodus demands more urban capital. The second is that, albeit in the distant future, as the number of workers declines, larger investments in technology will be required in order to replace labor with capital.

That future growth guarantees potential for the commodities market, which is good for Brazil and for the China-based multinationals that produce goods for the local market. In other words, as soon as China becomes an industrialized and developed country, the price of goods will improve.

Consumer habits will change not only due to the age factor, but primarily because of behavioral changes brought about by upgrading of the human capital plus rapid urbanization. Chinese consumers will become more sophisticated – as did the Japanese – and their habits will become more similar to those of the developed and globalized countries.

The impact of China's growth on Brazil-China trade

Brazil-China trade volume in 2007 amounted to roughly USD 23.37 billion, surpassing the Brazilian government's earlier projections and indicating that the USD 30 billion mark estimated for 2010 could be achieved by 2008.

However, forecasts for 2008 are not very optimistic because China's foreign trade is likely to slow down due to economic recession in the United States. In addition, recession in the US could also have a negative effect on other economies that would cause them to reduce their demand for Chinese products.

However, in my opinion, despite the unfavorable forecasts, should an economic crisis hit the United States, the world will increase trade with China since the price of Chinese products will be more competitive.

Dragonomics (a research and advisory firm) estimates place the Chinese trade surplus at USD 260 billion in 2008, slightly less than that registered in 2007, but nearly seven times greater than Brazil's trade balance for that same year.

Aggregate figures for 2007 show that the Brazil-China trade balance grew 42.5% as compared to the previous year causing China to outrank Argentina as Brazil's second-largest importer, losing out only to the United States. In the same year of 2007, Brazil registered its first deficit in its trade with China - USD 1.87 billion – after having posted surpluses in its trade with that country six consecutive years. Brazilian exports to Chine totaled USD 10.75 billion in 2007, up 27.9% as compared to 2006, while imports from China grew 57.9% to a total of USD 12.62 billion.

Commercial Exchange Brazil and China (in millions USD)

Year	Exportation	Importation	Brazillian Balance	Commercial Trade Total
2001	1.902,122	1.328,389	573,733	3.230,512
2002	2.520,979	1.553,994	966,985	4.074,972
2003	4.533,363	2.147,801	2.385,562	6.681,164
2004	5.441,406	3.710,477	1.730,929	9.151,883
2005	6.834,997	5.354,519	1.480,478	12.189,516
2006	8.402,369	7.990,448	411,920	16.392,817
2007	10.748,814	12.619,051	-1.870,237	23.367,865

Font: MDIC/SECEX - Brazil

This scenario is partially a reflection of growth in the Brazilian economy – approximately 5% in 2007. Rising domestic demand and valuation of the Brazilian real drove up imports from all over the world and curbed Brazil's world market sales. In addition, imports significantly boosted the country's installed manufacturing capacity which, despite its substantial increase during the year, could jeopardize domestic market supply in some sectors. Accumulated figures for 2007 show that overall exports to the world rose 14.2% as compared to 2006, amounting to approximately USD 160 billion. On the other hand, imports, which amounted to a total USD 120 billion, were up 24.2%. China accounted for 6.7% of Brazil's exports and for 10.5% of its total imports.

In 2007, the list of Brazilian exports to China continued to feature mainly basic products such as soya, iron ore, and semimanufactured iron and steel products, among others.

In volume, total exports to this Asian partner grew 27% in the 2006-2007 period. This was mainly due to higher prices of commodities on the world market. Sales of semimanufactured iron and steel products to China resumed the pre-2006 upward trend, increasing by 82.2% in value and 112.1% in volume in 2007. Brazilian exports of machinery, tools, and mechanical and electrical apparatuses to China, never much to speak of, were down even further in 2006. Soybeans, iron ore, and oil and oil products again topped the list of Brazilian exports to China, accounting for roughly 70% of total sales.

Trade in the opposite direction caused no surprises. Most of the products that Brazil imported consisted of machinery and apparatuses for the metallurgical and building sectors; pumps, valves, and household appliances (refrigerators, ovens, and washing machines). Organic and inorganic chemical products also remained high on the list of Brazilian purchases from China.

Personal experiences

In 1981, when China first lifted its trade barriers, I opened the first Brazilian office in China in the city of Beijing. It was an office that was shared with Vale do Rio Doce and Petrobrás. At the time I was president of the National Confederation of Industries (CNI) and in the course of one of our trips to China our delegation was given an extremely interesting and strange assignment. We were summoned by the Chinese Trade Minister and asked to relay to the Brazilian government that China was recognizing Brazil as its most favored trade

partner. Today, we can see the result of this Chinese effort in relation to Brazil.

Upon our arrival we also noticed some aspects that were very interesting when compared to the China we know today. As we came into Beijing, the city's huge blocks were covered with hoardings – an enormous building site. These were the first impacts brought about by the opening of trade begun by Deng Xiaoping in 1978. To drive a car in Shanghai, for example, was out of the question; the streets were clogged by the totally chaotic traffic of bicycles and pedestrians. At that time, Brazil ranked 7th on the list of the world's largest economies, while China ranked 45th. Today, China ranks among the three most powerful economies in the world, while Brazil's position has remained unchanged.

In regard to business, most Brazilian companies still find it difficult to negotiate with the Chinese. Negotiations are lengthy and time-consuming mainly due to differences in how these two cultures view business. Brazilians analyze situations from a short-term standpoint while Chinese look at long-term results. In addition, the Chinese are basically pragmatic and they continue to use the economic clout conquered over the last 25 years in their favor.

The model of China's economic development at the turn of the 21st Century

Basic characteristics of the reforms:

- Decentralization of public property
- Attempts to enhance the efficiency of the collective companies
- Collective properties (rural and urban) and natural resources will con tinue to be government owned
- Efforts to attract Direct Foreign Investment (DFI)
- Newly emerging private businesses

Summarized Time Line

1978-1980:

- Opening of the market to foreign companies and entry of direct foreign investments into China
- Liability agreements in the farm sector (grant permission for farmers to freely sell surplus produce)
- Establishing of Special Economic Zones (SEZ)

Second half of '80s and early '90s:
• Dual price system: controlled by the State as well as by the market
• Reduction in government allocation of resources

Second half of '90s:
• Shutting down and restructuring of unprofitable companies
• Management of the insolvent banking system

Beginning of the 21st Century:
• Recognition of private property
• Authorization for the setting up of international banks

21st Century Goals:
• Reduce the income lag between the rich and the poor
• Develop the interior of China
• Develop a national social security system
• Introduce industrial reforms
• Create a more efficient banking system

The "One country, two systems" model

This was an idea originally proposed by Deng Xiaoping in 1984, with a view to unifying the country and developing its economy.

Whereas China was under a socialist regime, Hong Kong (a British colony until July 1997) and Macau (a Portuguese colony until December 1999) were under a capitalist system with a constitutionally guaranteed level of autonomy.

The reforms were the starting point of rapid and substantial economic growth. More than 220 million people were raised above the poverty level, although 10% of the population still remains below this level. One other positive aspect of these changes was the modernization of infrastructure: world-standard highways, airports, and telecommunication systems. An example of how significant these structural changes have been is the fact that Beijing is about to complete works on the fifth beltway around the city. Another example: Shanghai has the first magnetically levitating (or maglev) train in the world, running at a speed of 400 km/h.

Principles of Chinese capitalist socialism

• Pragmatism: the path to success is determined by experimentation and not ideology. Deng Xiaoping: Seeking truth from facts.

• Incrementalism: instead of announcing and implementing a national re form program, one idea is to experiment locally (or in a given economic sector). If it is successful, it will gradually be implemented nationwide.

Daily challenges

The need for ongoing creation of jobs:
- 10 million a year to absorb new labor market entrants
- 5 million people must be re-employed

Analogy: this is tantamount to employing the entire population of Chile in a single year.

Statistics: according to the CIA World Factbook, in 2007 China employed 345 million people in different segments of the farm sector and 457 million in the services and industrial sectors.

Growth in Income in the 1990-2007 period:
- Urban area: USD 250.00 to USD 2,500.00
- Rural area: USD 100.00 to USD 650.00 (unofficial).

Despite declarations by reformist authorities that they are driving for greater equality, the socialist economic regime with Chinese characteristics, like the capitalist market economy, seems to tolerate greater income-related social inequalities.

Principles of the Special Economic Zones (SEZ)

• To attract and use foreign capital
• To establish Sino-foreign joint-ventures and total foreign ownership
• To produce manufactured products for export
• To engage in market-oriented economic activities

The SEZs are listed separately in national planning (including financial planning) and have the same economic power as the provinces. Furthermore, their administrations and congresses have legislative powers.

Official statements and China's national culture

At the 14th National Congress of the Communist Party in 1992: "The goal of our political reform system is to establish a socialist political democracy with Chinese characteristics, and not a multi-party or parliamentary system."

Jiang Zemin: "Three Represents: Businessmen, National Utilities and Democrats". Comprehension of the critical role played by the new elites, especially that of entrepreneurs and technology experts.

Hu Jintao: "Small comfort" or "New Deal". Development of inland areas, greater institutionalization and political transparency, and setting up of a social security network for the poor.

Confucianism: emphasis on authority, hierarchical order, and collectivism.

Japan

Japan is currently the world's second ranking economic power. Its GDP amounts to approximately USD 4.3 trillion for a population of only 127 million inhabitants. In other words, its per capita income is USD 33,800.00. This is the result of a new project implemented in the country by former Prime Minister Junichiro Koyzumi. I do not mean to say that Japan is following China's example of heavy capital investments and economic benefits, because Japan has been making investments and granting such benefits since the end of World War II.

Japan' economic turnaround was different. It was cultural. The country's recession was due to a lack of leadership, of someone capable of playing the role of production catalyst. In the end, it was former Prime Minister Junichiro Koyzumi who took on that responsibility. He consolidated a motivational impetus, a feeling that changes in the country were a necessity.

Highlights (2006)

- USD 1.7 trillion in investments by the world's largest bank, the Mitsubi shi UFL Financial Group.
- USD 3.3 trillion invested in postal services, the largest postal savings

Commercial Exchange Brazil and Japan (in millions USD)

Year	Exportation	Importation	Brazillian Balance	Commercial Trade Total
2001	1.989,773	3.063,629	-1.073,856	5.053,402
2002	2.102,539	2.347,528	-244,989	4.450,067
2003	2.315,632	2.520,542	-204,910	4.836,174
2004	2.774,247	2.868,677	-94,430	5.642,925
2005	3.482,616	3.405,021	77,595	6.887,637
2006	3.894,521	3.839,633	54,888	7.734,155
2007	4.321,335	4.609,392	-288,057	8.930,727

Font: MDIC/SECEX - Brazil

system in the world.

- The world's second-largest Stock Exchange with USD 5.3 trillion in in vestments.
- Japan is home to the world's leading car assembly plant, Toyota.
- Japanese manufacturing plants account for the use of more than half of the robots in the world.

Japan's imperialist culture paved the way for all of these changes. The "Imperial Will" lives on under the mantle of democratic policy. I am using imperialist here in the sense of the chain of command. One person with a strong will to change who inspires others to share that will is sufficient to bring about change in the whole country. And that is precisely what Koyzumi did.

As a result, government-industry cooperation, a strong sense of work ethics, technological specialization, and a high level of education were catalyzed, thereby allowing the country to recover from the fall it suffered in the late 20th century.

But past events should always be remembered to avoid their recurrence.

The difficult '90s

According to World Bank data, in 1994 Japan was the second-wealthiest nation in the world in terms of per capita income, USD 28,100 at the time. In just three years, the country's per capita GDP grew 24.5%, to USD 35,000.

However, in the early '90s, that wealth was unable to prevent the country – then considered the third economic axis (USA, German and Japan) – from facing its most serious financial crisis since the end of World War II. To this day, albeit to a lesser degree, some Japanese credit institutions still have outstanding receivables averaging USD 650. Whether these loans will ever be paid we cannot say. Everyone in Japan fears the risk of bank and financial insolvency.

The country faced a situation that combined a general drop in prices, an unprecedented increase in unemployment, and stagnation in the real estate business (fairly similar to what is currently happening in the USA, bearing in mind the due proportions of the crisis in relation to the country's overall economy). In Japan, all these factors combined translated into a severe recession. Unemployment hit what was then a record level of more than two million people out of work, and that level continued to rise over the following months until it hit nearly three million.

The International Monetary Fund-IMF, which was very active in the second half of the 20th Century, issued a document entitled "Japan Alert", with a warning that this Asian power was going through the worst recession cycle in its post-war history. To solve the problem, "radical steps" were required to boost economic activity. Despite differing opinions regarding the steps that the IMF had suggested, the Fund's report did point out a worrisome reality.

The number of bankruptcies had stepped up 21%, to a total 1361 cases. It was yet another unfortunate record showing how serious the crisis had become.

During the 1997 World Economic Forum, international experts claimed that Japan posed a major problem to the world economy. It was deemed an obstacle to international financial stability.

There was an immediate run on the banks. Fear of a bank crisis drove many Japanese to withdraw all of their savings. And rightly so, because the most traditional Japanese credit institution, Cosmos Shinyo Kumai, declared bankruptcy shortly thereafter. The same happened to the Hyogo and Kizu Banks and Yamaichi Securities – the latter having been in business for more than 100 years. The situation was indeed most serious for a country that had boasted the most powerful banking network in the world – nine of the world's top ten banks were Japanese. They all reported losses in the 1995-1996 biennium.

The Japanese banks are currently gaining strength and I believe that they will again come to rank among the world's strongest and most important banks. I make this point because US banks are clearly weakening, as are the French banks.

Further in relation to the Japanese crisis: in an attempt to bolster the economy, interest rates were lowered to 0.5% per year in 1995. That same year the Japanese government announced a tax-cut package on the order of USD 20.2 billion, just as George W. Bush did in the United States in early 2008. In 1998, the Japanese parliament had already approved incentive packages amounting to more than USD 600 billion.

Despite the measures and belief in the possible recovery of Japan's economy, the financial market was taken aback by the news of Bank Daiwa's USD 1.1 billion in accumulated losses. Daiwa was one of Japan's leading commercial banks and ranked 19th in the world at the time. This reminds me of Citibank today – reminding that it is part of the world's largest financial group, the Citi Group.

To illustrate the world's perception of the Japanese situation, the Federal Reserve feared that 400 banks in that country might fail. The fear was that a crisis sweeping across the Eastern islands might trigger global depression of the same proportions as the crash of 1929.

Brazil-Japan Trade Relations

While Japan has been pushing to increase foreign trade through preferred trade agreements, Brazil has taken a laid back stance, even though it is clear that the Brazil-Japan trade volume has declined.

In the 2001-2006 period, Brazilian imports from Japan exceeded its export to that country. In this period, Brazil imported a total USD 18 billion, and exported USD 16.5 billion. This balance in favor of Japan has been the trend since 1994 and was no different in 2007 when Brazil imported USD 4.6 billion and exported USD 4.3 billion.

Main Brazilian exports to Japan include traditional farm products and minerals (ore and semimanufactured products). These account for 70% of the total. Brazilian imports from Japan consist primarily of manufactured goods for the automotive and machinery industries.

Although the trade balance is more favorable to Japan, it is very important that Brazil strengthen its commercial ties with that country. Total exports to the Far East represent almost 3% of Brazil's total exports. Furthermore, Brazil is home to the largest Japanese colony outside of Japan. Since the arrival of the first Japanese immigrants in 1908, billions of dollars worth of investments have poured into Brazil. Large Japanese companies such as Sony, Toyota, Mitsubishi, Semp Toshiba, Canon, Fujitsu, Hitachi, JVC, NEC, Panasonic, and others have invested heavily in Brazil.

Unlike the Chinese, who formed colonies in specific locations, the Japanese came to Brazil with a different idea. Despite their completely different culture, a successful blending of the two cultures was achieved. The good relationship between the two cultures currently enjoy was established thanks to the fact that Brazilians gave the Japanese a warm welcome and the Japanese immigrants adapted quickly to their new country.

I believe that the centennial of Japanese immigration to Brazil will be a milestone in bilateral trade relations. This is especially true at the moment when Japan is showing signs of recovering from economic stagnation and Brazil's macroeconomic fundamentals have been registering stability.

Although the traditional products continue to make up the bulk of our exports, I feel confident that the export agenda will be broadened to include higher value added products such as semimanufactured and manufactured products. In fact, it is quite possible that the Japanese market will become interested in buying a more diverse range of Brazilian products.

In my eleven years of dealing with Japanese businessmen I have noticed that transfer of technology has been a two-way street. We never demanded anything in return, but we have reached agreements with the Japanese on mutual transfers of technology, personnel training, and the expansion of business activities. For example, the first mobile telephone made in Brazil was made using Japanese technology.

When we took control of the NEC subsidiary in Brazil, its sales were a reported USD 70 million per year. When we sold it, sales had climbed to an annual USD 700 million. This shows how a Brazil-Japan partnership, solidly based on a hundred years of friendly relations, tends to be more successful.

India, the elephant country

Personally, I like to compare India to an elephant because they have similar characteristics. Like the elephant, India, with its 1.1 billion inhabitants, learns very quickly.

Unlike the other Southeast Asian countries, India had the advantage of having been colonized by the British. This allowed them to cultivate political and economic generations of people whose thinking is closer to that of the West. The country underwent globalized development at the same time as this process was underway throughout the world. Although India is a country with strong nationalistic feelings, its capacity to innovate, inherited from the Anglo-Saxons, is astonishing.

This has to do with to the excellence of its university system, which enabled India to create an elite. In the beginning, it seemed that the university students were merely out for a good time and that their sole aim was to go abroad. But what we see today is that it is these very same people who are investing in their own country. Let us get a clearer idea of this context.

It all started more than two centuries ago.

On the eve of the Industrial Revolution (around 1770), India was the second-largest economy in the world and accounted for more than 20% of the world's total output. By the '70s, after facing relative economic stagnation for two centuries, trade had dwindled to one of the lowest points in the country's history.

After declaring its independence in 1947 under Gandhi and his thousands of followers, the policies implemented in India had an interventionist trait that changed the course of its economy. Business and the economy were severely constrained, which resulted in decades of low growth rates.

But reforms initiated in the beginning of 1991 led to gradual lifting of trade barriers and the country began staging its re-entry to the world economy as a major player, a position it had occupied since the great discoveries.

Since 2003 India has been among the developing economies featuring the highest growth rates, upholding a GDP growth rate of 8% per year.

According to international experts and analysts, projections on India show that the economy is capable of upholding this growth rate until 2020. The basic underlying assumption, of course, is that the government will continue to implement solidary growth policies.

It is likely that India's per capita GDP will multiply fourfold over the 2007-2020 period. Consumption will increase fivefold, above all in car purchases. The demand for oil will triple. But there are controversial opinions. The bone of contention is a gap in the middle-school level which, although schooling is still considered to be on a satisfactory level, could adversely impact India's future growth.

In any case, a large majority of international trade analysts claim that India will surpass the economies of the G6 countries around the year 2050 and will rank second only to China among the world's largest economies.

In this analysis, we must take into account that India is a major player in the nuclear field, in information technology services, in mathematics, and in the information technology and automotive sectors. It is also in a geographically strategic position, serving as a buffer against Russian and Chinese power. India is a very major factor in the balance of power between those two forces. The counterpoint is the country's ongoing clashes with Pakistan, a disaggregating factor.

Brazil-India Relations

The ties between India and Brazil date back five centuries. The Portuguese explorer Pedro Álvares Cabral was sent to India by the King of Portugal soon after Vasco da Gama returned from his pioneer journey. On that trip Cabral reported that his ship had gone off-course about half way

Commercial Exchange Brazil and India (in millions USD)

Year	Exportation	Importation	Brazillian Balance	Commercial Trade Total
2001	285,407	542,791	-257,383	828,198
2002	653,737	573,184	80,553	1.226,921
2003	553,696	485,744	67,952	1.039,440
2004	652,553	556,070	96,483	1.208,623
2005	1.137,930	1.202,914	-64,984	2.340,844
2006	938,889	1.473,952	-535,062	2.412,841
2007	957,854	2.164,808	-1.206,954	3.122,663

Font: MDIC/SECEX - Brazil

through the journey. The result was that Brazil became an important Portuguese colony and a stopover on the lengthy trip to Goa. This Portuguese connection led to the trading of farm products between India and Brazil way back in their colonial days.

