

Under the guidance of a new and popular President, Brazil is now serving notice that after decades in the wilderness it is now firmly back on the path to growth and prosperity. And this time all will benefit under the President's plans.

# Brazil

Brazil's first working class President aims to dramatically increase the distribution of wealth beyond the cities

## CONFIDENCE IS HIGH AS NEW ERA BEGINS

Let's face it – the world is pulling for President Lula. With his uncanny ability to cut to the quick of complex social and political issues, Brazilian President Luis Inácio Lula da Silva has presented a black and white perspective on social change that the majority of us have always, at least secretly, suspected was not the impossibility that our politicians have assured us it was. The practical and common sense approach of Brazil's new President to the concepts of fair and equal has endeared him to a public that extends far beyond the borders of his own country, and quite possibly represents the face of a new global leadership. That this political vanguard is also stemming from the world's fifth largest country, representing a population of 170 million people and Latin America's leading economic power, sends a clear message: keep an eye on Brazil.

"We had a presidential election in which hope triumphed over fear – the hope of changing Brazil in a responsible and secure way, overcoming economic difficulties and promoting social inclusion," says Senator Aloizio Mercadante of the Brazilian State of São Paulo. President Lula's election in October



2002 was a watershed event in Brazilian history as the country elected for the first time a president who was neither a member of the country's wealthy elites nor its military, but a member of the working class who swore that all Brazilians would have access to three meals a day by the end of his term, a social program that came to be known as

Zero Hunger. Once in office, President Lula also defied his critics' expectations by continuing the strong fiscal and economic reforms established by the previous Cardoso administration. Armando Monteiro Neto, President of Brazil's National Confederation

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The United States is Brazil's main trading partner and together the two countries co-chair the Free Trade Area of the Americas (FTAA) talks, which involve 34 nations. President Lula is a strong supporter of the free trade area and is committed to expanding and opening up new markets for Brazilian exports

## PARTNERSHIP OFFERS ADVICE TO INVESTORS

Investe Brasil was created in 2002 as a public-private partnership designed to heighten awareness in the country of the need to retain Foreign Direct Investment. The organization promotes a pro-business climate and works on various fronts to smooth the path for FDI into the country. In its first 15 months of activity, Investe Brasil was successful in attracting productive-sector investments of \$1 billion, while identifying 188 investment opportunities at home. President Rudolf Hohn states, "We are private, but we are in partnership with the government. So, we are unique in that we have the flexibility of a private company, and we are supported and funded by the private sector, but we are also funded by the government with whom we have established a working plan."

Investe Brasil offers investors a clear guide to options and easier ways of doing business in Brazil, while providing them with channels for dialogue and negotiation with government agencies and the private sector, as well as its institutional representatives, such as International Chambers of Commerce. The organization's influence in both private and public sector realms enables it to open doors that present obstacles to individual investors working alone. Mr. Hohn explains, "We are non-profit so when it comes to negotiations between the investor and the government, we are seen as a neutral entity. This is one of the strengths that we have and it has made it easier to remove any initial obstacles."

For many investors worldwide, it is not a question of if they will invest in Brazil, but when, and according to Mr. Hohn, that time is now. He comments, "If you consider that Brazil is a country of more than 100 million people with a GDP of over \$500 billion, the potential is impossible to ignore. Even if you are small you have to be here, because the growth is going to come."

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of Industry states, "The government has maintained the fundamentals of a responsible macro-economic policy and demonstrated a great determination and firmness in fiscal austerity, discipline, and complete rigor."

In typical Lula fashion, the President took a commercial flight on an official visit to Europe last year, and attended both the World Economic Forum at Davos, Switzerland, and the World Social Forum – an event created in opposition to much of what the World Economic Forum stands for. Walking firmly and confidently through the battlefields of world globalization and social inequality, President Lula continues to insist that there must be a fair balance.

### BUILDING ALTERNATIVE PARTNERSHIPS

Demonstrating President Lula's astute political ambitions, Brazil has recently signed a "framework agreement" with India and South Africa to expand and intensify political cooperation and trade. Brazil is seeking to unite the cause of developing countries at international trade talks and forums. In what it sees as a positive contribution to the world economy the agreement will bring together a developing market of 1.2 billion people and wield considerable influence.