But diplomatic relations between India and Brazil were only established in 1948, when the Indian embassy was opened in the City of Rio de Janeiro. It was subsequently relocated to Brasília on August 1, 1971.

The two countries have some similar characteristics: continental dimensions, social diversity, democratic government regime, and multi-ethnic populations. Both also have cutting edge technologies, share the same approach on issues of interest to developing countries, and have cooperated mutually in various multilateral forums on international trade and development, environment, United Nations reform and expansion of the UN Security Council.

On the intergovernmental level, the two countries have mutual cooperation programs in the fields of trade and economics, science and technology, agriculture, health, and environment.

Brazil-India relations have increased substantially in recent years, and the cooperation between them has extended to areas such as science, technology, space, and pharmaceuticals. Bilateral trade in 2007 hit the USD 3.1 billion mark, the equivalent of 1.1% of Brazil's total foreign trade. This represented 29% growth as compared to 2006 when bilateral trade amounted to USD 2.4 billion.

I cannot fail to mention that Brazil having identified India as a country of great opportunities is very gratifying. Should the authorities of these two countries devote themselves to becoming facilitators, entrepreneurs on both sides will soon begin to make more investments and trade will grow. Energy is one good example of a field that has potential.

India, which imports more than 75% of its oil needs, is very interested in pursuing alternative, less costly, sources of energy capable of reducing its dependence on black oil. Brazil is a major producer and exporter of ethanol that could fuel 80% of the new cars sold in India.

Therefore, I believe that it is possible to attain the goal the Brazilian government is seeking to achieve – that of increasing Brazil-India trade to USD 10 billion. This is undoubtedly a challenge since it calls for tripling the current trade volume, but it is not impossible.

Asian Tigers

Last but no less important in regard to Asia, I would like to address the phenomenon of the 1980s – the Asian Tigers.

In the first place, the name "tiger" was given due to the economic aggressiveness shown by certain Asian countries during the '80s. These countries had been relatively poor in the '60s when certain of their social indicators were on a par with those of African countries. As of the '70s, the economic profile of these nations began to change significantly thanks to strategies implemented to attract foreign capital, underpinned by cheap labor, tax exemptions, and low installation costs for multinational companies.

As a result of such measures, these countries began to register high growth rates and export-oriented industrialization. Moreover, domestic consumption was discouraged by means of high government tariffs.

The choice of the electronics industry as the export-oriented growth factor brought quickly growing economic prosperity to some of these so-called "tigers", the first of which were South Korea, Taiwan, Hong Kong, and Singapore. Ten years later, Malaysia, Thailand, and Indonesia had also become part of the Asian group. In the '80s, despite the world recession, they reported an average 5% yearly growth rate thanks to industrial production that targeted the foreign markets of Asia, Europe, and North America.

Taiwan

Capital: Taipei
Area: 35,900 sq. km
Population: 22.8 million
Official GDP: USD 375.6 billion
Per capita GDP: USD 16,500
Total exports: USD 246.7 billion
Total imports: USD 219.3 billion
Total trade volume with Brazil: USD 3.1 billion
Brazilian trade balance: deficit of USD 1.47 billion

Taiwan, a typical capitalist country, is now experiencing a new government policy of decreasing investments, especially in foreign trade. If the policy is maintained, we will probably see a wave of privatizations, starting with the banking sector. Average GDP growth has been 8% in the last 30 years. Inflation and unemployment levels are low, the latter on the order of 4%.

In the last few years, traditional labor-intensive plants have been transferred to other countries. As a result, the tendency now is towards the development of industry that features high technological capacity.

The farm sector, although it accounts for only 3% of GDP, is highly developed. The main cultures are sugar-cane, rice, vegetables, fruit, and tea. Mineral resources are limited to coal and gas. Nuclear plants supply half of the power consumed in this country.

Taiwan is noted for its production of textiles, electric and electronic goods, plastic products, and toys.

Hong Kong

Capital: Hong Kong
Area: 1,090 sq. km
Population: 6.98 million
Official GDP: USD 203 billion
Per capita GDP: USD 29,000
Total exports: USD 353.3 billion
Total imports: USD 371.3 billion
Total trade volume with Brazil: USD 1.93 billion
Brazilian trade balance: surplus of USD 736.42 million

Hong Kong, a former British colony, served as a trading post between the Chinese and the outside world prior to China's re-opening to foreign trade in 1978. On the other hand, China supplied most of Hong Kong's food needs and in turn imported industrialized products, and benefited from investments and technology transfers carried out with the island country.

The port of Hong Kong handles 5.5 million TEU (20 ft equivalent) containers. This placed it in 3rd place worldwide in 2007, behind Singapore and Shanghai.

Hong Kong has been undergoing strong industrial development, especially in the clothing, toy, textile, electronics, and cinematography industries, as well as in its traditional shipyards. More than 90% of its industrial output, stemming from investments by British, Japanese and US companies, is exported, which makes Hong Kong's

economy vulnerable to world market fluctuations. In fact, this is one of the characteristics of the Asian Tigers.

South Korea

Capital: Seoul
Area: 98,480 sq. km
Population: 49 million
Official GDP: USD 981.9 billion
Per capita GDP: USD 20,000
Total exports: USD 371.5 billion
Total imports: USD 356.8 billion
Total trade volume with Brazil: USD 5.43 billion
Brazilian trade balance: deficit of USD 1.34 billion

In the '80s, South Korea's market was smaller and poorer than Brazil's. Today, we know that this situation has been reversed, due primarily to investments in education. The great dilemma of this country, which occupies the southern portion of the Korean Peninsula, is its relationship with North Korea. For how long will South Korea continue to be threatened by its neighboring sister country? And what will happen to North Korea in the next 20 years?

Uncertainties aside, the fact is that South Korea has a developed industrial sector, especially in the naval equipment, steel, automotive, textile and electronic goods industries. In addition, it imports a lot of machinery and mineral products, and has scant energy resources. Here lies an opportunity for those with vision.

In regard to the farm sector, South Korea's high population density – 400 inhabitants per square kilometer – has led to a reduction in available arable area and the consequent scarcity of farm products. Food supply is supplemented by the fishing industry and imported foodstuffs.

Singapore

Capital: Singapore
Area: 692.7 sq. km
Population: 4.5 million
Official GDP: USD 153.5 billion

Per capita GDP: USD 34,100
Total exports: USD 450.6 billion
Total imports: USD 396 billion
Total trade volume with Brazil: USD 2.59 billion
Brazilian trade balance: surplus of USD 170 million

Singapore, an island country located in southwestern Asia at the extremity of the Malayan Peninsula, has been independent since 1965. Although hardly more than a dot on the world map, the country is by no means insignificant.

Year after year, Singapore has further enhancing its position as an international financial center – especially among the countries that make up the group of Asian Tigers – due to its trade balance figures. In addition, Singapore's economy has become specialized in high technology and thus attracted investments by both Japanese and American companies. The services industry is extraordinarily strong, accounting for more than 60% of the country's GDP.

Singapore's strategic location guarantees that its port handles more traffic than the port of Hong Kong, more than six million twenty-foot equivalent units (TEUs).

It is thanks to these characteristics that Singapore has become the headquarters of some large international companies such as MobileOne, MediaCorp, Singapore Airlines, StarHub, DBS Bank Limited, Flextronics, and Creative Technology Limited.

Malaysia

Capital: Kuala Lumpur
Area: 329,750 sq. km
Population: 24.8 million
Official GDP: USD 165 billion
Per capita GDP: USD 6,600
Total exports: USD 169.9 billion
Total imports: USD 132.7 billion
Total trade volume with Brazil: USD 1.96 billion
Brazilian trade balance: deficit of USD 600 million

Malaysia is composed of West Malaysia (on the Malay Peninsula) and East

Malaysia (consisting of two territories, Sabah and Sarawak, situated on the western side of the island of Borneo in Indonesia).

The country has a strong farm sector that is divided into a segment that produces staple food such as rice, and another segment where farming is conducted in the form of large plantations, a legacy from the colonial period. Malaysia is the largest producer of vegetable oil and natural rubber worldwide and also produces bauxite, tin in large quantities, and oil.

Its rapidly expanding industrial sector is processing farm and mineral products, and diversifying production to include mechanical, and electrical and electronic products as well. One of Malaysia's interesting feats was to develop industrial zones for small state-of-the-art companies. This boosted Malaysia's economy as of the '90s and insured its inclusion in the group of Asian Tiger countries.

Exports are primarily destined to supply the Asian countries, Great Britain, Germany, and the United States. The lifting of trade barriers once again fostered the entry of foreign investments into the country, making its capital, Kuala Lumpur, known worldwide. Kuala Lumpur currently centers large investments in the real estate business. The 450 meter tall Petronas Twin Towers symbolize the ongoing real estate boom.

Thailand

Capital: Bangkok
Area: 514,000 sq. km
Population: 65 million
Official GDP: USD 225.8 billion
Per capita GDP: USD 3,470
Total exports: USD 143.1 billion
Total imports: USD 121.9 billion
Total trade volume with Brazil: USD 1.97 billion
Brazilian trade balance: deficit of USD 37.56 million

Once officially called Siam, Thailand was the center stage of many conflicts and battles in the 17th and 18th centuries. It lies in the western half of the Indochinese Peninsula and the valley of the Chao Phraya River plays a major role in its economy. Thailand has a tropical mountain climate and its central region features fertile plains bordered by mountains to the north and west. Rice, cassava, and corn constitute the main crops grown on the central plains. Livestock farming features cattle, buffaloes, and pigs.

To the north and west, the mountains are covered by tropical forests from which wood is extracted. Rubber and kenaf (a type of jute fiber) are the cash crops in the south, in the Malay Peninsula. Fishing is also a relatively important economic activity in Thailand.

Foreign investments – from Japan, Taiwan, and South Korea – caused the industrial sector to begin implementing changes as of the '80s. In the past, that sector had focused mainly the processing of farm and mineral products (tin, for example).

Although still somewhat constrained by deficient infrastructure and a lack of skilled labor, Thailand's economy has been making great advances, especially in the commercial exploration of natural gas, and manufacture of petrochemicals and electronic products.

Tourism and exports of farm products (rice, corn, and rubber), textiles and cars are important sources of revenue. As of the '90s, Thailand began to stand out in the limelight of international finance communities as one of the new Asian Tigers. However, the country did not escape the 1997 financial crisis unscathed. Its currency was hit by a serious speculative attack. Again, that characteristic shared by the other Asian Tigers: dependence on foreign markets.

Vietnam

Capital: Hanoi
Area: 329,560 sq. km
Population: 85.26 million
Official GDP: USD 66.4 billion
Per capita GDP: USD 778.8
Total exports: USD 48.3 billion
Total imports: USD 60.75 billion
Total trade volume with Brazil: USD 323.2 million
Brazilian trade balance: surplus of USD 109.5 million

Vietnam is known internationally mainly because of its war with the United States. From 1964 to 1975 the country's economy depended heavily on the farm sector that accounted for roughly 60% of its GDP. This scenario began to change in 1991 when the government redirected the economy to foreign trade,

and the country benefited from ongoing injections of foreign capital. More recently, Vietnam's economy got a boost by joining the World Trade Organization-WTO. Today, the farm sector accounts for less that 20% of total GDP, while industry represents 42%.

The country has scant mineral resources with the exception of coal and phosphate deposits, and more recently, oil deposits discovered on the continental shelf that have attracted investments from France, Great Britain, Hong Kong, Australia and the Netherlands.

Furthermore, Vietnam has established more dynamic relations with the southeastern and eastern Asian countries. It obviously still has certain limitations in terms of infrastructure, as is the case with all developing countries. But the Vietnamese government's goal is to achieve GDP growth of 7% to 8% per year over the next four years.

Indonesia

Capital: Jakarta
Area: 1.92 million sq. km
Population: 234.7 million
Official GDP: USD 410.3 billion
Per capita GDP: USD 1,748
Total exports: USD 118.4 billion
Total imports: USD 86.24 billion
Total trade volume with Brazil: USD 1.58 billion
Brazilian trade balance: deficit of USD 200.5 million

Indonesia – a large island country located in Southeast Asia – comprises most of the islands of Insulindia (or the Malay Archipelago) between the Pacific Ocean on the East, and the Indian Ocean on the West. It is a country of rare natural beauty; an archipelago extending over 5000 km from East to West, and over 1500 km from North to South.

Most of the Indonesian islands are mountainous, and many are of volcanic origin with scant flatland. The climate is typically equatorial – hot and humid, which explains the dense forest that originally covered more than 60% of the country's territory.

It is for this very reason that Indonesia is a popular location for major

Hollywood movie productions and has more tourists visiting it each year than Brazil. It is not that Brazil lacks tourist potential (it may even have more in view of its size and diversity), but the Indonesians are more knowledgeable in regard to taking advantage of their potential. Unfortunately, the tragic tsunami that hit the country in 2004 and the earthquakes in 2006 and 2007 have driven off a great many foreign tourists.

Farming provides jobs for close to 43.3% of the work force. Thanks to mechanization and irrigation, Indonesia has achieved self-sufficiency in terms of food, especially rice, the country's basic food staple. Other crops such as rubber are grown on large plantations, another legacy from the colonial period, and fishing is an important source of food and revenue for the population.

Mineral resources such as oil and natural gas are abundant. Hydrocarbons account for 70% of Indonesian exports, mostly aimed at the Japanese market.

The industrial sector is registering strong growth driven by the exploration of tin, copper, nickel and bauxite mines. Output is quite diverse and includes heavy industrial products (steel and cement), production goods, and consumer goods.

The country's open-market policy, introduced in the '80s, attracted a lot of foreign investments, and brought about its entry into the group of newest Asian Tigers. Expectations regarding sharp economic growth as of the '90s were shattered by the crisis that hit the Asian stock exchanges in 1997. Now, ten years later, the scenario has become quite different. In the 2005/2007 period, the Indonesian stock market ranked among the world's top three best-performing markets. This was made possible thanks to government-implemented financial-sector reforms that ensured greater security. And, with a view to further boost the economy, the government announced the privatization of more than 100 government-owned companies, many of which held monopolies in strategic sectors.

Lessons to be learned from the Asian Tigers

Why is Brazil unable to follow the example of the Tigers? Because some things work and others do not; it all depends on where they are applied. All those small Asian economies turned to foreign trade, to exports, as we saw above. In our case, we are not totally prepared to be full-fledged exporters, which is why, since the '70s, our share in world trade has never surpassed 1%. Although Brazil's foreign trade amounted to USD 280 billion in 2007, we could be trading USD 600 billion, especially because of the size of the country. Why aren't we?

Because red tape and deficient infrastructure are blocking the way. And what did the Asian Tigers do? Besides innovating, upgrading education, and lending government support, they built a logistics and technology framework.

Brazilian corporate organizations are going down the wrong path when they waste time arguing about whether the US dollar is devalued or not. Their goal should be to improve infrastructure and make it work. This is what the Asian Tigers did in order to become major exporters. Trade flowed and allowed countries the size of South Korea to rank among the developed countries.

Thailand is another example. In February of 2007 I hosted a lunch for Thailand's former prime minister, who confirmed my views on two points. "Brazil and Thailand are highly complemental and have huge business potential, especially in the market of renewable energy," he said. And added, "Brazil could be the world's leading fruit and flower exporter, but it still lags far behind in the field of genetics". Thailand was a backward country in many aspects, but after establishing growth goals for the next ten and twenty years, aligned to growth strategies, the country may yet attain the current economic standards of South Korea and Taiwan.

The lessons we can learn from the Asian Tigers are: discipline in planning, close attention to infrastructure, and the lowering of trade barriers. We could take advantage of the examples set by the Asian Tigers and reduce our resistant and timid approach to foreign trade. If we do not change things from the way they stand today, within ten years – a not so distant future – we may yet go back to seeing trade deficits. Brazil has all the prerequisites needed to double its world market sales.

Chapter III

Brazil's Role in Europe

Europe is the old continent and center stage of world decision-making since before the discovery of Brazil. Home to several international organizations such as the WTO in Switzerland and Greenpeace in Holland, Europe features cultural diversity and historical wealth. It serves as an example insofar as creating the integration of common interests is concerned. Samples of this characteristic are the drawing up of a constitution for the member states of the bloc known as the European Union, and fostering of the membership of other nations such as the former Soviet Union countries in the bloc.

To Brazil, Europe is a continent of substantial relevance from various standpoints. Historically: Portugal was the birthplace of Brazil's history. Culturally: we inherited a diversity of cultural traits from countries such as Germany, Spain, Italy, and Holland. Economically: the significant flow of investments into Brazil from the time the European immigrants began arriving in the country right up to the present have changed many of its aspects and customs. The Brazilian telecommunications sector has seen substantial change since the Spanish Telefónica group acquired Telesp. Another example is the prospect of investments in the tourist business – amounting to roughly USD 7 billion up to 2011 – on the part of Portugal, Spain, France, Sweden, and Italy.

The 27 European Union member states, with their 490 million inhabitants, produce close to USD 16 trillion in GDP, higher than that of the United States and equivalent to 29.8% of the world's total wealth, a reported USD 53.6 trillion in 2007.

In view of all of these characteristics and the results of assessments on the region that my partners and I conduct each year, I believe that the European Union will remain politically stable and a major economic power over the next ten years. The EU's greatest challenge will be to continue upholding economic growth rates on the same 2% and 3% per year level should projections on the impact of China's economic power materialize.

The Mercosur and free trade with the European Union: problems and compensations

Compared to Mercosur, the European Union is a giant. On our side, the total wealth registered by the five member states (Brazil, Argentina, Uruguay, Paraguay and Venezuela) amounts to USD 2.2 trillion for 266.5 million inhabitants. If we include the associate member states (Columbia, Chile, Peru, Ecuador and Bolivia), the total climbs to USD 2.97 trillion for a population of 365.5 million inhabitants.

The two blocs have been trying to negotiate a free trade zone agreement since 1999. From the European viewpoint, the goal is to prevent possible Mercosur preferential trade agreements with the United States and Canada from causing Europe to lose market share. From the Brazilian viewpoint, there are those who foster the hope that negotiations with the European Union may offset pressures brought to bear on us by the United States.

But to my way of thinking, there is no doubt that Brazil must expand and diversify all of its international trade relations in general. To take advantage of divergences and conflicts among developed countries whenever possible may be a good strategy, a pragmatic approach. Clearly, if we view the negotiations solely from an economic viewpoint, a free trade agreement eventually forged between

Commercial Exchange Brazil and European Union (in millions USD)

Year	Exportation	Importation	Brazillian Balance	Commercial Trade Total
2001	15.487,553	15.445,713	41,841	30.933,266
2002	15.608,902	13.495,827	2.113,075	29.104,730
2003	18.816,321	13.053,370	5.762,951	31.869,691
2004	24.675,714	15.990,578	8.685,556	40.665,872
2005	27.039,480	18.235,584	8.803,896	45.275,064
2006	31.044,980	20.202,545	10.842,435	51.247,524
2007	40.428,036	26.737,362	13.690,674	67.165,398

Font: MDIC-SECEX - Brazil

the European Union and Mercosur will basically pose the same problems we had with the stalled FTAA - Free Trade Agreement of the Americas negotiations. We will be incurring the same strategic error: the idea that the conflicting interests of a developing country like Brazil, might be taken into consideration in any free trade bargaining with consolidated and far more powerful economies.

There are also enormous structural differences between European Union and Brazilian corporate frameworks. Some may maintain that it is dangerous to open the Brazilian market and expose our companies to free and unrestrained competition with large European corporations. On the other hand, a greater inflow of European capital into the country could foster improvement in our domestic logistics infrastructure. Another likely controversial point is that the two sides have different opinions regarding what actually constitutes a free trade economy. The Europeans, above all the French, have strongly demonstrated their lack of flexibility on certain issues of top priority interest to Brazil. The most notorious example is agriculture. In addition, the European Union wants the agenda to include issues that, to Brazil, are problematic, such as government procurements, services, and investments.

But there are other points of interest that fall beyond the scope of trade relations. I see the enormous potential for the blocs to reach understandings on issues that include, but are not limited to, climate change, poverty, multilateralism, and human rights. A partnership would be of strategic interest, since it could provide the global framework for joint action and consistent actions in sectors such as energy, research, and regional development.

The most recent move towards a possible agreement occurred in March 2008, when representatives of the European bloc and President Luiz Inácio da Silva, together with Brazil's Foreign Relations Minister Celso Amorim, met in Lisbon (Portugal) to discuss the strategic partnership. The talks served to reinforce political dialogue and make ideas regarding cooperation on the global scene more effective.

Generally speaking, the European Union believes that opening the market to Mercosur countries should benefit its member states. This is true, but concessions will have to be made, especially in the agricultural sector. That this constitutes a stumbling block is no surprise because there are many points of controversy within the EU itself, especially with France. What we cannot allow ourselves is to give up; we must attempt to find a solution to the stalemate. That is exactly what I do in the course of my

trips to the European Community three times a year.

Brazil would not be the only beneficiary in the case of an agreement. The reaching of an agreement would be a boon to the prosperity of Latin America as a whole.

Technological Partnership

José Manuel Rodriguez, representative of the European Community, visited the State of São Paulo Federation of Industries (FIESP) in 2007. During his visit, he presented the European Community's Seventh Framework Programme for Research and Development. This is the greatest international science, technology and innovation program to date and Brazil has already been named a partner.

The program's current budget is 54 billion Euros, which makes this Framework Programme the European Union's main funding instrument for research and development activities since 1984. The new project proposes to stimulate research and implement technological innovations in small, medium-sized, and large companies.

This cooperation agreement is, therefore, critical to the development and strengthening of Brazilian companies. After all, without technological innovation companies lose their competitive edge and their capacity to survive on the market.

Turkey's Membership in the EU is an empathy test case

Turkey's membership in the European bloc is highly sensitive in many aspects. The first, and perhaps the most complex aspect, is that Turkey's entry into the European Union will call for coexistence between Muslims and Christians on the old continent.

All are aware that population growth among people of Islamic origin in West European countries is a matter of increasing concern in official circles due to the constant threat of terrorist attacks. There are currently some 12.5 million Muslims living in the European bloc. If Turkey becomes a member, it will enlarge that population by 71 million people, 99.8% of them Muslims.

Although its population is predominantly Muslim, Turkey's Constitution, legacy of a revolution led by Mustapha Kemal Ataturk in the '20s, strictly establishes the separation of religion and state. On several occasions in the country's recent history, parties that defended a State based on Islamic laws and traditions were roundly defeated.

One fact is undeniable: to be part of the European Union means being part of one of the most successful social and economic integration processes in the last 50 years. The Turkish people would have access to the European market (in which the Turkish economy already plays a role), to financial aid for poor countries, and to a strong currency, the Euro, with all the advantages such a move could bring. Furthermore, its membership would constitute a major strengthening for Turkish secularism. Turkey's drive for EU membership is not a case of myopic vision on the part of leaders attempting the impossible, but the result of a meticulous analysis of gains and losses.

Furthermore, the country is also seen by the Western world as a model of Islamic democracy to be followed by those Middle Eastern countries still under authoritarian regimes. It is with this view in mind that some European governments and the United States believe that by extending some of the economic and social benefits of the European Union to Turkey, they would be rewarding a country that opted for democracy and moderate Islamism, and sending a message to Turkey's neighbors in the Middle East.

Would the countries of the Middle East really share this perception of the change in conduct? Only time will tell.

Actually, from the European standpoint matters would be best left alone for some time while awaiting new opportunities for talks. It would be even better if the Turks would agree to act as a "bridge" between the European Union and the Islamic world without laying claim to full membership. Optimists hold that the matter is likely be decided by 2015.

From the Brazilian standpoint, if Brazil were to reach an agreement with the EU, Turkey's membership in the European Union would be advantageous, since the trade flow between our country and Turkey has been growing steadily. In 2004-2007, bilateral trade rose by 70.5%, that is, from USD 530 million to USD 903 million.

Russia's influence on European life and economy

Russia is a country of great historical and economic clout in the region. It also exerts strong cultural and territorial influence. It spans more

than 17 million square kilometers from the extreme West of Europe all the way to Asia. Recent history has shown the world that the Russians' capacity to adjust in the aftermath of profound change is phenomenal. They did so in 1917 (Russian Revolution); in 1922 (creation of the Union of Soviet Socialist Republics); and in 1991 (economic reforms). Besides, the changeover from a bankrupt socialist system to an unprepared capitalist system caused havoc among the population due to the lack of resources.

Today, Russian reality is quite different. It is easy to see that the change has been well received. In 2007 Russia grew 8.1% as compared to the previous year, a pace it has maintained over the past ten years. Russian foreign trade in 2007 totaled more than USD 625 billion.

As far as Russia's relationship with the European Union is concerned, the country supplies half of the energy imported by the bloc, a percentage that may climb to 70% by 2030. At the same time, Russia's strategic goal is to increase its oil and gas exports to Asia from the current 3% to 30% within 10 to 15 years. This will strongly enhance its influence in the Asian economies as well.

However, experts fear that Russian reserves are insufficient to meet European demand. Pessimistic projections indicate that if nothing is done by 2012, Europe may face a shortage of over 70 billion cubic meters of gas per year which according to estimates will be equivalent to one third of Europe's total natural gas needs.

Today, the only means of guaranteeing gas supply to the European continent is supply that comes directly from Russian gas companies such as Gazprom, which owns the largest natural gas reserves in the world and is an indirect economic branch of the Russian government. It is for this reason that the company has already shown interest in acquiring energy companies active in the European market.

A possible liberalization of the electric power industry in the region, which will involve roughly 68.5 billion Euros up to 2010, could consolidate Russia's and, consequently, Gazprom's position as global energy suppliers. The result of the recent Russian presidential election makes this even more evident. Despite assurances regarding the independence of that energy provider, it is Medvedev Dmitry Anatolievich who will seal the destiny of Gazprom.

The fact is that Europe is held captive to Russia, figuratively speaking, of course.

Brazil-Russia Trade Relations

Brazil-Russia trade relations have been expanding since the second half of the '90s. From 2004 to 2007, the trade flow between the two countries registered an average yearly 40.3% growth rate. In 2004, Russia's share in total Brazilian exports amounted to 1.5%. In 2007, it closed the year with a reported share of 1.9% of Brazil's total sales to the foreign market. In terms of US dollars, trade rose from USD 2.4 billion in 2004, to USD 5.4 billion in 2007.

At the end of 2007, Brazil's trade balance ran a surplus in excess of USD 2 billion, and this trend has been ongoing since 2001. The main Brazilian products sold to Russia in the course of these six years were sugar, beef, chicken and tractors.

In the opposite direction, the main products Brazil purchased from Russia were chemicals and oil products. However, we could buy and sell much more. We could easily triple this trade balance.

For example, the cost of power in Russia is lower than in Brazil. What the Russians are doing is transforming energy into an end product, whether it is generated by wind or by water. In the field of energy, Russia has an efficient planning system pegged to local production.

The greatest threat to Brazil-Russia trade relations is our failure to act. We must be more assertive and conquer new markets. The fact that we are so distant – a more or less 16-hour flight – no longer serves as an excuse for failing to expand our trade. Strategically, for reasons of its own, Russia has made no move to court us, so it is up to us to make the first move.

Eastern Europe

Eastern Europe was one of the regions in the world where socialist ideas had the greatest number of followers, and where socialism was the established political and economic regime for the longest period of time. After World War II, socialism was directly associated with national freedom, and many communist parties, especially due to the influence of the Soviet Union, rose to the command posts in local governments. However, when the Cold War ended, the eastern European countries gradually became liberal capitalist democracies.

The region has never before experienced such an auspicious period. Most of the countries have become members of the European Union (the Czech Re-

Commercial Exchange Brazil and Russia (in millions USD)

Year	Exportation	Importation	Brazillian Balance	Commercial Trade Total
2001	1.102,621	464,299	638,321	1.566,920
2002	1.252,511	427,740	824,771	1.680,251
2003	1.500,226	555,156	945,070	2.055,382
2004	1.658,048	808,034	850,014	2.466,083
2005	2.917,435	722,131	2.195,304	3.639,566
2006	3.443,428	942,574	2.500,854	4.386,002
2007	3.741,296	1.709,411	2.031,884	5.450,707

Font: MDIC/SECEX - Brazil

public, Slovakia, Slovenia, Estonia, Hungary, Latvia, Lithuania, Poland, Bulgaria, and Romania). The region is commercially prosperous, reasonably stable, institutionally democratic and, to a large extent, a secure business environment.

The region's GDP reached the level of 5.5% in 2007. Even Macedonia, an allegedly backward country, has reported an average growth rate of 4% per year since joining the European Union, a higher rate than that registered by "old Europe". We must, of course, take into account that all of these countries are investing heavily in infrastructure, which is not the case with the other countries of the bloc, which have been structured for quite some time. The growth rate in most of the eastern European countries exceeds 5% per year. Estonia and Latvia, for example, are growing at an annual rate of 7% and 10%, respectively.

But according to reports published by the respected magazine, "The Economist", the atmosphere is still surprisingly somber. According to this magazine, millions emigrate in search of work abroad, which prompts higher salaries, threatens competitiveness, and worries investors. Countries that have not yet joined the EU fear that even the rapid implementation of reforms will not improve their chances of membership. Romania, for example, experienced a drastic slackening in the political discipline required for it to join the European bloc, especially in regard to the high level of corruption and lack of transparency in public spending. One other issue of controversy is that none of these countries will adopt the Euro as their legal tender, as Slovenia has done.

Latvia may be downgraded in the near future if it fails to put its economy back on track. In 2006, its current account deficit reached 20% of GDP, the highest in the EU. This is the result of the increase in foreign bank mortgage loans to local banks, particularly Euro-denominated loans, which spurred the real estate boom. The same is happening in Estonia and Lithuania – in both cases also seemingly unsustainable. It is difficult to understand why, despite their brilliant architecture, real estate in the capital cities of the Baltic countries is more expensive than in Berlin, Vienna, or Frankfurt.

All three countries have fixed foreign exchange rates supported by foreign currency reserves. In a way it is reassuring that none has a high level of foreign debt. Latvia, for example, closed 2007 with foreign debt equivalent to 74.5% of its GDP. Estonia and Lithuania closed the same year with levels of indebtedness equivalent to 68.9% and 38%, respectively. Also reassuring is the fact that the volume of trade in their currencies and public securities is quite small, which leaves scant space for speculative attacks. But their fixed exchange rate system makes it difficult to maneuver in the case of any monetary squeeze. Furthermore, weak political coalitions undermine any expectations of stringent fiscal policy or structural economic reforms being implemented which might ensure their competitiveness in the face of rising costs.

Hungary also evokes a great deal of unease. The current government is attempting to regain control over public finances after an ostentatious move designed to win the 2007 elections. The Hungarians took huge loans in foreign currency, assuming that its membership in the Eurozone was a certainty. This created all the conditions for the terrible ensuing crunch that featured devaluation and recession.

The main flaw throughout the entire region is weak governments, and improvement will only come after years of good governance. Only time will place Eastern Europe on a par with Western Europe.

Brazil is failing to take full advantage of all the trade opportunities arising in this region. Despite the current difficulties these countries face, they will reach a high level of consumption, as did Portugal and Spain, which will spur a steadily increasing demand.

Just to give us some idea of how blind we are to the region of the former Soviet Union, trade with the Baltic countries amounted to USD 7 billion in 2007, with Brazil registering a surplus of USD 1.54 billion.

The leading European countries and their trade relations with Brazil (2007)

Portugal

Capital: Lisbon
Area: 92,400 sq km
Population: 10,600 million
Official GDP: USD 220 billion
Per capita GDP: USD 20,700
Exports: USD 50.72 billion
Imports: USD 72.19 billion
Foreign trade with Brazil: USD 2.14 billion
Brazilian trade balance: a surplus of USD 1.45 billion

The Brazil-Portugal trade flow grew 20.2% from 2006 to 2007. Considering the size of the Portuguese economy, this means that the country has strong commercial relations with Brazil. This is especially true in light of the total direct investment Portugal has made in this country: a total USD 8.6 billion in the 2001-2006 period.

In 2007, Brazil's imports of Portuguese products totaled USD 341 million, up 8.9% when compared to 2006. On the other hand, Brazilian exports to Portugal were up 23.2% to USD 1.8 billion.

I believe that Portugal has great potential to increase exports to Brazil, particularly due to their historic ties. Portuguese exports to Brazil are centered mainly on 18 products, which account for 83.3% of the total exported in 2007. Olive oil is at the top of this list, representing more than 20% of the total. What we lack in our bilateral trade is closer ties between Brazilian importers and Portuguese exporters.

In the case of Brazil's exports to Portugal, these consist mainly of 20 products, with crude oil topping the list at USD 644 million in 2007 and accounting for approximately 35.7% of total exports. But our direct investments in Portugal amounted to USD 5.8 billion in the 2001-2006 period.

Germany

Capital: Berlin
Area: 357,000 sq km
Population: 82.4 million
Official GDP: USD 3,260 trillion
Per capita GDP: USD 39,500
Exports: USD 1.36 trillion
Imports: USD 1.12 trillion
Foreign trade with Brazil: USD 15 billion
Brazilian trade balance: a deficit of USD 1.46 billion

Both trade and economic ties between Brazil and Germany date back centuries to when German immigrants first settled in Brazil, especially in the southern part of the country. German investors have always been attracted by the Brazilian market. On their part, the Brazilians have always been keen on building up strong and reliable partnerships that could help in bolstering the country's growth and modernization.

Several companies and institutions of German origin established in Brazil have contributed significantly to the country's progress, job creation, and development. This contribution brought in close to USD 10 billion in investments from 2000 through 2006.

Brazil is among the ten countries in the world where Germany invests most heavily. German investments have branched out into many important economic sectors such as the automobile and parts, machinery and equipment, and chemical and pharmaceutical industries. German direct investments have undeniably left a strong imprint on the Brazilian economy.

Among the main products Brazil exports to Germany are coffee, iron ore, cars, soybean oil, copper ore, and oil. These represent 34.9% of the total USD 7 billion exported to Germany.

There are currently 1,200 large, medium, or small sized companies with German capital operating in Brazil. These companies employ approximately 250,000 people and their sales are estimated at USD 33 billion, roughly 2.59% of Brazil's GDP (USD 1.27 trillion in 2007).

France

Capital: Paris
Area: 547,000 sq km
Population: 60,800 million
Official GDP: USD 2,510 trillion
Per capita GDP: USD 41,000
Exports: USD 559 billion
Imports: USD 601.4 billion
Foreign trade with Brazil: USD 7 billion
Brazilian trade balance: a deficit of USD 52 million

Brazil and the Brazilian people have always had very special affectionate and intellectual relations with France. It is no exaggeration to say that the French, due to reasons of intellectuality and culture, are greatly admired by and very dear to Brazilians.

The possibilities of exploiting the potentialities of their bilateral relations are not at all recent; they date back to the discovery of Brazil. The volume of French investments that have entered and continue to enter into the country is substantial and is the reason why France is at the forefront of Brazil's second car manufacturing revolution, having set up assembly plants in the states of Paraná and Rio de Janeiro. Leading French companies in the manufacturing and service sectors have subsidiaries in Brazil. In the 2000-2006 period, aggregate French investments in Brazil totaled USD 14.1 billion, and over this same period, Brazil invested almost USD 1 billion in France.

French brands are becoming increasingly familiar to Brazilian consumers. France has played a major role in the privatization of Brazilian companies, and continues to show interest in this field. On the other hand, bilateral trade requires more attention on the part of Brazilian authorities and entrepreneurs. Despite France's keen interest in Brazil, Brazilian exports to France represented only 0.57% of France's total imports in 2007.

In the 2002-2007 period, French sales to Brazil doubled, reaching to USD 3.5 billion in 2007. In the opposite direction, Brazilian exports rose from USD 1.5 billion in 2002, to USD 3.47 billion in 2007. This increase proves that trade has been expanding at a satisfactory, but by no means extraordinary, pace. European trade barriers on Brazilian products, especially on products of the farm and livestock sectors, are largely responsible for hampering exports.

Despite this protectionist policy, improvement of the Brazilian economy and the financial health of our companies could constitute an opportunity for us to explore a prospective partnership with France with renewed emphasis. On my trips to France, I have noted that there is still a strong interest in Brazil, mainly due to the fact that Brazil can serve a stepping stone for French companies to penetrate all the other Latin American markets.

Our products gained competitiveness when France began to awake to their differentials, especially after the celebration of the "Year of Brazil in France" in 2005. France is one of the countries where the Brazil brand has a place in the collective imaginary, and where we boast an enormous capital of fondness and good will.

To close my comments on this country, which I personally am very fond of, a friend of mine once said, "France is the only country in the world that is 100% communist, because the communist fundaments are all present, and the government functions like a single huge framework that accommodates all".

Spain

Capital: Madrid
Area: 504,780 sq km

Population: 40,450 million
Official GDP: USD 1,410 trillion
Per capita GDP: USD 31,230
Exports: USD 248.3 billion
Imports: USD 359.1 billion
Foreign trade with Brazil: USD 5.32 billion
Brazilian trade balance: a surplus of USD 1.63 billion

Spain is Brazil's third largest foreign investor. It invested roughly USD 20 billion in the Brazilian economy between 2000 and 2006, while Brazil invested USD 17 billion in Spain between 2001 and 2006.

The bilateral trade flow has been breaking successive records since 2003, and in 2007 hit the USD 5.32 billion mark, with Brazil exporting USD 3.48 billion and importing USD 1.84 billion.

Relations between Brazil and Spain have gained a new and stronger impetus in the past few years. In addition to their reaping benefits from forums such as the Ibero-American Community of Nations and talks leading to the Interregional EU-Mercosur Agreement, the two countries have established a strategic partnership, solidly anchored on initiatives and actions of mutual interest.

This partnership was further strengthened during President Zapatero's visit to Brazil in January 2005 when he signed the Brasilia Declaration that deals with consolidation of the strategic partnership between Brazil and Spain. The partnership was a call for cooperation to bring together the efforts of the two countries to eradicate hunger and poverty within the context of the "Millennium Goals", and to take part in mutual efforts aimed at peace and stabilization missions with a view to promoting democracy and social development.

Within this environment of increasingly closer political ties, trade tends to grow more in the coming years.

Italy

Capital: Rome
Area: 301,200 sq km
Population: 58,140 million
Official GDP: USD 2,060 trillion
Per capita GDP: USD 35,400

Exports: USD 474.8 billion
Imports: USD 483.6 billion
Foreign trade with Brazil: USD 7.81 billion
Brazilian trade balance: a surplus of USD 1.11 billion

We have a lot to learn from Italy, a country I usually refer to as our sister-nation, especially because of the large Italian community made up of people that immigrated to Brazil in the late 19th and early 20th Centuries. According to the General Committee of Italians Abroad, there are more than 23 million Italians and Italian descendents residing in Brazil, a number that corresponds to 12% of Brazil's population.

But what can we learn? How they conduct foreign trade, for example. Italian cottage industries and small companies once handled as much as 40% of international sales, whereas in Brazil most of our exports are in the hands of only 20% of the 18,000 export companies.

The Brazil-Italy trade balance runs a surplus in favor of Brazil since, in the last five years, our aggregate exports to Italy totaled USD 16.6 billion, and Italian exports to Brazil amounted to USD 11.9 billion. The only problem is that this USD 4.6 billion surplus does not reveal that our exports consist of low value-added products such as coffee, soya, mineral ores, beef, and leather.

The main question is this: Why do we not use these cultural and populational ties to expand trade? Our exports to Italy account for a mere 0.92% of Italy's total imports.

Despite the small trade flow, between 2000 and 2006 Italian entrepreneurs made direct investments on the order of USD 4.6 billion, while Brazilian direct investments in Italy amounted to only USD 829 million.

Holland (the Netherlands)

Capital: Amsterdam
Area: 41,500 sq km
Population: 16,500 million
Official GDP: USD 755 billion
Per capita GDP: USD 45,700
Exports: USD 465.3 billion
Imports: USD 402.4 billion

Foreign trade with Brazil: USD 9.9 billion
Brazilian trade balance: a surplus of USD 7.7 billion

The ties that bind Brazil to the Netherlands (better known as Holland) are, like those with Portugal, centuries old. In the days of glory of sea explorers, the Dutch East India Company had several settlements in Brazil. Some buildings dating back to that time still to be found in northeastern Brazil are good reminders of the Dutch period.