### Higher exports and investment key goals of new administration

The United States is Brazil's largest trading partner with about 25% of its total international trade – roughly equal to Brazil's trade with the European Union, and the U.S. leads foreign direct investment in the country, with interests that represented \$24 billion in the year 2000. Three U.S. companies – GM, Texaco, and Exxon, are among the top twenty domestic firms in Brazil, and six of the country's top ten exporters (Bunge, Volkswagen, Cargill, General Motors, Motorola, and Ford) represent foreign investment.

Increasing Brazil's exports and attracting higher levels of FDI are key elements in the new government's economic strategy. Mr. Juan Manuel Quirós, President of the country's main export promotion agency, APEX, says, "Brazil is going through a great transformation now, and we are actively seeking new business relationships interna-

tionally and increasing our relationships with the private sector. We are offering huge opportunities to interested parties, as the transfer of technology and investment will enable us to develop new products for export."

Central to the country's export growth are the ongoing Free Trade Area of the Americas (FTAA) talks, which President Lula has been co-chairing with the U.S. and

which involve a total of 34 nations. Brazil is a strong supporter of the free trade area and has been working hard to produce what it feels to be a fair and just agreement for all concerned. Minister of Development, Industry, and Foreign Trade, Mr. Luis Fernando Furlan, says, "Reciprocity is the keyword of this

administration when it comes to external trade. We believe that free trade agreements are good for the country and that they are a positive way to expand and to open up the market. A fair market will allow us the chance to create wealth in Brazil, while offering vast opportunities to international companies that are interested in investing."



**LUIS FERNANDO FURLAN**  
Minister of Development, Industry, and Foreign Trade

## MODERN INDUSTRY AIMS FOR INCREASED BI-LATERAL TRADE

Brazil's late arrival in industry has been a clear advantage. With low production costs Brazil is pushing hard to expand U.S. market.

**L**ate to industrialize, first to modernize. In just over a decade, Brazil has become a major player in the global steel market. It is already the 4th largest exporter of steel in the world with annual sales amounting to 9.6 million tons. And there is no end in sight to the dramatic growth of the industry. While China is currently buying most of Brazil's exported steel the country has given top priority to increasing exports to the U.S. Additionally, the country's late start allowed for the use of far more modern production facilities than those in older markets, increasing the sector's competitiveness and reducing its environmental impact. Most of the equipment in operation in the country today was installed after 1970. CEO of Companhia Siderúrgica Nacional (CSN) Mr. Benjamin Steinbruch says, "The steel industry in the U.S. started 200 years ago, whereas in Brazil it began in 1941. Since our sector is so young, it uses new equipment, new logistics, new structures – all of which permit us to be competitive, and an ideal place to invest."

Moreover Brazil has vast natural resources. It is the world's second largest tin producer and its third largest iron-ore producer, and possesses significant deposits of gold, bauxite, manganese, and aluminum. "Brazil has the best and the largest reserves of iron ore in the world, and we have reserves for the next 400 years. What we need is to have new markets to sell our iron ore to," states Mr. Roger Agnelli, President of one of the country's leading steel manufacturers, Companhia Vale do Rio Doce (CVRD). Mr. Agnelli says that a higher degree of cooperation could exist between the U.S. steel industry and the Brazilian sector, through both direct investment and partnerships, utilizing the comparative strengths of both countries for mutual benefit. Consequently, in addition to the company's alliance with U.S. steel company, Nucor, American investors number among CVRD's shareholders and the company is listed on the NYSE.

The National Confederation of Industry (CNI), which represents more than 700,000 businesses in the country, has been lobbying for advances in the FTAA talks. The orga-

nization's President, Armando Monteiro Neto, says that he is confident that negotiations will move ahead. He states, "The CNI has had an important role in encouraging the current government to continue with the FTAA schedule and to provide an initial list of offers. Maybe the deadlines will not be met exactly on time, but I believe we will move ahead with the negotiations, and that the Brazilian business sector is interested in negotiating."



**ANTÔNIO ERMÍRIO DE MORAES**  
President  
of Votorantim



**ROGER AGNELLI**  
CEO of Companhia  
Vale do Rio Doce

Mr. Antônio Ermírio de Moraes, President of Votorantim Group, one of the largest private conglomerates in Brazil, is also aware of the importance of a successful outcome at the FTAA talks. He declares, "The FTAA is a necessity even for America who have reached their maximum production. We offer new markets for them to explore, and it's much easier to come to South America than to go to Asia."