Soon after the Brazilian ports were opened in the 19th Century, the Dutch started up a trading system. A short time later they began making local investments with the intention of exporting the results. This was the starting point of the first Dutch companies on Brazilian territory.

Bilateral trade between the two countries is substantial. The bilateral trade volume in 2007 came to the equivalent of 3.5% of Brazil's total trade balance. On the one side, Holland accounts for 4.89% of Brazilian exports; the country is Brazil's is main market in Europe. Brazilian exports consist mainly of soya, citrus products, aluminum, meat, coffee, cocoa, tobacco, fresh fruit, leather, iron ore, crude oil, and sundry chemicals.

On the other hand, albeit in a smaller volume, Holland has been a major supplier to Brazil of products such as diesel oil, pharmaceuticals, chemicals, fertilizers, medical apparatuses, and sundry machinery.

Brazil runs a family-high surplus. In the 1998-2007 period, the aggregate balance exceeded USD 37.5 billion. The overall sum of direct Dutch investments in Brazil from 2000 to 2006 was USD 32.1 billion, placing it second in the ranking of largest investors, just behind the United States, which invested a total USD 47 billion. Brazil's direct capital investments in Holland between 2001 and 2006 amounted to roughly USD 9.1 billion.

Switzerland

Capital: Bern
Area: 41,290 sq km
Population: 7,500 million
Official GDP: USD 413,900 billion
Per capita GDP: USD 55,180
Exports: USD 201 billion

Imports: USD 189.6 billion
Foreign trade with Brazil: USD 3.36 billion
Brazilian trade balance: a deficit of USD 1.05 billion

Brazil and Switzerland have enjoyed a long-term harmonious relationship. Brazil serves as a business platform for Swiss business operations in Latin America, is responsible for 35% of all Swiss enterprise in this region, and is considered Switzerland's main trade partner in South America. In its turn, Switzerland ranks 25th on Brazil's list of leading trade partners.

Bilateral trade between the two countries rose 204% in the last decade. Between 1998 and 2007, total trade jumped from USD 1.1 billion to USD 3.3 billion due to small and medium-sized Swiss companies' growing interest in Brazil. From 2000 to 2006 these companies reported total direct investments of USD 5.45 billion in Brazil.

In the meantime, it seems that Brazilian companies are seeking closer ties with Switzerland with a view to conquering new markets and seeking new technologies and services across a range of sectors. It is my belief, however, that this wish is still far from materializing since between 2001 and 2006 Brazilian direct investments in Switzerland amounted to a mere USD 283 million.

Brazil's main exports to Switzerland are aluminum, wood paste, orange juice, and beef, while its main imports from that country are pharmaceuticals, machinery, and chemicals.

In 2007, Brazil exported USD 1.15 billion and imported USD 2.2 billion running a USD 1.05 billion deficit on its trade balance with Switzerland. This deficit is due to the high added value products it imports from Switzerland such as pharmaceuticals, machinery, equipment, and watches. Switzerland has a small population, and therefore, a small consumer market, but there is potential for Brazil to expand its exports of foodstuffs, fruit, and processed products.

The main Brazilian companies that export to Switzerland are Albras Aluminio Brasileiro, Votorantim, BHP Billiton Metais, Alcoa Alumínio, Fischer Agroindústria, Caterpillar, VCP, Embraer, Doux Frangosul, Tyco Electronics, Bertin, Perdigão, Copersucar, Marfrig, Seara, Unipar, Philip Morris, JBS Friboi, and Souza Cruz.

The main Brazilian importers of Swiss products are: Novartis, Caterpillar, Roche, Syngenta, Ministry of Health, Petrobras, Cosipa Bayer Cropscience, DSM, Cosipa, Cisa Trading, Rolex, EMS, Biotronik, Meditronic, Clariant, Givaudan, Huber + Suhner, Bobst, and Agie Charmilles.

The United Kingdom

Capital: London
Area: 244,820 sq km
Population: 60,770 million
Official GDP: USD 2,750 trillion
Per capita GDP: USD 45,250
Exports: USD 415.6 billion
Imports: USD 595.6 billion
Foreign trade with Brazil: USD 5.25 billion
Brazilian trade balance: a surplus of USD 1.34 billion

The United Kingdom, leader of the first industrial changes in the world in the 18th and 19th Centuries, never relinquished its position as one of the world's most influential nations. It was among the first countries to adopt a liberal export-oriented economic policy.

The volume of bilateral trade between Brazil and the United Kingdom is not large. In 2007, sales transactions amounted to USD 5.25 billion, USD 3.3 billion of which was generated by Brazilian exports. Aggregate direct investments by the United Kingdom in 2000-2006 totaled approximately the same amount, USD 3.45 billion. Brazil invested a total USD 3.17 billion in the United Kingdom from 2001 through 2006. The totals are similar and small.

Based on my observations, I would say that possibly the figures are perhaps not higher because some large English companies are waiting for changes to be made in Brazilian law – particularly in the regulations on public-private sector partnerships – to set up shop in Brazil. If the Brazilian government expedites minor adjustments and defines certain conflicting points, the volume of British capital entering Brazil and the volume of bilateral trade as well will likely increase significantly.

Plans with a chance of success:

- The British pharmaceutical giant GlaxoSmithKline is planning on producing and exporting rotavirus vaccines from Brazil. Its investments in this business are estimated at USD 300 million.
- Rio Grande do Sul's blueberry farmers have closed an agreement to export to England. This berry is widely consumed in Europe and also has a great

many medicinal applications.

- Deca, a Brazilian porcelain and metal bathroom fixtures manufacturer, has designed exclusive products to be sold in England based on surveys conducted among English architects and dealers. The company exported USD 6 million worth of products in 2005 to the United Kingdom.

There are other sectors that could successfully boost trade with the United Kingdom such as: furniture, ceramics, seafood, aircraft, oil, biofuels, iron ore, and of course, farm commodities.

These are only a few examples of what we can still do to foster both exports and imports, and to attract direct English investments or to inject Brazilian capital in the United Kingdom.

Curiosities of the British Industrial Revolution

18th Century

1698 (Final of 17th Century): installation of a steam engine to drain water from a coal mine
1708: invention of the first horse-drawn sowing drill
1709: coal was first used to reduce the cost of producing iron
1733: invention of the flying shuttle, an improvement to looms that speeded up the weaving process
1740: discovery of the foundry crucible technique in the production of steel
1761: development of the first entirely artificial waterway
1764: invention of the "Spinning Jenny", a multi-spool spinning machine that enabled a single worker to work eight spools at once
1765: introduction of a condenser in the steam engine, a component that significantly enhanced engine efficiency
1768: development of the "spinning-frame", a more advanced version of the "Spinning Jenny"
1771: creation of the cotton mill, which brought the production processes together in a factory
1776 to 1779: construction of the first cast iron bridge
1779: invention of the "spinning mule", which made it possible to spin finer and stronger yarn. The mule could produce as much cloth as 200 workers
1780: Edmund Cartwright took out a patent on the first power loom

1793: invention of the cotton gin
1800: invention of the electric battery

19th Century

1803: development of a steam driven vessel
1807: installation of gas-fueled streetlights
1808: exhibition of the London Steam Carriage, a model of the steam locomotive
1825: building of an ideal steam-driven locomotive and inauguration of the first railway
1830: iron started to be used as raw material and steam engines as the driving force
1843: patenting of the reaping machine in the United States
1844: inauguration of the first telegraph line in the United States
1856: patenting of a new process for producing steel that increased its resistance and fostered industrial-scale steel production
1865: the first undersea telegraph cable was laid on the bed of the Atlantic Ocean between Great Britain and the United States
1869: opening of the Suez Canal
1876: invention of the telephone in the United States
1877: invention of the phonograph or recorder in the United States
1879: inauguration of electric lighting in the United States
1885: invention of an internal-combustion engine
1895: invention of radiotelegraphy in Italy

Sweden

Capital: Stockholm
Area: 449,960 sq km
Population: 9 million
Official GDP: USD 431,600 billion
Per capita GDP: USD 44,995
Exports: USD 176.5 billion
Imports: USD 157.2 billion
Foreign trade with Brazil: USD 1.98 billion
Brazilian trade balance: a deficit of USD 714 million

Because it is a small country both in terms of land and population, Sweden had to turn its eyes to the world in order to develop. This was how a country with only nine million inhabitants managed to build a corporate empire that has 180 companies operating in Brazil alone. Names like Nestlé, Tetra Pak, Volvo, Scania, Ericsson and Electrolux are but a few examples of the power of Swedish businessmen.

Although trade relations with Brazil are nothing to speak of, especially because of the size of the country, Sweden is Brazil's principal partner among the Nordic nations. The other countries are Norway, Finland, Denmark and Iceland.

Bilateral trade has risen by 161% since 2002, to USD 1.98 billion in 2007, with Brazil running a deficit of USD 714 million. Among the main products exported to Sweden are: coffee grains, copper sulphides, ethanol, and boned beef. Brazil's main imports from Sweden are car parts in general.

In 2000-2006, Sweden invested a total USD 2.02 billion in Brazil. Swedish businesses and plants established in Brazil sell approximately USD 13 billion a year and employ over 30,000 workers, a figure that could increase over the next few years.

According to a survey performed by the Swedish-Brazilian Chamber of Commerce among executives of the 40 major Swedish companies that have investments in Brazil showed that 62.5% plan to expand production; 52.5% propose to hire more employees; and 42.5% intend to increase investments in Brazil.

Milestones
Formation of the European Union

May 9, 1950

Robert Schuman, the French Minister of Foreign Affairs, makes a speech that does much to push forward the proposals inspired by Jean Monnet's ideas (Jean Monnet was a French politician who many consider to have been the architect of the unification of Europe). Schuman proposed that France and Germany pool their coal and steel resources into a center that would be open to other European countries.

This date is considered the birth of the European Union and May 9 is the date on which Europe annually celebrates Europe Day.

April 18, 1951

Belgium, Germany, France, Italy, Luxembourg and Holland signed the treaty that instituted the European Coal and Steel Community, which went into force on July 23, 1952 for a period of 50 years.

June 1 and 2, 1955

At a meeting in Messina, Italy, the Ministers of Foreign Affairs of the six member states decided to extend the European integration process to the entire economy.

March 5, 1957

The treaties establishing the European Economic Community (EEC) and the European Atomic Energy Community (EAEC) were signed in Rome, Italy, and became applicable on January 1, 1958.

January 4, 1960

On Great Britain's initiative, the Stockholm Convention created the European Free Trade Association (EFTA), a community formed by the United Kingdom, Portugal, Austria, Denmark, Norway, Sweden and Switzerland, all countries that were not part of the European Economic Community. Finland was accepted as a member in 1961; Iceland in 1970; and Lichtenstein in 1991.

July 20, 1963

Representatives of the EEC Member States and 18 African states met in Yaoundé, Cameroon, to sign their first partnership agreement in history.

April 8, 1965

The Merger Treaty of April 8, 1965, which came into force on July 1, 1967, established a single executive for the three communities - ECSC, EEC and Euratom. A single Council and Commission were thus created. The treaty came into force on July 1, 1967.

January 29, 1966

The signing of the Luxembourg Compromise put an end to political crisis with France accepting to again take a seat at the Council meetings. In exchange, it requested that the unanimity decision-making standard be upheld when "national interests of vital importance" were at stake.

July 1, 1968

The Common Customs Tariffs came into force on this date, and customs duties levied by the member states on industrial products were completely abolished.

December 1 and 2, 1969

At the Hague Summit held in Holland, EEC political leaders decided to give new impetus to the European integration process, and took the first steps towards furthering the process.

April 22, 1970

A treaty was signed in Luxembourg to allow the European Community to be increasingly financed by its own resources. This granted the European Parliament increased budgetary powers.

January 22, 1972

The membership of Denmark, Ireland, Norway, and the United Kingdom to the European Community was signed in Brussels, Belgium.

January 1, 1973

Denmark, Ireland and the United Kingdom joined the European Community, which was thus enlarged to nine member states. Norway had negotiated to join in, but it withdrew when a referendum rejected its membership.

December 9 and 10, 1974

In the Paris Summit held in France, the political leaders of the nine member states decided to meet regularly as the European Council, three times a year. They also gave the green light to the European Parliament's direct elections and agreed to create a European Regional Development Fund.

February 28, 1975

A Convention was signed in Lome, Togo, between the EEC and 46 member states from Africa, the Caribbean and the Pacific region.

July 22, 1975

The treaty granting extra budgetary powers to the European Parliament and creating the European Audit Court was signed. This treaty came into force on June 1, 1977.

January 1, 1981

Greece joins the European Community as its 10th member state.

June 14, 1985

The Schengen Agreement signed in Luxembourg created open borders with no passport control between the EEC's member states.

January 1, 1986

Spain and Portugal join the European Community, bringing membership to 12.

February 17 and 28, 1986

The Single European Act was signed in Luxembourg and The Hague, but only came into force on July 1, 1987.

December 9 to 10, 1991

Europe Council Summit in Maastricht, Holland, signed the European Union

Treaty, which established the guidelines for its foreign policy and common security, closer cooperation in the spheres of justice and home affairs, and the creation of an economic and monetary union, including of a single currency.

February 7, 1992

The Maastricht Treaty on the European Union was signed in Holland and became effective on November 1, 1993.

January 1, 1993

Creation of the common market.

January 1, 1995

Austria, Finland and Sweden joined the European Union, increasing the membership to 15 member states. Norway stayed out again.

January 23, 1995

The new European Commission (1995-1999), headed by Jacques Santer, a politician from Luxembourg, started to operate.

November 27 to 28, 1995

The Euro-Mediterranean Conference in Barcelona created a long-term partnership between the EU and countries south of the Mediterranean.

October 2, 1997

The Treaty of Amsterdam, Holland, was signed. It was designed to create a "space of freedom, security and justice" and came into force on May 1, 1999.

March 30, 1998

The process for approving the membership of new applicants – Cyprus, Malta and ten central and eastern European countries - began.

January 1, 1999

Beginning of the third phase of the monetary union, and the legal tender of another eleven member states were replaced with the Euro, which was concurrently introduced in the financial markets. The European Central Bank became responsible for monetary policy. Greece adhered to the policy in 2001.

March 23 and 24, 2000

The European Council of Lisbon defined a new strategy to foster the creation of new job in the European Union: to modernize the economy and reinforce social cohesion in a Europe based on knowledge.

December 7 and 8, 2000

In Nice, France, the European Council reached an agreement on a new treaty aimed at reviewing EU's decision-making based on prospective enlargement of the European Union. The presidents of the European Parliament, the European Council, and the European Commission solemnly proclaimed the European Union's Letter of Fundamental Rights.

February 26, 2001

Treaty of Nice was signed and became effective on February 1, 2003.

December 14 and 15, 2001

The European Council of Laeken, Belgium, issued a statement on the future of the European Union, which paved the way to the next major reform of the bloc, and summoned a Convention to draw up the European Constitution.

January 1, 2002

The new Euro paper notes and coins went into circulation in the 12 Eurozone countries.

December 13, 2002

The European Council at Copenhagen, Denmark, decided that the ten applicant states (Cyprus, Slovakia, Slovenia, Estonia, Hungary, Latvia, Lithuania, Malta, Poland and the Czech Republic) would be accepted as members of the EU bloc as of May 1, 2004.

July 10, 2003

The Convention on the future of Europe drew up a draft of the European Constitution and concluded its works.

October 4, 2003

An Intergovernmental Conference was opened and charged with drawing up the Constitutional Treaty.

May 1, 2004

Cyprus, Malta, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Slovakia and Slovenia joined the European Union, expanding the number of member states to 25.

October 29, 2004

The European Constitution was adopted in Rome, Italy (subject to later ratification by the member states).

November 22, 2004

A new European Commission presided by Portuguese politician José Manuel Barroso.

May 29, and June 1, 2005

The European Union Constitution was rejected by referendum in France and the Netherlands.

October 3, 2005

Talks on the membership of Turkey and Croatia were started.

January 1, 2007

Bulgaria and Romania joined the European Union bringing membership up to 27 member states. Slovenia joined the Eurozone.

December 13, 2007

The Treaty of Lisbon was signed to replace the 2004 European Constitution. The Treaty granted the European Union a corporate identity with powers to sign international agreements at a community level. It furthermore appointed the High Commissioner for the European Union's Foreign Policy and Common Security and established application of a double majority vote as of 2014.

Pope John Paul II, in 1980.

Pope Benedict XVI, in 2007.

Chapter IV

Brazil's Role in the Middle East

The different facets

First and foremost, we must seek a good definition for the Middle East. As is the case with fruit salad in which we tend to mix up all sorts of fruit in one big bowl, in referring to the Middle East we are inclined to mix up all of the various countries' characteristics – religion, people and culture. This is definitely a mistake. We must realize that the region features marked religious divisions, and so many cultural and geographical differences that not even the famous classic of Arabian literature, "A Thousand and One Nights" was able to capture them. So, let us find this definition.

The region is divided into a very large number of countries. Countries like Iran are very different to others more commonly known as "Arab countries". The origin of those countries is very distinct from that of Iran, which is Persian. The same questions arise in relation to Turkey. Is this a Western or an Eastern country? There are no doubts about the answer to this question: the Turks are most certainly not Arabs.

Therefore, I prefer not to limit myself to calling the region the Middle East. Instead, I will analyze the issues one by one: each with its own peculiarities. The different characteristics of each country must be respected. But for those who prefer to use the term 'Middle East' - as I will throughout this Chapter – it is important to bear in mind that this is merely a cartographical concept.

One of the earliest civilizations in the world and cradle of Judaism, Christianity and Islamism, the history of the Middle East is secular, tragic, and fascinating. For history lovers, it is certainly worthwhile to read more about the Middle East.

Readers will find below a brief account of the current history of some of the countries of this 'dreaded' region, and the trading that some of them have been conducting with Brazil. Contrary to how it tends to be stereotyped, we will find that the Middle East is in fact an "oasis".

Iraq, on the way to stabilization

Crisis after crisis have swept across this country so rich in oil. I, however, prefer to begin by bringing up some historic facts that I believe to have actually triggered the current situation in Iraq. Saddam Hussein, who governed that country from 1979 to 2003, caused Iraq to distance itself from the world while waging war against Iran from 1980 to 1988, weakening both countries. That war was fruitless from a territorial, political, and economic viewpoint and casualties inflicted during the conflict amounted to approximately 1.5 million. At the same time, major powers such as the United States and Russia, seeking to weaken both countries, were adding fuel to the flame, driven by their interest in oil. Let us now recall what went on at that time and later.

The First Gulf War, known as the Iran-Iraq War, began in 1980 when Saddam Hussein revoked the Algiers Accord signed in 1975 whereby Iraq had agreed to cede 518 square kilometers of its land to Iran, where the Ayatollah Khomeini, supreme leader of the Islamic Revolution, had headed the government since 1979. In exchange, Iran agreed to stop providing military aid to the Kurd minority in Iraq, which was fighting for independence.

In 1988, the United Nations Security Council demanded a ceasefire. Iraq, which had already called for a truce, accepted, but Iran continued to retaliate against Iraqi attacks. Teheran only accepted the ceasefire after realizing that its

economy was completely devastated. In short, the result was a peace agreement signed on August 15, 1988.

Two years later, in 1990, Iraq finally acknowledged the Algiers Accord, which drew the same boundaries between that country and Iran that had existed prior to the war. In September the two countries resumed diplomatic relations.

We are not sure what actually led Iraq to invade its neighbor. We do not know whether this was encouraged by the Sunnite elite, driven by a desire to stop Khomeini's ideology from spreading out across the Middle East or by a purely opportunistic expansionist policy. Strange as it may seem, today it is Russia, the world's second-largest oil producer, which lends support to Iran.

In the Second Gulf War, Iraq invaded and annexed Kuwait on claims that the latter was thwarting Iraq's attempt to slow down the production of oil by the Organization of Petroleum Producing Countries (OPEC) in order to increase world market oil prices. When the war ended, with the victory of the US-led coalition forces, Saddam Hussein was forced to accept the UN-imposed economic embargo on Iraq, to the grave detriment of the Iraqi population.