The Votorantim Group was founded 85 years ago and following years of phenomenal growth it is now involved in a wide range of market activities including cement, pulp and paper, and mining. The Group is on its way to becoming a world-class corporation and has ambitious growth targets for the future. Its own international expansion began with the acquisition of Canadian cement company, St. Mary's, in 2001, resulting in a 12% increase in production. In addition, Mr. Antônio Ermírio de Moraes says, "We are currently exporting 60% of our aluminum production, 70% of our nickel production, and around 35% of our zinc production."



A young steel industry has been a clear advantage as all the equipment and logistics are new

### Export growth given top priority

Brazilian exports are a potentially explosive sector and one in which President Lula's government has placed top priority. The country's exports registered phenomenal growth of 21% in 2003, albeit aided considerably by the depreciation of the national currency, the Real, and generated revenues of \$60 billion. However, external trade has

traditionally represented a very small percentage of Brazil's GDP, hovering between 10% and 15% throughout the last twenty years, when the norm for developing countries was between 30% to 40%. This means that the export sector has considerable room to grow and experts predict at least 10% year on year growth throughout the next decade.

Furthermore, opportunities for FDI on the part of U.S. companies abound, as high interest rates in the country are a limiting factor in domestic business expansion.

The government has implemented initiatives to support export development among the country's small and medium-size enterprises and the country's principal export promotion agency, APEX, has been working to promote the international image of 'Made in Brazil'. According to APEX President, Mr. Juan Manuel Quirós, the agency participated in over 200 projects in the first three months of 2003 and attended 45 international events, generating \$50 million in contracts with an expected turnover of \$256 million in the first six months of the year. He states, "Brazil is experiencing a period which

**With one of the largest and best reserves of iron ore anywhere in the world Brazil is eager to pool resources with the U.S. for the mutual benefit of both countries.**

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**ONE MORE BRAZILIAN NATURAL RESOURCE  
THE WORLD SHOULD LEARN ABOUT: PRODUCTIVITY.**





## CBA. One of the largest aluminum producers in the world.

CBA – Companhia Brasileira de Alumínio – is a 100% privately held Brazilian company and part of Votorantim Group. Since 1955, CBA has been growing at an average of 9% per annum. At present the company produces 340.000 tons of primary aluminum annually, enough to place it as the 19th largest aluminum producer in the world and the 3rd in Brazil. CBA has already begun an expansion project, which will increase production to 385.000 tons a year by December 2005 – an important landmark for the Brazilian aluminum industry. CBA's expansion plans are all the more remarkable considering that 70% of the financial resources for the project come from the reinvestment of the company's profit. CBA is a completely integrated aluminum producer involved in all aspects of bauxite mining, alumina refining, smelting, and the manufacture of semi-fabricated and finished products, including extrusions, rolled products, wires and cables. Through its 16 hydroelectric plants (13 in operation and 3 under construction), CBA will increase its power output and maintain its energy self-sufficiency of 60%, high above the world average of 23%. All CBA products are ISO 9001 certified and, thanks to investments in environment preservation, reforestation, education and ecologically friendly equipment, the company has also received an ISO 14001 certification. Such competitiveness has allowed CBA to participate vigorously in global markets exporting about 50% of its production – especially of rods, billets and Foils – to foreign markets, mainly to the USA, Europe and the Middle East. CBA is helping Brazil to grow.



Companhia Brasileira de Alumínio

[www.aluminiocba.com.br](http://www.aluminiocba.com.br)