Later, with the Third Gulf War – as the war promoted by the United States against Iraq in 2003 came to be called – I believe that the country is heading towards stabilization. We cannot, of course, overlook the fact that there are terrorist uprisings, and these are expected to continue for some time until the Iraqi police forces are able to coordinate national security on their own, without assistance from any foreign powers. Iraq will develop, but even now the country has many opportunities to offer, especially for the building industry. This development, however, must come about under the guidance of a democratic system.

Brazilian exports to Iraq

Brazilian exports to Iraq plunged as of the outbreak of hostilities with the United States in 2003. A steady trade flow between the two countries was only attained. In 2006, Brazilian exports to Iraq totaled USD 153 million in 2007, representing a 206% increase as compared to 2005 when Brazil had exported USD 50 million. In the meantime, imports rose 14.2%, from USD 522.52 million (2005) to USD 596.65 million in 2007. As a result, Brazil registered a trade balance deficit of USD 443.7 million.

According to Euromonitor's figures, in 2005 Iraq's main suppliers were Turkey (23.2%), Syria (23%), the United States (11.6%), Jordan (5.2%), and China (3.5%). In turn, the main markets for Iraqi products in 2005 were the United States (51.2%), Italy

(10.7%), Spain (6.5%), Canada (5.8%), and Brazil (3.8%).

Brazil's main exports to Iraq in 2006 were sugar including cane, beet, and pure chemical sucrose (83.7%); beef preserves and prepared food (5.06%); liquid dielectric transformers with power handling capacity of more than 10,000 KVA (4.65%); chicken (2.05%); chassis for diesel engines with capacity exceeding 20 metric tons (0.8%); highway tractors for semi-trailers (0.64%); chicken pieces and giblets (0.41%); and boned beef (0,36%).

Opportunities for Brazil's export industry

According to SEGEOR APEX-Brasil, Iraq is the target market for the following sectors:

Food, Beverages, and Agribusiness
- ABEF – Associação Brasileira dos Produtores e Exportadores de Frango;
- ABIEC – Associação Brasileira das Indústrias Exportadoras de Carne.

Machinery and Equipment
- BE – Brazilian Bakery Equipment;

Interior Decoration and Civil Construction
- ABIROCHAS – Associação Brasileira da Indústria de Rochas Ornamentais.

Opportunities identified

Following are the sectors in which Iran registers the highest import rate and which have good growth potential for Brazilian exports since Brazil already exports these same products to other markets:

Food, Beverages, and Agribusiness

- Milk and other dairy products, eggs, honey, and others;
- Sugars and confectionery products;
- Alcoholic beverages and vinegar;
- Grain-based preparations, flours/meals and starches;
- Horticultural products and edible roots;

- Meats and edible viscera;
- Fertilizers and agrochemicals;
- Various prepared food products;
- Food waste and byproducts, animal feed;
- Fruits, citrus fruit peels and melon rinds;
- Preparations made from horticultural products, fruits, or plants.

Machinery and Equipment

- Electrical machinery and material, sound and image equipment, televi sion sets, and accessories;
- Automotive and other land vehicles, parts, and accessories;
- Mechanical machinery, equipment, and instruments;
- Aircraft and space apparatuses;
- Ironware and steelwork;
- Plastics and plastic goods;
- Weapons and ammunition;
- Paper, paperboard, and pulp paste products;
- Aluminum and aluminum products;
- Steel and cast iron;
- Books, newspapers, and other printed products;
- Rubber and rubber products.

Technology and Health

- Medical, dental, and hospital equipment and articles;
- Pharmaceutical products;
- Chemical products.

Fashion

- Soaps, cleansers, and sundry cleaning material;
- Clothing;
- Other textile products, hats, shoes, etc;
- Pearls, precious and semi-precious stones, metals, costume jewelry, and coins;

• Oils, perfumery, and cosmetic preparations.

Interior Decorating and Civil Construction

• Furniture, medical and surgical furniture, mattresses, cushions and similar goods;
• Salt, sulfur, soil, gypsum, rocks/stones, lime, and cements;
• Products made of stone, gypsum, and similar materials;
• Wood and wood products;
• Tooling and cutting products and cutlery;
• Glass and glass products;
• Ceramic products.

Sundry products

• Grains;
• Animal or vegetable fats, oils and waxes;
• Mineral fuels, oils, waxes;
• Inorganic chemical products and compounds.

Saudi Arabia

The Kingdom of Saudi Arabia, with 27.6 million inhabitants and 2.15 million square kilometers, is the largest country of the Arabian Peninsula, situated in the Middle East. Saudi Arabia is the world's leading oil exporter, and also boasts the largest oil reserves. According to the Arab Chamber in Brazil, the oil industry accounts for 35% of Saudi Arabia's GDP, 75% of government revenue, and 85% of Saudi exports.

Thus, as all are well aware, oil extraction and exports are the mainstay of the Saudi Arabian economy and, among the member countries of the Organization of Petroleum Producing Countries (OPEC), it is the largest producer with an average daily output of 9 million barrels (December 2007).

Currently, however, it is also a major wheat producer. In addition, products such as dates, tomatoes, watermelon, barley, grapes, cucumbers, pumpkin, eggplant, potatoes, carrots, and onions also play an important role in the Saudi economy.

Trade with Brazil

To give us a general idea of bilateral Brazil-Saudi Arabia trade growth, trade volume in 2007 amounted to USD 3.2 billion. Of that volume, Saudi exports to Brazil came to USD 1.7 billion, and Brazilian exports to Saudi Arabia totaled USD 1.5 billion.

Saudi Arabia and Brazil have complementary economies and I believe that the trade volume could grow substantially, partly in view of the potential of the two economies, and partly because Saudi Arabia boasts the largest economy in the Middle East and Brazil is the richest country in South America. The two are linked by strong economic ties, but I believe that the level of investment and cooperation between the two countries falls short of expectations – much more can be done.

Brazil's main exports to Saudi Arabia include aircraft, chicken, iron ore and sugar. However, in my estimation, this partner country, as I like to call it, could increase petrochemical sales to Brazil, and could buy machinery, cars, electrical products such as cables, and food from us.

What Brazil must watch out for (and take advantage of)

Saudi Arabia's economy is on the rise. Its GDP rose from USD 188.5 billion in 2002 to USD 347 billion in 2007. In terms of percentage, the Saudi GDP recorded 3% growth in 2002, and 13% in 2007, placing the country in the ranking of the world's 20 largest economies.

Although most of this development is thanks to oil, Saudi Arabia is also investing in other sectors and exporting other types of products. Non-oil exports rose from USD 6.3 billion in 2000, to USD 21 billion in 2006. Its main buyers are the United Arab Emirates, China, Kuwait and Singapore. The chief products exported: electrical products, paper, medical products, cleaning material, steel, plastic tubing, air conditioners, glass, cables, carpets, irrigation systems, food, and copper.

In addition, investments on the order of USD 100 billion resulted in the creation of two industrial cities, Jubail and Yanbu, aimed to reduce the country's dependence on oil. At present there are roughly 250 companies operating in these cities. Another 93 such cities are currently under construction, and 83 more are on the drawing board. These sites now house businesses that range from refineries and steelworks, to plastic manufacturing plants and light product-finishing industry.

"Gold" in the desert

From January through October 2007, Saudi Arabia was Brazil's main market and largest supplier in the Arab world. Brazilian exports to Saudi Arabia amounted to USD 1.5 billion and the products most in demand were chicken, iron ore, beef, and soya bran.

Imports from Saudi Arabia totaled USD 1.7 billion, down 2.7% as compared to the same period in 2006. Brazil's main imports included oil, liquid propane, diesel oil, aluminum waste, and sulfur.

As we can see, Brazil still accounts for a small percentage of the Saudi trade balance. As a mere illustration, its total exports were equivalent to USD 207.8 billion in 2006, and imports totaled USD 64.16 billion, according to the Economist Intelligence Unit (EIU), provider of economic analyses for The Economist. This means that Brazil accounted for a mere 2.65% of total Saudi imports.

United Arab Emirates
Abu Dhabi, a promising market

Less than 50 years ago, the Emirate – equivalent to city – of Abu Dhabi was an uninviting desert inhabited by Bedouin tribes and home to myriad small villages. Abu Dhabi's rise to economic prominence resulted from the cultivation of pears. But global recession in that market and the development of agribusiness in Japan put an end to economic abundance and relegated Abu Dhabi to the position of poorest emirate. The turnabout came with the discovery of large high-sea oil reserves in 1958, and the subsequent ascension of Sheikh Zayed as the emirate's ruler.

Today, Abu Dhabi's expensive avenues are crowded with heavy traffic, and the entire city is witnessing unprecedented development, along with its neighboring emirate, Dubai.

Abu Dhabi currently boasts the equivalent of USD 1.5 trillion in oil reserves in its sovereign deep-sea waters. By contrast, Sheikh Zayed, a member of the country's founding family, upheld the aim of turning Abu Dhabi into a green city, with the result that it is now an outstanding example of ecological preservation for all.

The city is building three museums: the Louvre, a branch planned by French architect Jean Nouvel; the Guggenheim, designed by Frank Gehry; and the attractive Maritime Museum devised by Japanese Tadao Ando. The emirate is aspiring to make a former piece of desert turned into an oasis one of the most important cultural centers not only in the Middle East but also in the world.

Dubai

Dubai was originally a fishermen's and pearl divers' village. Although it was under the dominion of Abu Dhabi until 1833, Dubai currently ranks second among the emirates that make up the United Arab Emirates, with an estimated population of 1.5 million inhabitants. Dubai is said to own 30% of all the construction cranes in the world. Is this exaggerated? I honestly don't know, but some data may help us analyze the true situation.

In 2007, the oil industry represented slightly less than 5% of the city's economy, while tourism, which plays a more active and increasingly important role, accounted for 33%.

Still, the greatest part of the emirate's wealth is generated by the Jebel Ali Free Zone where the Port of Dubai (the 13th busiest port in the world) is located, and where multinational companies are granted very advantageous trade and tax benefits.

In view of their natural, as well as their man-made beauty, it seems clear that these cities, Dubai and Abu Dhabi, will certainly become promising tourist attractions. Furthermore, they will be major centers for the manufacture of aluminum, glass, and steel – a very important industrial zone.

Turkey

A major player in the Arab League, Turkey faces ongoing serious clashes with its Kurdish minority. According to the CIA World Factbook, the Kurds comprise 20% of Turkey's 70 million inhabitants, that is, 15 million people, most of them in the country's Southeast region. The problem came to a head in 1923 when the Treaty of Lausanne, which ended the Ottoman rule over the region and recognized the Republic of Turkey, failed to mention the Kurds among the nation's ethnic groups.

The existence of the Kurds in Turkey was thus officially denied and any expression by the Kurds of their ethnic identity was harshly suppressed. Use of the Kurdish language was illegal until 1991.

Some understanding of the Kurdish situation in Turkey is essential if we are to grasp the reality of this country. In the course of my years as a businessman and business mediator, I have found that before doing business, we must get to know our counterparts, and this entails learning something about their historic reality.

Economically speaking, Turkey is a complex blend of modern industrial and commercial sectors, plus a traditional farm sector that accounts for 35% of the country's job offers (2007). Although the private sector is active and strong, government plays a key role in heavy industry and in the fields of finance, transportation, and communication.

In the wake of its 2002-2003 economic reform, Turkey began making up for the losses incurred in the previous decade, registering 7.5% annual growth in the 2002-2005 period. In 2007, Turkey posted a GDP of USD 667 billion (measured by its purchasing power) as a result of steadily increasing direct foreign investments, which in 2006 amounted to USD 9.2 billion, as well as privatizations aimed to render the economy more dynamic.

Furthermore, Turkey's potential membership in the European Union has prompted businessmen throughout the world, and Europeans in particular, to try to understand the country. Differing opinions are aired by all forms of media and communication vehicles. Some claim that Turkey's membership in the EU would drain EU community resources. But the same was said of Portugal, and that country's membership in the EU has clearly made a difference to both Portugal and the European Union. Besides, Turkey tends to have the largest population of the bloc and would likely upset the balance of power in Europe. One other final point is that Turkey is situated in Eurasia. Where then would Europe extend to?

Conjecture aside, we know there is no simple answer to this question. But we must continue to follow up on new developments, since any decision on this matter is bound to affect ongoing trade negotiations, for better or for worse.

Brazil-Turkey trade relations

In terms of trade relations, Brazil has benefited most since it has registered a trade surplus. In 2006, the trade balance in favor of Brazil was USD 444 million of the total traded between the two countries, which amounted to almost USD 735 million. At first glance it would seem that only Brazil is benefiting, but Brazilian imports from Turkey grew 34.4% between 2005 and 2006 – six times the 5.5% growth in exports for the same period.

On the Brazilian side, approximately 35% of the products exported to Turkey consist of hermetically sealed electric motor compressors, iron ore, soybeans, tobacco, and soya oil. On the opposite side, roughly 30% of Turkey's exports to Brazil consist of almonds, car body accessories, and tobacco.

Despite as yet relatively insignificant Brazil-Turkey trade relations, both countries have great potential for expansion. In the ten-year period from 1996 to 2006, bilateral trade was up 189%, from USD 289 million to USD 735 million.

Israel and its relations with the Mercosur trade bloc

Unlike my comments in regard to Turkey, as far as Israel is concerned I will abstain from commenting on historic issues in my analysis, since this is a complex subject that we can follow-up in international media's daily updates. Therefore, I will focus on economic relations between Israel and the Mercosur. I will not deal exclusively with Brazil because the Free Trade Agreement signed in December 2007 precludes us from engaging in bilateral trade.

Israel has a long-standing tradition of trade agreements and a very open market. Approximately 70% of Israel's foreign trade is duty-free due to its extensive system of trade agreements. So the December 2007 agreement should not come as a surprise to us.

The most important aspect of this agreement is that it is the first free trade agreement to be signed by the Mercosur bloc outside Latin America, a first step forward. It also translates into a welcome liberalization of trade and a strengthening of ties among the countries involved.

For Israel this is undoubtedly an important step towards development of a trade base with the South American region and brings the country closer to the so-called BRIC countries (Brazil, Russia, India, and China).

The agreement that is to cover trade between the Mercosur member countries and Israel involves roughly USD 1.1 billion, of which Brazil's exports amount to approximately USD 261 million (2006) and Brazilian imports are on the order of USD 458 million. The sum of these figures is equivalent to 65% of the total trade between the Mercosur bloc and Israel.

It is therefore my hope that this agreement will constitute a substantial strengthening of Mercosur trade relations and yield good business opportunities for Brazil.

Jordan and its water problem

As stated in the title, Jordan, a small country with scant natural resources, tends to have a very serious problem with water. Weather conditions and water availability are determining factors in distribution of the country's population, mostly concentrated on the edge of Lake Kinneret (former Sea of Galilee), the Dead Sea, and the banks of the River Jordan.

The Dead Sea, located on the border between Jordan and Israel, may enter an alert stage if steps are not taken urgently to remedy its projected declining water level due to lack of rainfall. The "Sea of Salt", as referred to in the Bible, is one the most hostile places on Earth, where temperatures in summer rise above 40ºC in the shade.

One of Jordan's major challenges is how to distribute its water, and currently one liter of water in this region costs more than its equivalent in oil. Brazil could benefit and help the Jordanians with their water problem. This is an opportunity within Brazil's sight.

Black gold and the world

Discovered in the early 20th century (the first exploration dates back to 1909 in Iran), oil has become one of the world's most crucial economic elements. Apart from its use as a fuel, other oil products have made this commodity the economic backbone of many countries, as well as a highly coveted product and a sign of wealth.

But it was only in 1960, that the Organization of Petroleum Producing Countries (OPEC) was created in an attempt to organize and strengthen the oil-producing companies. Its current member countries are: Saudi Arabia, the United Arab Emirates, Iran, Qatar, Kuwait, Iraq, Libya, Gabon, Indonesia, Nigeria, Ecuador, Venezuela, and Algeria. The Organization of Arab Petroleum Producing Countries (OAPEC) was set up in 1968 to protect interests related to the nationalization of foreign companies.

Commercial Exchange Brazil and Middle East (in millions USD)

Year	Exportation	Importation	Brazilian Balance	Commercial Trade Total
2001	2.030,018	1.471,192	558,826	3.501,211
2002	2.331,325	1.430,465	900,860	3.761,790
2003	2.806,788	1.625,578	1.181,211	4.432,366
2004	3.688,723	2.314,927	1.373,796	6.003,651
2005	4.288,485	2.509,618	1.778,867	6.798,103
2006	5.749,228	3.165,031	2.584,197	8.914,259
2007	6.399,444	3.205,661	3.193,783	9.605,105

Font: MDIC/SECEX - Brazil

The Middle East has thus taken on the position of the world's top oil producing region, making it center-stage for international rivalry and conflict. The Planet's main oil reserves are located in that region, but exploitation of this natural resource is basically aimed to supplying the world market. This fact is due to the economic characteristics of these countries which, because they are not industrial, have insufficient domestic demand to use all that raw material.

All these Middle East countries are producers and exporters of a product that is essential to upholding economic development and balance in the world. They have enormous bargaining power in political and economic negotiations. It is thus important to maintain close relations with this region.

And how about Brazil?

Our country is half-way along the road to building successful trade relations with the countries of the Middle East. We currently export insignificant amounts to the region, but the region's population has great potential to consume Brazilian products, especially those of the building and food sectors.

One of our weaknesses is that we have not yet set up any distribution center in the Middle East although some Brazilian companies such as Sadia and Odebrecht are already operating in the area. Others will most certainly follow suit since, on our trips to the region, my partners and I have carried Brazilian interests to many countries of this highly complex and intriguing region.

We must build up a service platform in Dubai and Abu Dhabi. My advice is that we keep our eye on this land of a thousand and one opportunities because the Middle East could easily multiply Brazilian exports.

"Kadafinho", in 2003.

Chapter V

Brazil and its Role in Africa

Africa: diversity, growth, and prospects for a better future

Africa is often seen as one single country. But in fact, its 53 countries feature enormous social, economic and cultural diversity. From Muslim Maghreb to South Africa, such diversity gives rise to complex issues involving tribal wars, exploitation of natural resources, and foreign interests. There are countries that have chronic problems of political stability and others, such as Kenya, that had never previously faced such problems but now do. On the other hand, the Congo, for example, has always had problems, but its mineral reserves are so substantial that the instability is bound to continue until some domestic agreement is reached.

I believe, however, that Africa will overcome its difficulties. In view of the demand for green energy and food, the continent will undergo balanced growth and attain a very specific and more level weight in the global order over the next 50 years. We must keep in mind that Africa is a continent that helped the world's large metropolises become what they are.

Today, there is no lack of examples of African countries that can boast steadily growing economies, such as that of Angola. Libya is investing in its economy; and countries like South Africa have enormous potential to achieve ongoing growth with very significant innovation content similar to that of Brazil, and powerful arms and aeronautical industries. All these countries have sun, water, warmth, labor, minerals, and an agricultural base. What they lack is education, health care, and logistics.

Africa and Brazil, from historical ties to economic partners

Almost half of the Brazilian population is made up of African descendents, as a result of thousands of black Africans who were made slaves and brought to Brazil by the Portuguese during the colonial period. The African continent is also fairly close to Brazil, geographically speaking, but even so closer diplomatic ties with the countries located on the other side of the Atlantic were only effectively initiated in the 1960s, fostered by the Independent foreign policy of Presidents Jânio Quadros and João Goulart (1961-64), and General Medici's "Prosperity Diplomacy" (1969-74). But a more daring bond was actually established under the Ernesto Geisel administration when Brazil officially censured South Africa's apartheid and recognized the new Marxist government of Angola (Popular Movement for the Liberation of Angola – MPLA).

It was also at that time that a bilateral trade supporting organization between Brazil and Africa was created, the Afro-Brazilian Chamber of Commerce (CCAB). Its goal is to foster cooperation among similar organizations in the respective countries and to build information frameworks on goods, customs tariffs, rights and exemptions, foreign exchange, navigation, trade treaties, legislation, and case law related to the bilateral agreement. In addition, this organization seeks to promote, organize, and take part in congresses, seminars, symposiums, conferences, trade fairs, exhibitions and meetings, as well as to draw up proposals and programs designed to improve bilateral trade between Brazil and Africa.