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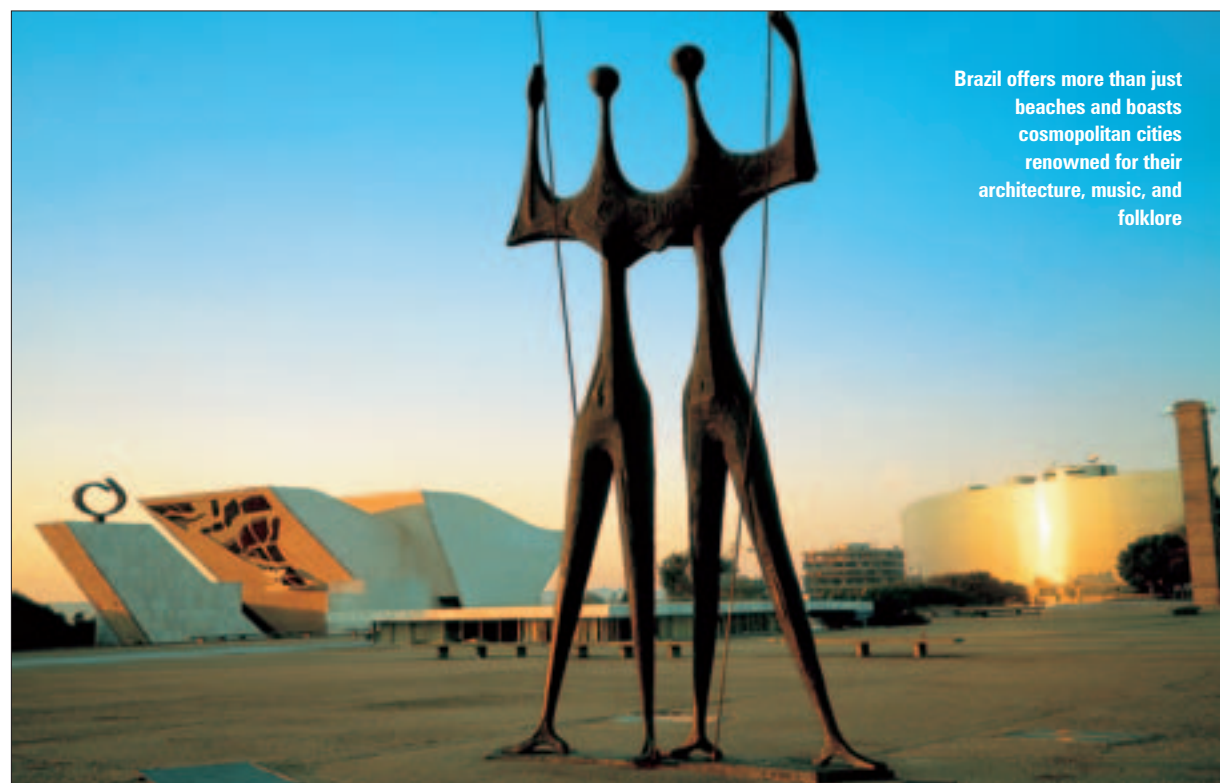
**JUAN MANUEL QUIRÓS**  
President of APEX

is very conducive to foreign investment, and our agency actively promotes opportunities for doing business in the country. APEX is available for those who want to export and for those who want to buy. At the same time, investment in the production line is most welcome, especially in the sectors that need significant investment, such as the electronics, chemical, and pharmaceutical industries."

The exploration of new non-traditional markets for Brazil, such as Russia and China, is also beginning to pay off. Brazil ran a record trade surplus of around \$13 billion in 2002 despite a 50% fall in exports to Argentina, Brazil's second largest market after the U.S. Increased exports to new markets such as China (up 32%) and Mexico (up 25%) offset this loss, and the trade surplus for 2003 was forecasted for \$16 billion. Minister of Development, Industry, and Foreign Trade, Mr. Luis Fernando Furlan, says, "Export is the keyword of this administration, and we are beginning to target the less traditional markets such as China, India, and the Middle East. It is our intention to deliver double-digit growth in the next four years. We have also made contacts with European Union countries, in particular, Italy."

Brazilian aerospace company, Embraer, is among the country's leading exporters. Vice President of Corporate Communications, Mr. Horacio Aragones Forjaz says the company is ready to launch a new aircraft in the 70-110 passenger range and has taken orders from U.S. Airways and Jet Blue for 185 of these new planes. In 2002, Brazil's leading export to the U.S. was finished aircraft, and over half of Embraer's exports are destined for the country.

Despite a large fall in exports to Argentina, the opening of new markets in China, India, Russia, and the Middle East have more than compensated for the loss



Brazil offers more than just beaches and boasts cosmopolitan cities renowned for their architecture, music, and folklore

## TOURISM ESSENTIAL IN QUEST FOR REGIONAL DEVELOPMENT

Many regions of Brazil remain undeveloped despite boasting lush rainforests, vast river networks, and spectacular beaches.

If Brazil has not yet registered on the world's radar as a significant presence, not only in terms of an unparalleled tourist destination, which has one of the largest populations and economies on the globe, it will soon. Industry officials are hard at work to change the international perception of this magnificent and massive country and are stepping up promotional activities in international tourism events worldwide. The recent creation of a tourism ministry is evidence of President Lula's faith in the tourism industry to turn lesser developed regions around. Minister of Tourism, Mr. Walfrido Mares Guia, comments, "President Lula understands that tourism is a very important tool in increasing the economic and social development of Brazil, and therefore tourism has been given top priority. We have specific plans to promote tourism in the lesser-developed areas that hold high potential."

In the National Tourism Plan, launched in April of last year, the government established a target of 9 million tourists annually by the year 2007, creating a mil-

lion new jobs. This represents a substantial increase over the 2.8 million who visited the country in 2002, resulting in a disappointing 29th placement for Brazil among the world's major tourist destinations. To this end, public investments to the tune of \$400 million are destined for infrastructure improvements in the country's northeast region, according to Minister Mares Guia, and a further \$200 million has been allocated for the development of ecotourism in the Amazon. In southern Brazil, the government is counting on an influx of tourists from neighboring Mercosur countries and is working to improve road and transport links to allow more convenient accessibility for these regional visitors. Americans currently account for only 12% of Brazil's visitors, and 700,000 U.S. tourists visited the country in 2002. Mr. Mares Guia says, "It is of paramount importance to communicate to the world the diversity of the



**GILBERTO GIL**  
Minister of Culture



**WALFRIDO MARES GUIA**  
Minister of Tourism

tourism product in Brazil. We have traditionally been renowned for our beaches, but there is so much more within Brazil."

He is right. Lush interiors, vast river networks and rainforest, over 5,000 miles of coastline, numerous natural heritage sites – the country is an amazing array of landscapes and colors. Of special mention is Fernando de Noronha in the northeast, an area comprising 21 small islands, islets, and crags atop a submerged volcano, and perhaps one of the country's best-kept secrets. The neighboring beaches of Baía do Sancho, Baía dos Porcos, and Praia do Leão number among the 10 most breathtaking beaches in the country.

Brazil also offers a fascinating mix of cultures, music, and customs. Minister of Culture, Mr. Gilberto Gil, elaborates, "I think that one of the opportunities we have here lies in our cultural variety. For instance, the south coast has a more European feeling. In Rio or Bahia and Pernambuco in the northeast, there is the black culture and the Carnival. Then we have the Amazon and the Indians, and the element of biodiversity. We have cosmopolitan cities like São Paulo and we have cities that are known for their architecture such as Brasília. And linking all of this, permeating it all, is our world famous music and our folklore."

## REJUVENATION UNDERWAY IN THE SPECTACULAR NORTHEAST

High levels of economic growth and stunning natural beauty are set to eliminate poverty and illiteracy and herald a bright future for its people

**B**irthplace of President Lula, Brazil's northeast region has traditionally been one of the country's most underdeveloped areas, stricken by poverty and with high levels of illiteracy and infant mortality. Not surprisingly, development of the region is a government priority, and a combination of public support, private sector innovation, and vast natural potential has begun to rejuvenate this incredibly beautiful part of the world. The region is now registering the highest economic growth rate in the country, and prospects for continued expansion, stimulated by low labor costs and improvements in infra-

structure, further enhance the economic outlook.

Brazil's northeast region is comprised of nine states: Bahia, Paraíba, Alagoas, Sergipe, Rio Grande do Norte, Piauí, Ceará, Pernambuco, and Maranhão, with a total population of 45 million. Tourism will undoubtedly be the main motor of development in this naturally blessed region, as it enjoys year-round sunshine and boasts some of the most beautiful beaches in Brazil, dotted along its more than 2,000



**JARBAS VASCONCELOS**  
Governor of the State of Pernambuco

miles of coastline. The undulating sand dunes of Rio Grande do Norte, World Heritage Sites in Maranhão and Pernambuco, and Mardi Gras in Bahia's capital, Salvador, are just a few of its endless lures for tourists.

The traditional agricultural and livestock bases of the region's economy are being increasingly supplemented by a new dynamism in industrial and hi-tech sectors. Ford Motors has opened a new plant in Bahia to produce 200,000 cars per year, and

Pernambuco's capital, Recife, is Brazil's third largest ICT center. Infrastructure will be key to the future of the region as it is strategically located between Africa, Europe, and America, and is a natural choice for the logistics of any export and import activity in or out of Brazil. Port of Suape, located 25 miles south of Recife, represents one of the most important port industrial complexes in the Americas. Mr. Alexander Albuquerque, director of Port of Suape, says, "Our annual growth is over 30%, and the Port is a main point of reference for the northeast region in terms of transshipment."

### PERNAMBUCO STATE IS A TOURIST PARADISE

The state of Pernambuco in Brazil's northeast region is a literal feast for the eyes, a paradise lost, with exuberant green mountains that roll out to mile upon endless mile of unspoiled beaches. This is the unparalleled setting for new development initiatives on the part of the government and the site of a new economic dynamism from the public sector. State Governor, Mr. Jarbas Vasconcelos, comments, "The priority of my first term was to improve infrastructure. The airport needed modernizing, the Port of Suape required investment, and we improved the roads and the water supply. This has all been concluded now, and we are hoping to attract new investment to the area."