Thus, Brazilian diplomacy's new focus reflected on the figures of its

Commercial Exchange Brazil and Africa (in millions USD)

Year	Exportation	Importation	Brazilian Balance	Commercial Trade Total
2001	1.989,031	3.330,950	-1.341,918	5.319,981
2002	2.363,341	2.675,613	-312,272	5.038,953
2003	2.862,004	3.291,175	-429,171	6.153,179
2004	4.247,699	6.183,473	-1.935,774	10.431,172
2005	5.981,354	6.656,665	-675,311	12.638,018
2006	7.455,879	8.110,811	-654,932	15.566,691
2007	8.578,222	11.333,580	-2.755,359	19.911,302

Font: MDIC/SECEX - Brazil

trade with Africa. Between 1973 and 1974, Brazil's exports rose 129.1%, from USD 190 million to USD 435 million. Unfortunately, however, this "boom" in trade with African countries was short-lived. Changes in the international scenario during the 1980s curbed the trade partnership that had been steadily gaining strength up to that time. Foreign debt, coups d'etat, and stringent fiscal adjustment programs imposed by the IMF limited the growth capacity of many African economies, and Brazilian exports to Africa began to dwindle as of 1982.

If in the 1980s the international environment was largely responsible for the cooling down of Brazil-Africa trade relations, in the '90s, the Fernando Collor, Itamar Franco, and Fernando Henrique Cardoso administrations aimed their diplomatic efforts toward strengthening relations with the US, Europe, and Mercosur (The Southern Cone Market), relegating Africa to a position of lesser importance. Therefore, in 1996, exports to the African continent accounted for a mere 3.2% of Brazil's total exports, down from nearly 8% in 1985.

Under President Lula's administration, a number of trips to Africa may be an indication that the Itamaraty is again focusing the "sister-continent". Since 2003, President Lula has traveled to São Tomé and Príncipe, Angola, Mozambique, Namibia, South Africa, Egypt, Libya, Gabon, Cape Verde, Cameroon, Nigeria, Ghana, Guinea-Bissau, Senegal, Algeria, Benin, Botswana, Burkina Faso and the Congo. In the course of these trips, the president showed an interest in entering into agreements with commercial trade blocks such as the Economic Community of Central African States (CEEAC), and although Brazil still imports far more than it exports to Africa as a whole, bilateral trade with Africa has increased from slightly more than USD 520 million in 2005, to USD 1.5 billion in 2006.

Angola: after the savagery, the current prime attraction

As I have already mentioned, Angola, with its 22% annual growth rate, is currently setting an example for the world. Since the end of its civil war, the country has been building up reserves and producing over USD 1.27 billion in diamonds – the most sought-after on the planet. But those who read about this economic superabundance may find it hard to believe that until a very short time ago Angola's reality was just as sanguinary as

that of many other African nations.

Instead of peace and growth, what came in the wake of Angola's independence from Portugal in 1975 was a civil war that left about half a million people dead, one of the largest groups of mutilated persons in the world, and the country's infrastructure in total ruin. And it is within the context of reconstruction of that country of 16 million inhabitants that trade relations with Brazil are growing ever stronger. Brazilian companies such as contractors Norberto Odebrecht, Camargo Corrêa, and Queiroz Galvão have had a hand in dozens of both public and private building projects in this country; and last year, Petrobrás decided to prioritize investments in Angola.

Brazil's presence in Angola's overheated economy has reached such a point that the Brazilian Association of Entrepreneurs and Executives in Angola (Aebran) recently estimated that Brazilian companies' share in the Angolan GDP already amounts to USD 5 billion, about 10% of Angola's total GDP. And the close to 25,000 Brazilians who bet on the rebirth of Angola do not rely solely on giant companies; they are at the helm of, or work for restaurant chains, the low-end garment industry, and even a building company that has a department specialized in the deactivation of landmines. Furthermore, everything seems to signal that Brazilian investments in Angola will continue full speed ahead since in 2007 the National Economic and Social Development Bank (BNDES) decided to open a credit line to finance the acquisition of goods and services by Brazilian companies in Angola. In addition, trading between Brazil and Angola is not only a one-way street: Angolan exports to Brazil have been averaging about USD 460 million per year.

Black gold gushes in Angola

Another example is Petrobrás. One of the reasons for Petrobrás having decided to turn its eyes to Angola is that country's huge potential for production of the world's most coveted resource: oil. Ever since Angola began to rise from the ashes of civil war it has been threatening Nigeria's historic position as the African continent's leading oil producer. To take the lead position Angola must surpass the two-million barrels per day mark, a feat that does lie within the country's reach in view of the its efforts in this field over the last five years.

The question is whether the wealth stemming from oil will benefit the

Commercial Exchange Brazil and Angola (in millions USD)

Year	Exportation	Importation	Brazillian Balance	Commercial Trade Total
2001	142,009	174,837	-32,828	316,846
2002	199,562	11,629	187,933	211,192
2003	235,469	7,552	227,918	243,021
2004	357,151	3,581	353,570	360,731
2005	521,327	120,231	521,207	521,447
2006	837,779	459,500	378,279	1.297,278
2007	1.218,236	944,790	273,446	2.163,025

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local population or whether – as is almost always the case in Africa – it will simply disappear in the midst of corruption and power disputes. Nigeria itself is by no means an example to be followed by Angola: although Nigeria has ranked among the world's major oil producers for 50 years, it has been unable to raise its population above the level of extreme poverty. In addition, accidents involving oil pipelines have rendered hundreds of victims and Nigerian refineries are so rundown that locally produced oil has to be refined outside of the country.

Angola faces the same challenge, albeit to a different extent, in relation to its diamonds. The country proposes to increase production from the current 9 million carats, to 10 million carats in 2008, but to do so it must take steps to avoid becoming another stage for films such as "Blood Diamond", which shows the violence caused by the frenzied rush for diamonds in Africa. The institution of Angola's official diamond trading company – Sociedade de Comercialização de Diamantes de Angola (SODIAM) – in 1999, and formalization of the African Diamond Producers Association (ADPA) at a ceremony held in Luanda in 2006, show that Angola is on the right track.

South Africa and its relations with "African Brazil"

While Brazil has such relevant cultural traits as language in common with Angola, with South Africa it shares similar socioeconomic and geographical conditions. Although Brazil is much larger than South Africa, their climates are similar, they have reached the same level of industrialization, and both are leaders of their regional trade blocks (MERCOSUR in the case of Brazil, and the Southern Africa Custom Union-SACU in the case of South Africa). Furthermore, both countries registered puny GDP growth rates in the '80s and '90s and must still put in a lot of effort if they are to solve very serious problems related to serious racial and income inequities. One other coincidence is that the next two World Cup Soccer Championships will take place in these two countries in 2010 and 2014, and the countries will have to prove that they are equipped to promote an event of this caliber and, at the same time, take advantage of it to provide benefits to their populations, especially in terms of infrastructure.

Diversified economy and enormous growth potential

South Africa boasts a GDP of USD 255 billion that accounts for approximately 25% of the total African economy and an amazing 50% of the continent's total industrial output. In addition, it has some of the world's largest platinum, manganese, chrome, vanadium, gold and diamond reserves. However, the truth is that Brazil only recently awoke to the potential of upholding more consistent trade relations with its South African neighbor. Actually, until the end of South Africa's deplorable apartheid regime in 1992, the economic embargo placed on that country ruled out any sort of trade relation, and only now has the Brazilian business community begun to take notice of South Africa. In addition to a relatively low level of indebtedness as compared to that of the rest of the African continent, the "Black Diamonds" (South Africa's emerging Black middle class) constitute an increasingly promising consumer market.

Companies linked to Brasilinvest in South Africa are developing space and aerospace programs of crucial importance to increasing economic relations between South Africa and Brazil. South Africa is expected to grow at a rate of approximately 5% per year over the next three years, and a recent move by the Brazilian diplomatic corps toward sealing a trilateral agreement involving India as well could provide an added boost to trade relations with South Africa – provided it is put into practice with due seriousness.

The agreement established by the three countries provided for cooperation in the fields of biofuel, information society, agriculture, navigation, merchant shipping and maritime transport. Recently disclosed results of the Brazil-South Africa trade balance may be the first fruit of these closer ties. Between 2001 and 2006, Brazilian exports to South Africa rose from a little less than USD 500 million to approximately USD 1.5 billion. Brazil also doubled its imports from South Africa, from roughly USD 250 million to USD 500 million.

The Maghreb and Libya

Trade relations between Brazil and the Maghreb countries have never been very strong. However, the Brazilian government has been taking steps to enhance relations with these countries as well, and the opportunity for trade with Algeria, Morocco and Tunisia may take on a new shape.

Hydrocarbons are the main pillar of the Algerian economy. The country ranks fifth in the world in terms of natural gas reserves, and fourteenth in oil reserves, but difficulty in diversifying its economy, plus serious political problems it has been facing for decades, have kept unemployment high and led to a constant and problem-riddled flow of emigration, mainly to France. However, the Brazil-Algeria trade balance is favorable to Algeria and of a reasonable size. From January through November 2007, Algerian exports to Brazil totaled USD 1.9 billion while Brazilian imports from Algeria came to USD 445 million. These figures rank Algeria as Brazil's second largest trade partner in the Arab world – losing out only to Saudi Arabia – and third largest in Africa.

In 2006, a meeting between Brazil's foreign trade minister Celso Amorin and his Algerian counterpart Mohammed Bedjaoui evidenced Brazil's interest in strengthening its commercial ties with the Maghreb. The last meeting of this sort took place way back in 1987. Another event, this one sponsored by the Arab Brazilian Chamber of Commerce in 2007, was aimed at opening Brazilian businessmen's eyes to possible business opportunities offered by Morocco. Given its highly strategic position (a mere 14 kilometers from Europe), Morocco is an entry gate to the Mediterranean Sea, has trade agreements in place with the European Union, the US and Turkey, and thus clearly merits attention. Figures for 2006 show that trade between Morocco and Brazil totaled roughly USD 722 million and is expected to reach USD 1 billion in 2008.

The year 2007 was perhaps Brazil's "Maghreb year", at least in regard to what I perceived in terms of diplomatic efforts. In May 2007, a trade mission of Brazilian entrepreneurs visited Tunis, the capital of Tunisia, in an attempt to strengthen commercial ties with that country as well. In fact, not exactly to strengthen such ties, but to boost trade even further, since the numbers show that bilateral trade with that small nation has been evolving steadily in recent years. Brazilian exports to Tunisia in 2007 were on the order of USD 170 million, an increase of roughly 40% as compared to 2005. On the other hand, Tunisian exports to Brazil rose from USD 81 million in 2006, to USD 121 million in 2007, up 50%.

Another North African country I like to analyze is Libya. That country, for decades under the military dictatorship of Muammar Kadhafi, only recently lifted barriers to foreign investment in its economy. In addition to the dictatorship, trade embargos imposed on Libya by the West due to its government's involvement with terrorist groups further weakened the local economy, which is almost totally dependent on oil (95% of total exports). But Brazil has wasted no time since the rekindling of Libya's economy – spurred mainly by oil commodity revenue – and from January through November 2007 increased its exports to that country by some 13.6% as compared to 2006. Main exports included coffee, sugar, meat, milk and other dairy products, plus an Embraer jet.

A treasure trove of natural wealth bathed in blood

Thus far I have spoken about the opportunities provided by the countries of the African continent. The recent upsurge in relation to natural resources is proportional to the wars the continent faces, especially after the African countries gradually became independent from the European metropolises. Oil, diamonds, gold, and other avidly coveted riches in the hands of fragile States teeming with ethnic and tribal disputes could only end up in gigantic blood baths. Rwanda is perhaps the prime example of how difficult it is to consider Africa from an economic viewpoint while this sort of slaughter continues rampant. Filled with tribal hate nurtured by German and Belgian colonizers over the centuries, Rwandans from the Tutsi and Hutu tribes engaged in ethnic massacres for three months in 1994 – massacres that left an absurd record of one million dead.

While there was no truly meaningful economic motive for the killing in Rwanda, the same cannot be said of the various other civil wars that are ravaging, or have ravaged the continent. An extreme example of the fight for possession of natural resources can end up in unimaginable cruelty, the conflict in Sierra Leone lasted ten years; more than 50,000 people were killed, children were lured into becoming bloody-thirsty assassins, thousands of women were raped, and thousands of persons were mutilated. Although sometimes disguised as a political dispute, what in fact occurred in this country of Southwestern Africa was a frenzied rush for valuable diamonds in a part of the world that as yet untouched by globalization. Featuring characteristics similar to those of the Sierra Leone conflict, the war in neighboring Liberia was mostly due to poverty resulting from Liberia's declining share in the global market of rubber and minerals, the only riches

that country possesses. Organized crime's exchange of arms for diamonds with Sierra Leone's rebels also served to fund the conflict between the local government and rebel factions.

Fortunately, Liberia and Sierra Leone have established relative peace and democratically elected their rulers. But what is more important is to insert the economies of these countries in the global market and to create mechanisms that will enable them to sell their natural resources through legal channels so as to bring prosperity instead of poverty and desolation to the local population.

Africa and the leading world organizations

In my analysis of Africa, I could not overlook one particular aspect of the African continent: the influence of international organizations in the area. The International Monetary Fund (IMF) previously played a more important role and created awareness in these countries that high inflation and budgetary mismanagement increase poverty. But, with the sparse funds it now relies on – an annual budget of some USD 2 billion – few countries can count on its financial aid. The Fund has important projects, it implements a number of actions that make a difference to thousands of people and cause an impact on themes in the global agenda, but financially speaking, it is irrelevant.

On the other hand, due to certain standards of conduct, the World Bank has created endless and impossible-to-unravel international red tape. The World Bank does feature one critically important factor, schools, but it plays a relatively small role. If I were president of the World Bank, I would focus all attention on Africa in an attempt to establish government and administrative policies, as it did for Latin America in the late 20th Century. But the institution's credibility is waning worldwide.

The United Nations Organization (UNO) plays a more important role, but it will likely have to be replaced by peace forces. In my opinion, the UN's multinational configuration is losing value because of an agreement among the leading nations to assign specific missions to UN member countries, as was the case in Haiti that involved Brazil. But, if we look at it from another angle, we see that the invasion of Iraq was treated as a political issue without no respect for anything whatsoever, it brings to mind what happened in the League of Nations – the forerunner of the United Nations – prior to World War II.

Therefore, it is perfectly clear that the voting process of the United Nations Security Council, which comprises the United States, Russia, China, France and the United Kingdom, must be reviewed. The Council's efficiency and representativeness must undergo adjustments to reflect changes in the global scenario that have taken place over the last 20 years. Should such adjustments be implemented, decision making could prove truly effective and the aid granted to continents such as Africa might yield concrete results.

Kofi Annan, in 1998.

Chapter VI

Brazil in Oceania

Australia, the continent country

Before addressing the relations maintained between our country and this very new world, we should learn a little about the history of the region. I do not intend to go into the historical evolution of the countries that make up the region, but I would like to relay to all how important it is to know at least a bare minimum about the region with which we seek to build relations.

On April 28, 1770, after navigating around a distant continent British Captain James Cook disembarked on the east coast of what is known today as Australia. He continued to sail northwards, and on August 22 of the same year claimed the territory, which he named New South Wales. This was the start of the British settlement of Australia. A little less than two centuries later, in 1942, the territory declared its independence from the British Empire.

The indigenous Aborigines, who had been in Australia long before its discovery, currently represent a mere 2% of the population, that is, 460,000 persons, whereas before British colonization, they had numbered as many as 21 million.

It was only in 1976 that specific laws to protect the rights of the Aborigines began to be edited. Just recently, the Australian government created programs to help the communities become economically independent and overcome differences between some of the tribes. In addition, the national Association of Aboriginal Languages has documented and recorded stories, sites, the culture, and vestiges of the indigenous aborigine peoples.

The Australian government's latest act in favor of the aboriginal population occurred on February 12, 2008 when it issued an apology to the Aborigines for the suffering inflicted on them in the past two centuries. This illustrates the Labor government's attempt at reconciliation with the country's indigenous population, which is currently its most underprivileged group.

Kevin Rudd, the Australian Prime Minister and winner of the country's last elections, apologized not only to the "Stolen Generation", which represents the thousands of young Aboriginal children taken forcibly from their parents up until the '70s, but also to all of the Aborigines that suffered "these wrongs".

However, strange as it may seem, despite the sad history of this people, they have influenced and continue to influence the Australian populations, particularly, the language and customs. Any visitor to Australia, whether on business or for pleasure, will notice how many names of cities and regions spring from aboriginal dialects.

The political relationship between Brazil and Australia

In 2005, Brazil and Australia celebrated 60 years of diplomatic relations. The marking event was the opening of the first Australian diplomatic mission in Latin America, held in the former capital of Brazil, Rio de Janeiro, in 1945. Today, we can say that both countries have trade policy interests in common in several major fields of business.

During the visit of Australia's then Minister Downer to Brazil in January 2006, the Bilateral Trade and Investments Commission (BTIC) was created for the purpose of promoting trade relations between the two countries with a view to expanding the trade agenda.

As Brazil and Australia meet each year, or every two years, to exchange views on main bilateral, regional and multilateral issues, I believe that the next gathering will be held in 2009, given that the last meeting was held in Brasilia in March 2007.

Several other meetings have confirmed that both countries are seeking

to broaden agreements in order to improve bilateral relations. In 2006, negotiations on the Air Services agreement were successfully concluded. The year before, in April, while the then Minister of Education, Science and Training, Brendan Nelson, visited Brazil, the two countries signed a Memorandum of Understanding (MOU) on Cooperation and Training.

In April 1998, a Memorandum on Sanitary Matters was signed by the Australian and Brazilian Ministers with a view to facilitating bilateral trade in agricultural products. From the progress that is being made in this agreement, I see that mining, biotechnology and innovation are among the next target areas nominated for increased cooperation in the near future.

One of the interesting points about the Brazil-Australia relationship is that both countries are members of the Forum for East Asia-Latin America Cooperation (FEALAC). The purpose of this forum is to increase and enhance mutual understanding, political dialogue and friendly cooperation among member states of East Asia and Latin America. Brazil hosted the FEALAC member states at the Third Ministerial Meeting (FMM III) in August 2007.

Besides FEALAC, Australia and Brazil work closely together on a range of multilateral issues, including the agricultural trade reform in the World Trade Organization (WTO) through the Cairns Group, and as members of the 'five interested parties' coalition (FIPs - with the US, European Union, and India).

One other crucial milestone in their bilateral relationship was when Australia recognized the importance of Brazil's role as Chair of the G20 group of developing countries in the WTO. Australia has also supported Brazil as a potential new permanent member of the proposed expanded UN Security Council.

Brazil-Australia Trade Relationship

From an economic viewpoint, the Brazil-Australia trade partnership has grown steadily since the mid 1990s, most notably in the mining and agribusiness sectors. Two-way trade between the two countries amounted to USD 1.39 billion in 2007 with Brazilian exports to Australia amounting to USD 614 million and imports totaling USD 776 million. Major imports from Australia included coal, nickel and drugs, while Brazil exported animal feed, pulp and waste paper, and fruit juices.

Therefore, I believe that many opportunities exist for increased bilateral trade and investments, especially in areas such as information technology, biotechnology, railway and sea transportation, telecommunications, banking and insurance, mining, water and management of hydric resources, oil and gas, power, education, agribusiness, tourism and infrastructure. A growing number of Australian companies are now operating in Brazil, though a lack of awareness remains an obstacle to expanding commercial ties.

Because Brazil is the world's largest ethanol producer and views Australia as a natural partner in expanding global ethanol production and marketing, I have noticed that Brazilian interlocutors have held further discussions on biofuels. These debates have been carried out between the Australian government and representatives of the Australian sugar industry.

On our part, at the 62nd UN General Assembly on September 25, 2007, President Lula insisted on the promotion of ethanol and biodiesel as part of the global climate change solution and announced that Brazil would host an international conference on biofuels in 2008. An event such as this may multiply the opportunities for Brazilian businessmen, and turn this into a milestone.

One interesting aspect of the Brazil-Australia relationship that has no connection with business is the attraction young Brazilians feel for the Australian educational system. A point of interest lies in the number of students who have left Brazil to enroll at Australian institutions – schools, language courses, or universities. The number of Brazilian students enrolled grew 100% between 2004 and 2006 and now stands at more than 9000.