The northeast region, where Pernambuco is located, has a population of 45 million people, and Pernambuco's capital city, Recife, which has been called the

"Venice of Brazil" for its numerous waterways and bridges, is at the center of this large consumer market. Mayor of Recife, Mr. João Paulo Lima e Silva, states, "Recife is situated in a central area for the whole northeast and already serves as a distribution center and hub for the region." Named after the coral reefs that line its shores, Recife offers a modern infrastructure, while maintaining its rich architectural heritage, and is rising in status as a center for international conventions and conferences. Mr. Danilo Pedrosa, President of the Recife Convention and Visitors Bureau, elaborates, "Recife is a relatively undiscovered destination and that presents an opportunity for us. The city is well prepared to accommodate a large number of visitors and has an excellent infrastructure, not to mention the beauty of the surrounding areas." Pernambuco is also a center for research and study that exports skilled labor to the whole region, thus

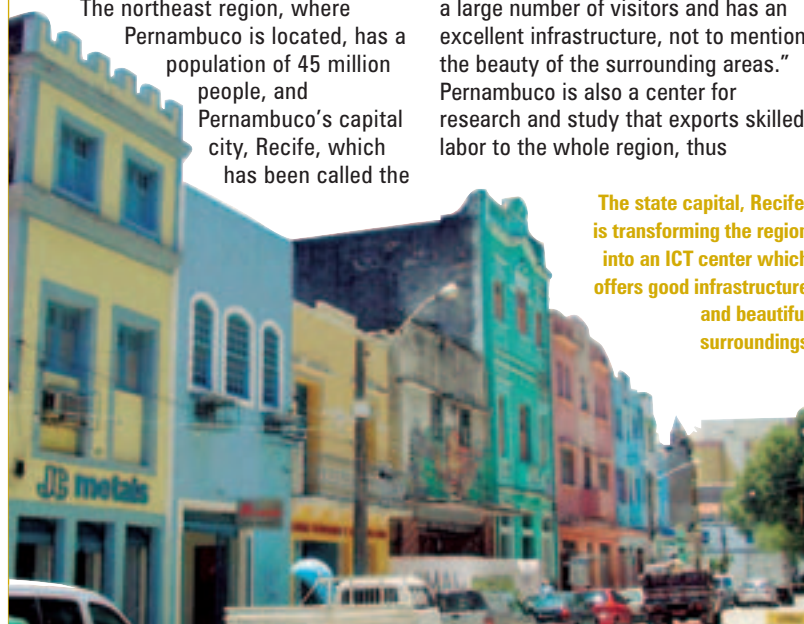
accounting for progress in modern service sectors such as IT, where it ranks third in the nation, and the health care sector, where it ranks second nationwide.

Recife's Digital Port is a brilliant combination of the concepts of urban regeneration and high technology cluster that is transforming Pernambuco into a leader in the

information technology and communications fields. Mr. Pier Carlo Sola, President of Digital Port, explains, "Digital Port was created in 2000 as an urban science park to help transform not only the economic profile of the state, but also that of the neighborhood where it was built. Today we have 66 companies here, employing over 1,000 professionals."

For further information contact:

SUMMIT COMMUNICATIONS: 1040 First Avenue, Suite 395, New York, NY 10022-2902  
Tel: 1 (212) 286-0034, Fax: 1 (212) 286-8376, E-mail: info@summitreports.com  
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The state capital, Recife, is transforming the region into an ICT center which offers good infrastructure and beautiful surroundings

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# CVRD

## US\$ 7.5 billion project pipeline for 2004-2010



CVRD - Companhia Vale do Rio Doce is the largest diversified mining company in the Americas. Headquartered in Brazil, it supplies the global market with products present in the daily lives of millions of people around the world. The world's largest producer and exporter of iron ore and pellets, CVRD is a leading player in the global manganese and ferro alloy market. It is also an important producer of bauxite, alumina, aluminum, potash and kaolin and has stakes in several steel companies. As Brazil's main supplier of logistics services, the company owns and operates railroads, port terminals, warehouses and coastal shipping. CVRD shares are traded on the São Paulo (Bovespa), New York (NYSE) and Madrid (Latibex) stock exchanges.

[www.cvr.com.br](http://www.cvr.com.br)



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Vale do Rio Doce