Young Brazilians also view Australia as a country that is very close to Brazil, not geographically, but as a partner; businessmen and executives must keep a keen eye out for this opportunity. After all, there are around 20.5 million people living in an area of 7.5 million square kilometers, rich in minerals and with major projects involving carbon credits and clean energy. Australia's population has a high level of education and is very keen on new business. Furthermore, its position is highly strategic because it is located close to China, Japan, and Malaysia.

Key Australian Investments in Brazil

Mining and Mining Services

- BHP-Billiton owns 50% of the Samarco iron ore reserve and also exploits bauxite, oil and gas in Brazil.
- Troy Resources owns 70% of the Sertão gold mine.
- Mincom & Maptek provides information technology services, as well as technical support services to the Brazilian mining industry.
- GRD Minproc was awarded a USD 1.6 billion contract to provide engi-

Commercial Exchange Brazil and Australia (in millions USD)

Year	Exportation	Importation	Brazillian Balance	Commercial Trade Total
2001	247,640	265,160	-17,520	512,800
2002	254,191	212,587	41,604	466,778
2003	305,559	292,608	12,951	598,166
2004	370,159	373,660	-3,501	743,819
2005	464,230	628,299	-164,069	1.092,529
2006	512,235	737,847	-225,612	1.250,082
2007	614,174	775,921	-161,748	1.390,095

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neering, acquisition and construction services in the mining industry, prompting the company to open an office in the city of Belo Horizonte.

• Rio Tinto has ownership interest of 100% in Corumbá, which exploits iron ore.

• Orica, which is in the mineral exploitation business, has set up an industrial plant in Brazil.

In addition to these, there are another eleven Australian mining companies with operations of different sizes and at different stages of development currently established in Brazil. In this field of business, Australian investments in Brazil exceed USD 2 billion.

Agribusiness

• Agrichem, which engages in fertilizer production and distribution, owns a plant in Ribeirão Preto.

• Nufarm Limited, world leader in crop protection products, has been investing more than USD 360 million in Agripec, a leading Brazilian company in crop protection.

• AWB, also operating in the agribusiness, has expanded its operations in Brazil and recently opened offices in the states of Goiás, Bahia, and Espírito Santo.

An interesting strategy that serves as an example in our tapping for new opportunities in this field was the acquisition by Nufarm Limited of 100% of Agripec. This happened in 2007, following the Australian company's acquisition of a 49.9% share in the Brazilian company in 2004. Nufarm's goal on buying up all of Agripec's capital stock and operations is to make Brazil the starting point of its expansion into Latin America.

Australia has been a successful importer in the area of animal genetics, creating new opportunities in this market. Brazil could leap onto this bandwagon, since our country is a leading exporter of meat and has the potential to move into the area of genetics.

Document Management

• Recall (Brambles), which stores documents on physical and digital media, has an office in the city of Jundiaí, interior of the state of São Paulo.

Insurance Services

• QBE Brazil engages in life and accident insurance and is located in

the city of São Paulo.

Food and beverages

Australia currently ranks as the world's eighth largest wine exporter. Today, there are around 800 vineyards in the country, four of which account for 80% of all the wine it produces: BRL Hardy, Mildara-Blass, Orlando, and Southcorp Wines. The major restriction to Australian wines claimed by purists is that they lack an individual identity and are very similar. Perhaps there is a measure of truth in this type of criticism, but the high quality of most of Australia's wines and their unbeatable cost/benefit ratio perhaps account for the enormous success they have achieved worldwide.

New Zealand, a Europe on the other side of the world

In this small country situated north of Australia, on 270,500 square kilometers of land, with 4,3 million inhabitants, Maori influence in the country's cultural formation has been extremely significant. The Maoris are New Zealand's indigenous people, and their culture and perspective have helped shape the country's identity since 1642. Maori cultural concepts and customs such as whanau (family) and mana (dignity) are part of New Zealanders' daily lives.

To show how significant Maori influence is in New Zealand we need only mention that one out of every seven New Zealanders is Maori. Moreover, four-fifths of the population is of European descent – the majority comes from England, but there are also people from Holland, Germany, Greece, and former Yugoslavia. In addition, some 4% of the population stem from countries in the Pacific, such as the Chinese and Indians, who have been in New Zealand for generations.

New Zealand's large urban centers:

Urban Centers	Population (in thousands)
Auckland	1,100
Wellington	347
Christchurch	341
Hamilton	169
Dunedin	112
Tauranga	90
Palmerston North	76

Source: Consulate General of New Zealand

The sum of the population of these urban centers is two million two hundred thousand inhabitants. To give an idea of the size of this country, the total population is equivalent to a mere 18.2% of the population of the city of São Paulo, in the state of São Paulo.

Politics and economy

Although in terms of territory it is a small country, New Zealand has a competitive economy. Exports of goods and services represent a third of its total output, which is on the order of USD 124 billion (in 2007). It is a country that enjoys political stability and has a skilled labor force.

In the 1980s and 1990s, the country underwent a radical economic reform designed to gain a competitive edge on the world scenario. The reform did away with subsidies, tariffs and price control, and established a floating exchange rate. Furthermore, government abolished controls on capital movement and privatized many state-owned properties. More recently, the policies adopted in New Zealand aim at fostering growth through innovation and creativity.

It is not by chance, then, that the country has one of the most open economies in the world and is a defender of free enterprise. A curious point we should mention is that New Zealand and Australia have a free trade agreement whereby companies from this Maori country may trade with the continent-country exempt of tax and tax obligations. I believe it to be a good opportunity for businessmen who wish to gain a foothold in the very new world market.

Trade and Investment

New Zealand is an innovative and entrepreneurial nation. It plays an active role in international organizations that promote free trade, such as the World Trade Organization (WTO), which was headed by the former New Zealand Prime Minister, Mike Moore (1999-2002).

The country has closer economic ties with Australia and Singapore, but is developing new agreements with other nations with a view to expanding its reach in the global market.

One interesting case is that of Fonterra, which operates in the dairy sector. This company is the world's leading dairy product exporter and an example to be followed by those who wish to venture into the international

market, as later will be shown. It is proof that free trade can be successful if it is fair and well planned.

Fishing Industry

The country has one of the largest Exclusive Economic Zones (sea area under its control) in the world. Commercial fishing is a key sector for New Zealand, and the way it has been monitored is exemplary.

In 1986, an innovative quota management system was introduced in the fishing industry. This system calls for determination of a specific quantity of each fish species to be exploited. This has prevented abusive and predatory fishing practices. Since then, New Zealand's fishing management systems are among the world's most advanced and draw considerable attention of countries that have a strong fishing industry.

Brazil-New Zealand Relations

The two countries have a friendly and developing relationship with many areas of common interest, both bilaterally and multilaterally. Bilateral relations have strengthened considerably since the launch of the New Zealand Government's Latin American Strategy in August 2000

The opening of the New Zealand Embassy in Brasilia was one of the key elements of this Strategy. Brazil has had an Embassy in Wellington since 1997.

As we see, Brazil-New Zealand relations are still new, a fact made even more evident if we consider trade between the two countries. Generally speaking, trade volume is fairly low, only a total USD 101 million in 2007. The trade balance tips in Brazil's favor. Brazil's total exports to New Zealand amounted to USD 72 million. The main products are soybean oil and other soy products, fruit juice, and machinery, while New Zealand's exports to Brazil amount to USD 29 million, the bulk of which consists of coal, cattle, dairy products, and machinery.

But interests in connection with trade and economic issues are beginning to follow a new pattern, shifting from exports of goods towards direct investments and licensing deals. The most important aspect of this new course has been the establishment of Fonterra in Brazil in 2003, in a joint venture with Nestlé. This joint venture gave rise to Dairy Partners Americas (DPA), which has operations in Brazil, Argentina, Venezuela, Colombia and Ecuador, and proposes, as an end goal, to expand business in the entire American continent.

Trading of services, such as tourism and education, is also an essential aspect of the trade relationship between New Zealand and Brazil. The number of Brazilian visitors to New Zealand, for example, has grown substantially in the past years to almost 9000 in 2006. It is estimated that an average of 1500 Brazilian students now study in New Zealand each year.

Education

Brazil was elected the target country for the New Zealand government's new investment package of some USD 57 million in the area of international education. This plan, launched in 2004 and broadened in 2005, aims to build stronger links with key education partners, including through provision of undergraduate and doctors scholarships and student interchanges. There are currently three scholarship programs open to Brazilian students who want to study in New Zealand, which will be granted for undergraduate courses, university extension courses, and even to the reputed New Zealand International Doctoral Research Scholarships program that aims to attract the world's best students to New Zealand.

As we can see, it is not only on trade and policy that a bilateral relationship can be built. Education, the key factor in competitive development of any country, can also raise the level of transactions between two nations. This is a golden carriage that Brazil cannot afford to miss.

Commercial Exchange Brazil and Oceania (in millions USD)

Year	Exportation	Importation	Brazillian Balance	Commercial Trade Total
2001	275,166	301,113	-25,946	576,280
2002	292,170	246,943	45,228	539,114
2003	350,106	315,923	34,183	666,030
2004	436,094	402,028	34,066	838,122
2005	532,503	662,108	-129,604	1.194,612
2006	598,224	766,254	-168,029	1.364,479
2007	702,415	806,829	-104,413	1.509,244

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Chapter VII

Brazil and the Environment

Environmental conservation: awakening from inertia

Perhaps later than might be desired, but the fact is that humanity has finally awakened to the need to preserve our planet. Global warming is an omnipresent theme in all the news media and has become a mandatory item on the agenda of political leaders worldwide. Regardless of specialists' controversial opinions on whether or not the global warming phenomenon is an actual fact, it is undeniable that we must find new courses for our planet if we are to prevent it from being devastated by climatic changes.

Mobilization to save the planet is global, and it is not only political decisions – crucial though they may be – that will affect our way of living. Ways and means of production will change; even cigarettes cause pollution and countries throughout the world are alert to this fact. A new industrial revolution is in the making, prompted by environmental concerns that will take anti-pollution measures into account. Machinery will be modified, there will be changes in the university concept, and laws will have different enforcements. I believe we are on the threshold of a new revolution, that of clean energy. Modes of transportation will also have to be redesigned.

Will all this come at a cost? Yes, of course it will. But the change in industrial production will drive world consumption. The change may be costly but it will foster not only more efficient use of energy and raw material, but the creation of ecologically correct conditions as well. In this regard, Brazil has been making a very significant contribution to the world by taking the lead in the development, production, and consumption of biofuels, for example. Fossil fuels, besides being limited, are among the prime sources of air pollution, which is why Brazil's ethanol is so welcome. It is renewable, nonpolluting, and has a much more favorable cost-benefit ratio than its US and European versions. In addition, Brazil has the great advantage of having the technology, soil, and climate. What is more, Brazil is unique in that it has the technology, soil, and climate best suited to the production of biofuel.

However, air pollution is not the only problem. The planet must develop mechanisms to address other extremely serious issues such as water pollution and dwindling water supply, deforestation and desertification of areas previously covered by forests. In other words, people throughout the world must roll up their sleeves because a lot of work still lies ahead. Although Brazilians have already rolled up one of their sleeves by developing ecologically correct fuels, they still have to roll up the other if they are to be greeted at the front door of the globalized world.

Montreal, Kyoto, Bali and the world's snail-paced progress

While government authorities are only now lending due importance to environmental conservation, way back in the '80s the world had already realized that a change in stance was called for. Last year marked the celebration of the 20th anniversary of the Montreal Protocol, the environmental treaty that serves as a milestone in the protection of the ozone layer. The treaty – which was signed at the time in this Canadian city by 23 countries and now has 191 signatory countries – was designed to protect the Earth's atmosphere by means of the gradual reduction of substances that contribute toward the depletion of the ozone layer. Unfortunately, we all know that even after two decades the goal

is still a long way off, but the event in Montreal was a particularly important "eye-opener" for inhabitants of the whole world. The clearest evidence of this "eye opening" effect perhaps lies in the fact that ten years after the Montreal event, a new protocol was ratified in Kyoto, Japan, in 1997. At that time, 84 countries signed an agreement by which they committed to reduce the emission of carbon dioxide, the main villain in generation of the greenhouse effect. The problem with the treaty was that it established different reduction goals for different regions or countries, and these differences cause controversy and stand in the way of more efficient implementation of the Protocol. In addition, emerging countries such as Brazil, India, and China were exempted from meeting a pre-established reduction goal, and the treaty was not ratified by the world's greatest polluter, the United States.

Moreover, the UN Conference on climate change held in Bali in 2007 brought new expectations regarding the Planet's efforts at combating global warming, and also pointed out the Kyoto Protocol's failure on certain points. The United States and Australia reversed their stance and – at least officially – promised to make greater efforts to reduce pollutant gas emissions. China and India, however, continue reluctant to do so unless they see greater commitment in this regard on the part of the developed countries. And the world's inhabitants cannot harbor any illusions on this point. The target set in 1997 to reduce the world's emissions by 5.3% as compared to 1990 has not been attained, and in the eyes of some scientists, even that target is a far cry from what the planet actually needs.

What was Brazil's stance in Bali? Basically, it was the same old demonstration of concern regarding any attempt at imposing reduction goals on the developing countries as well. There is no explaining such a position since it places Brazil counter to the mainstream global demand for a cleaner world and goes against what is blatantly obvious: being ecologically correct may pose a risk to the economy, but there will be no economy whatsoever if climate changes wipe out humanity. On the other hand, Brazilians have good reason to be disgruntled regarding the scant flexibility with which the developed countries have been dealing with issues such as the transfer and flexibilization of intellectual property and "clean technologies", and with the banning of Brazilian biofuels from the list of "environmentally correct products". Such an attitude on the part of the developed countries is intransigent and not at all intelligent since it prevents worldwide dissemination of less polluting technologies and creates trade barriers against Brazil's sugar-cane ethanol.

One of the guest speakers at the Bali event was the current winner of the Nobel Peace Prize, Al Gore, who has become the foremost harbinger of global warming. Having first come under the limelight as a result of losing the US presidential elections to George W. Bush in rather controversial circumstances, he has now become a symbol of the fight against climate change and caused the world to think about what the United States' position on this issue would be had he won the presidential election in 2000.

Brazil and environmental issues: advances and ongoing problems

As I have already mentioned, Brazil's position, and particularly its actions in relation to the environment are undoubtedly of great relevance to the rest of the planet. I am not saying that those of the other countries are irrelevant, but Brazil is home to the world's largest tropical rainforest and no less than 12% of the earth's surface freshwater reserves. Besides, according to EMBRAPA, from Brazil, the country also boasts the world's largest area of arable land of which approximately 90 million hectares is still available for farming. In other words, should climate changes cause damage to Brazilian land the whole world will be affected.

Deforestation is probably the largest environmental challenge Brazil faces. Featuring the second-largest area of forestland in the world – second only to Russia – Brazil ranks first in a less honorable category: the felling of trees. According to reports released by the UN Food and Agriculture Organization (FAO), in the 2000-2005 period Brazil razed roughly 150,000 square kilometers of forestland, the equivalent of no less than 42% of the earth's net loss of forests in that period. However, we must keep in mind that as in all analyses based on numbers, it is difficult to come to any single conclusion as to how the situation stands today. The Brazilian government enthusiastically celebrated a 25% decline in the deforestation rate between 2005 and 2006, but the forecast is that this rate will likely rise again – and sharply – in the 2007-2008 period. A total of 85,000 square kilometers has been cleared under the present administration, by all indications an unprecedented record.

One of the main causes of deforestation in Brazil, especially in the Amazon Region, is burning off forests to clear the land for pasture. The large volume of smoke produced by this method also increases air pollution. Research carried

out by the Brazilian Geography and Statistics Institute-IBGE showed that roughly 64% of the air pollution in Brazil is due to burning. Brazil ranks 18th on the list of countries with the highest rates of power-generating carbon emissions, but jumps up to 4th in the list of most polluting countries when carbon emissions from burning are also taken into account.

Another form of aggression to the environment of major concern to Brazil is that which will affect water, which is soon to become the planet's most precious asset. Also according to IBGE surveys, the water in almost 40% of Brazilian municipalities is polluted, and many regions have insufficient water supply. But how can this happen, when Brazil's per capita water supply rate is five times the world's average? The main reasons are probably the lack of infrastructure for water distribution in rural areas and in the outlying areas of large cities, plus its inefficient use in the rural areas.

But strangely enough and contrary to what some might imagine, Brazil does have environmental protection laws. In fact, Brazil's environmental legislation is among the most advanced in the world. It includes 17 laws on the use of pesticides, exploration of minerals, water resources, and other matters. As though these were not sufficient, in 2006 the Law on Public Forest Management came into force. This is a sophisticated environmental conservation tool which, among other things, grants concessions for the exploitation of tracts of public forestland by means of public biddings; instituted the Brazilian Forestry Service and the National Forest Development Fund, and provided for the creation of conservation units that foster sustainable forest production.

The question that immediately comes to mind when we hear about all this information is: Why, with all these laws at its disposal, does Brazil have such a struggle to protect its natural resources? The answer rests on the age-old tendency of Brazilian people to disregard the law, as well as on the difficult task of enforcing it. After all, if environmental protection regulations were already in place and organizations such as the Brazilian Environment Institute-IBAMA already existed to oversee compliance with those regulations, why was it necessary to enact new regulations and create new organizations? A large part of the answer is the difficulty law enforcement agents have always met in performing their duties in remote areas dominated by organized crime, deeply entrenched in the Amazon Region. That difficulty has to do with Brazil's lack of control over this very rich region, which leads to speculation about its being subject to "internationalization" – obviously a pointless theory since there are 23 million

Brazilians living in the area. The Amazon is a region where a lot of work remains to be done, and it must be done under Brazilian command. Brazil is duty bound to defend the Amazon region.

The media's role and the future of the undertaking

Within this complex and tangled context, the media has played an important role not only in Brazil but throughout the world. Its role is to raise issues, debate them and render the opinions of both sides with impartiality, and especially to understand the individualized aspect that the theme is gaining in globalized terms. If the media views the conservation of the environment solely from the viewpoint of political or economic blocs, the reality of the facts will most certainly be distorted.

Global warming, deforestation and pollution are issues with strong economic implications and interests that reach even beyond those of entrepreneurs and investors. The global view that the media must have is that of an integrated process in which man will be the ultimate beneficiary of any solutions involving environmental issues. It is at this point that the media find perfect balance. There is no point in looking for villains or viewing things from a Manichaean angle (one side intrinsically good and the other intrinsically evil). The media must function as a very fine tuned filter of mere trivia that will do away with fantasy and focus on reality.

A good example of the media's work and its role in regard to environment and sustainability was the article on Masdar, a city of the United Arab Emirates, published by O Estado de São Paulo newspaper. Arab investors are finally going to use a portion of the billions they profit from oil to build a clean and sustainable venture. Masdar, which in Arabic means "the spring", is a true environmental utopia that is coming off the drawing board to become reality. Masdar will be the first clean city in the world, located right in the middle of a desert.

Car-free, all carbon emissions will be compensated in some way. According to Arab authorities, this futuristic city is scheduled for inauguration in 2015 and will have a capacity for 40,000 dwellers.

In other words, there is not a single person, company, or government authority that wants to transform Earth into Mars; that is a fact. Global mobilization in favor of environmental conservation, whether driven by NGOs or countries, will produce a generation of people with greater awareness of

the planet's needs and how to use its resources in a nonaggressive manner. Although the planet is still dragging its feet and taking excruciatingly small steps in the fight for preservation, for the time being what counts is the old maxim: "Better late than never".

Conclusion

Over the last three decades Brazil has numbered among the world's 15 largest economies and become a leading regional power both in political and economic terms. It has a vast and varied gamut of natural resources and boasts state-of-the-art technology in such sectors as biofuel, oil drilling, and aviation. So it was not by chance that Goldman Sachs listed Brazil as one of the strongest candidates to rank among the superpowers in the future under the famous acronym BRIC (Brazil, Russia, India and China). What, then, is missing for Brazil to actually become one of the players of the globalized world? This was the fundamental question posed in this book and I hope that it has helped all those interested in answering it.

Belated industrialization, the stigma of being an eternal exporter of raw materials, and the serious social problems derived from its historic process are a few of the reasons for Brazil not yet having managed to stop seeing itself as an eternal "country of the future" nor increased its participation in world trade, which has remained at the paltry level of 1% for 25 years. Brazil's vocation for business and the potential for expansion of companies such as Petrobrás, Embraer, Vale and Gerdau on the international market are among the examples cited above. Even a company that at first glance, sells a mere piece of rubber, Havaianas thong sandals, has managed to establish a new fashion trend worldwide. Rumor has it that even the Queen of England has been seen to use them. Other companies of various sectors such as Friboi (the meat packing company that acquired Swift); Tramontina, a manufacturer of cutlery that exports its products to the whole world; Fogo de Chão, the famous chain of barbecue restaurants that has more restaurants in the US than in Brazil. All are good examples. In other words, certain historic macro- and microeconomic conditions may still stand in the way, but we can no longer doubt that Brazil is capable of interacting competitively on the global market.

Although the focus of this book is economic, we cannot allow ourselves to overlook other aspects of this interconnected world. It is not only in the sports arena – where the prowess of Brazil's soccer players has enchanted the world and made the country the leading exporter of soccer talent – that Brazil is increasingly making its presence felt in the world. Today, we can listen to Rio de Janeiro funk music in Finland; or suddenly come across a group of people dancing Capoeira in Jerusalem, or enter a typically Brazilian "eat all you can" barbecue restaurant in Japan, or hear critics throughout the world commenting on "Tropa de Elite" (The Elite Squad), the Brazilian film that won the top honor Golden Bear award in the 2008 Berlin Film Festival. The fact that Brazil to date has had no serious diplomatic issues with any nation has made it possible for all things stamped "Made in Brazil" to be more openly welcomed abroad. Brazil projects a "friendly country" image that could well prove to be a major advantage, because people naturally tend to associate products with their idea of the country of origin. In this sense, the "Brazil" brand may be among the most valuable in the world.

But unfortunately, a worldwide "fondness" for a country is not enough to open all doors. If on one hand the globalized economy has some advantages, on the other hand, the ever greater competition among companies, countries, and economic blocs requires that entrepreneurs have an increasingly broader and more in-depth knowledge of the world. This means that if Brazilians are to use the "Brazil" country brand in the best possible way, a lot more will be needed than merely the world's good will towards the country.

One of the best examples may possibly be the ethanol derived from sugarcane. Apparently everything seems to conspire in favor of this biofuel. It

produces clean and renewable energy, it is cheaper than its US corn-derived or European beet-derived counterparts, and it performs better performance in flex-type engines. However, the world, above all the Americans and Europeans, are doing their utmost to hamper increased use of Brazilian ethanol in their regions, mainly by slapping high import duties on it. One of the main causes for this situation, apart from the strong protectionist policy followed by these countries, is the idea that Brazilin biofuels are more competitive due to inhuman labor conditions imposed on Brazilian agribusiness workers. If such labor practices are in fact still continued in some regions, it is up to Brazil to do all it can to abolish them. It is a waste of time to complain about the outside world's mistaken image of our country.

Brazil's first giant step towards the globalized market, the creation of Mercosur (The Southern Cone's Common Market) proved to be in the right direction in that it made Brazil stop chasing exclusively after the large world economies and take a look at the potential to be found close to home in neighboring countries. Although the United States, Europe and Asia have much larger and more diversified economies than Latin America, regional integration was called for especially because of the logistic competitive edge that this sort of integration could provide. To deny this fact is like trying to sell something to someone who lives on the other side of town without first asking your next door neighbors whether they might be interested. Political and economic problems like those Bolivia, Venezuela and Colombia are going through, and the lack of better communication and transportation infrastructure are still stumbling blocks standing in the path to a more efficient Mercosur, but there is always hope that these economies will eventually become stable. Chile is perhaps the best example.

The USA continues to be Brazil's main trade partner, despite the protectionist policy it applies to certain products and all the talk about the possibility of economic recession which, in view of the enormous economic weight that the US still carries, will most likely turn out to be only a scare. Brazil will always complain about US protectionist measures in some field of business as well as the competition from its companies, but the truth is that the two countries have much more in common that one might imagine. In the US as well as in Brazil, entrepreneurs are required to innovate if they want to succeed and stand out on the market. Furthermore, the result of the US presidential elections this year will determine the course of Brazil-US relations over the next few years, since the Democrats have historically had closer ties with Brazil.

But the eyes of the world are definitively focused on Asia. After all the excitement created by the economic growth experienced by Japan and the Asian Tigers in the 20th century, now in this new century it is China and India that are dealing the cards. The former is harvesting the fruits of years and years of planning for growth, and the latter inherited some portion of the Anglo-Saxon gift for entrepreneurship. In terms of experience in dealing in trade, China is ahead of Brazil by centuries and always focuses the long-term results. Brazil, on the contrary, finds it difficult to carry forward longer economic growth and development programs. Chinese pragmatism, coupled with its large capital reserves that amounted to USD 1.53 trillion at the end of 2007 and abundant work force, will likely establish China as the 21st Century's leading economic power.

Although experiencing a similar economic boom, India is at a disadvantage when compared to China because of the lower educational level of a large majority of its population and the unfailing source of conflicts that lies right next door – its neighboring country, Pakistan. India's significant growth rate has been pegged to such relevant economic sectors as the nuclear, information technology, and services industries. In all likelihood, India should become a major economic power, but the fact that a large portion of the country's vast population is below the poverty level, plus the fact that it must deal with the ongoing state of latent conflict in the Kashmir region may prevent the country from soaring as high as it might.

Brazil's stance in relation to these two countries should be that of a player that respects its adversary, but has no fear of challenging it. Competition from Chinese and Indian companies and products will become increasingly strong, but bilateral agreements and trade talks will be important tools that Brazilian companies can use to hitch a ride on the bandwagon of growth and quit complaining that they are being jeopardized. We witnessed what happened to Italian footwear when Brazilian shoes began to invade the world markets. At first there were a lot of complaints, but gradual adjustments on the world market were sufficient for Italian shoes to resume strong sales worldwide with the added value of design and technology.

Although India and China are currently the star players, certain African countries are to show signs of consistently high economic growth rates. After three decades of civil war, Angola is currently growing at a stratospheric pace of more than 15% per year and is avid for foreign investments. The country has all the prerequisites to outrank Nigeria shortly as Africa's leading oil producer, and democratic

stability leads us to believe in an optimistic scenario for the future. South Africa, in turn, has become a regional power after managing to abolish the abominable apartheid regime. Although South Africa, like Brazil, still has serious problems to face, greater purchasing power among the once segregated black population and increased investments in technology and infrastructure are undeniable facts.

Brazil has been strengthening its ties with both countries, closing trade agreements with South Africa and increasing its participation in the rebuilding of Angola where Brazilians have virtually "invaded" all sectors of the local economy. The cultural traits shared by Brazil and Angola greatly contributed to furthering closer ties between the two nations, an effort that had been put on hold for a long time due to the formidable political problems Angola was facing.

In addition to South Africa and Angola, Brazil has also made serious diplomatic efforts to strengthen relations with other African countries. Members of the current administration have visited 20 countries on the African continent, and missions sent to the Maghreb states have shown the need for greater integration between Africa and Brazil to strengthen South-South trade relations.

One other world region that deserves our attention is Oceania, and above all Australia. Like Brazil, Australia is a country that features continental dimensions and a short history. It is therefore important that our business community and diplomatic corps strengthen ties with that country. Trade relations with Australia still fall short of the potentiality of these two countries, but the Bilateral Trade and Investments Commission-BTIC reached an agreement in 2006 that may give the Brazil-Australia trade agenda a boost if it comes off the drawing board and is consistently implemented. The two countries have already signed bilateral agreements on airline services and education and we have hopes that these will prove to be signs of ongoing expansion of the "two-way trade pipeline".

But of course when talking about such themes as globalization and trade relations we could not fail to mention the environment. This would be inadmissible. All countries that seek to be included in the globalized world must be increasingly heedful of environmental issues. Global heating is a reality and although it may be the most commented of all evils caused by man, it is certainly not the only one. The clearing of forests, desertification, water pollution, and so on are all items on the long list of problems that must be addressed if future generations are to grow up in a decent world. Fortunately, conventions such as the Montreal and Kyoto Protocols, conferences like that held in Bali, and the Nobel Prize granted to Al Gore show that humanity seems to have woken up, even though economic and political issues continue to interfere in preservation of the environment. Although Brazil's environmental policies have proved to be less effective than would be necessary, enactment of the Public Forest Management Law does show that the federal government is paying more attention to the matter, even though some aspects of the Law may be debatable. The Brazilian institutions responsible for monitoring environmental laws, and the government itself, must make their presence more strongly felt, especially in the Amazon Region because it is already home to more than 25 million people and because the Brazilian institutions and government are duty bound to ensure that our country's wealth remains in our hands. The "handover policy" inherent to internationalization of the Amazon region must be banished once and for all.

After having expressed, weighed, and analyzed all of this subject matter, my hope is that readers may make the best possible use of this book to learn and to gain a better insight into the weight that Brazil represents in the globalized world. Or better still, that businesses, entrepreneurs, and diplomats may use the information and viewpoints found here to the benefit of their companies, countries and, of course, to Brazil. A country of such geographic and economic proportions cannot possibly remain content to play a minor role in the world. Fortunately for us, everything points to changes being made that will ensure Brazil a better position in the concert of nations. Our social, economic, and environmental problems will not vanish overnight, but only by gaining a better understanding of the world around us, and ensuring that the rest of the world has a better understanding of Brazil, will we be able to make our country fulfill its potential for greatness.

The message I wish to relay to the world is that the country's excellent foreign reserves position, its budget surplus, and above all the movement of its trade balance and balance of payments will be upheld, but not eternally We must set goals for the business community, for government, and for society. To uphold the current state of well-being demands that we focus matters other than the floating exchange rate, the value of the US dollar, or the interest rate established by the Central Bank. We must find solutions to such problems as deficient infrastructure, the lack of technological innovation, and the import systems currently in place that rule imports of machinery, equipment, and intermediary goods vital to Brazil's ongoing gains in competitiveness. Such measures will improve the prices and quality of our industrial products, farm products, and services. They will turn the goal of USD 300 billion in yearly exports by 2012 into reality.

We Brazilian businesspeople must expand the geographic scope of our operations. We must fuel our ambition to conquer new markets. As I have mentioned, the Brazilian business community and society as a whole cannot allow themselves to face the competitive foreign trade scenario in a shy and passive manner. A laid-back attitude will definitely not ensure a top-ranking position in a globalized world. We must establish direct contacts with other major players in the world economy be they located in the Americas, Europe, Africa, Asia, or in distant Oceania.

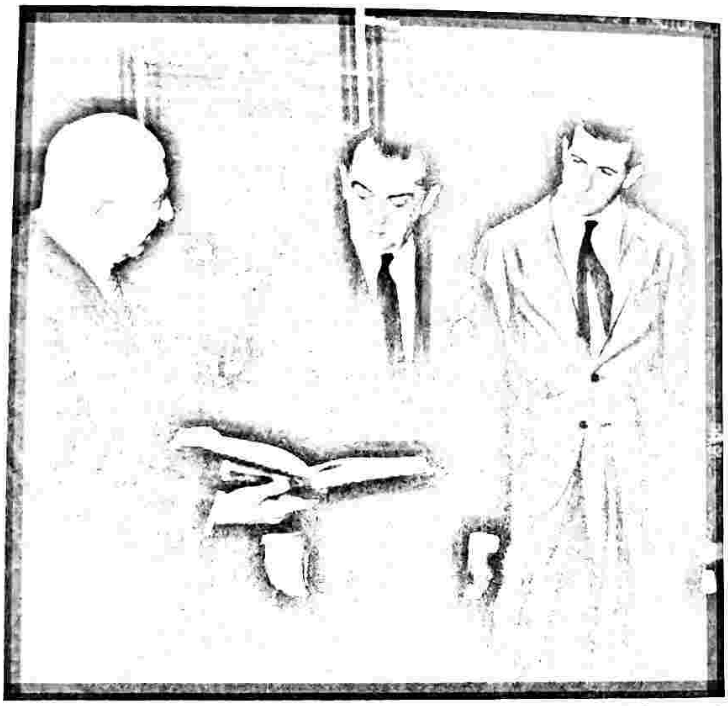
The course to take is that of daring – daring to ensure Brazil's position as a leader among the nations of the world.

"Brazil can achieve everything that desires when it makes articuled movements"

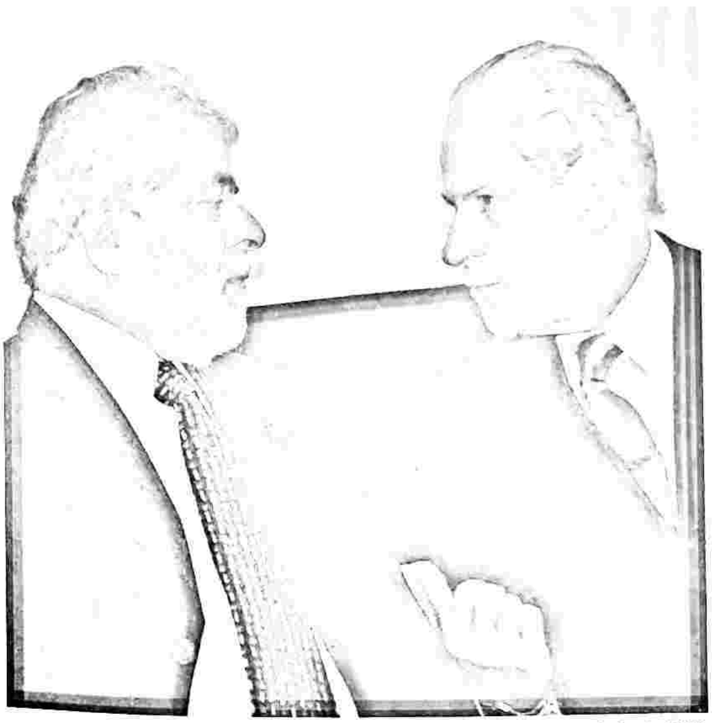
"A Global Player will not be big enough if it doesn't have an important contact network"

"The choice isn't between continental integration and paradise. It's between a huge market and nothing"

"An economy with a lot of interests will always exist. But the prosperity is in the sinergy"



Juscelino Kubitschek, in 1963.



Lula, in 2008.

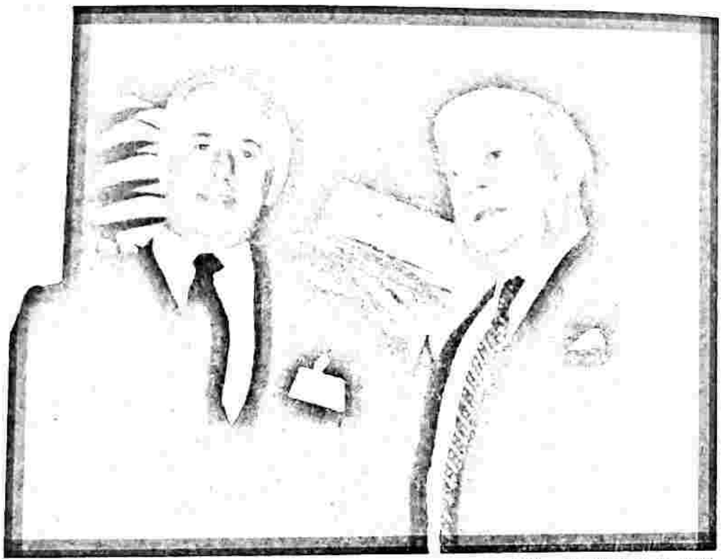
To Mario Garnero
With best wishes, Ronald Reagan

Ronald Reagan, in 1980.

Governors - Brazil, in 2007.

Mother Teresa of Calcuta, in 1988.

Ricardo Salinas, in 2008.



Helmet Schmidt, in 2002.

Salsburg, in 19

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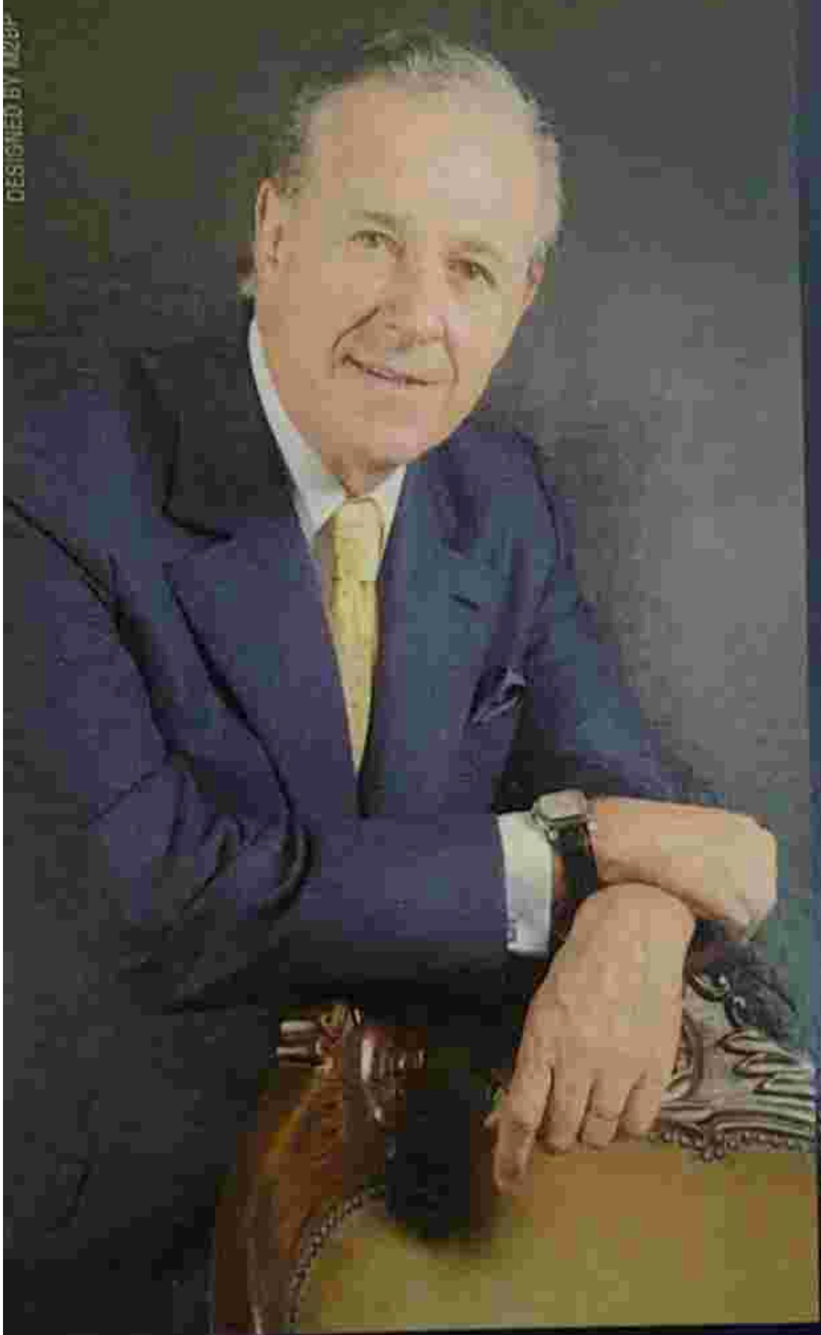

BRAZIL IN THE WORLD

Views on Brazil's Role in the Global Market

MARIO GARNERO

As one of the major emerging economies on earth, Brazil is aiming to leave behind its reputation as a "country of the future", to actually become one of the world's leading players. Brazilian business community and society as a whole cannot allow themselves to face the competitive foreign trade scenario in a shy and passive manner. It is necessary establish direct contacts with other major players in the world economy located in the Americas, Europe, Africa, Asia, or in distant Oceania.

This book has been to make clear Brazil's leadership in the mentioned regions. The country has huge powers of innovation, a competent business community, and a population that is open to new ideas. All these factors require that Brazilian leaderships view the world as a stage on which Brazil must take its rightful place as a player that understands all its co-players and is capable of interacting with all of them at the same time.

ISBN 978-85-7129-524-7
9788571295247

ADUANEIRAS
INFORMAÇÃO SEM FRONTEIRAS

DESIGNED BY M2BP