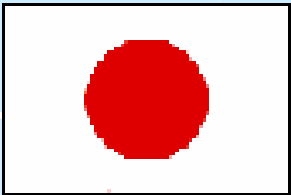


# Route to Growth “Brazil and Japan”



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# Outline of the Speech

- I. Successful macroeconomic policy in Brazil
- II. Investment climate
  - ~ How to attract more foreign investments
- III. JBIC's strategy toward Brazil
  - ~ In line with "PAC - Growth Acceleration Plan"
    1. Infrastructure development
    2. Digital TV-SBTVD
    3. Energy and natural resources development
    4. Biofuels

# I. Successful Macroeconomic Policy in Brazil

- **Attained primary surplus target every year**
  - 2006: 4.37%, 2005:4.83%, 2004:4.59% (% of GDP)
- **Success in inflation target regime**
  - 2006:3.14%, 2005:5.69%, 2004:7.6% (yearly change)
- **External economy**
  - <Trade surplus>
    - 2006:46.1bln, 2005:44.7bln, 2004:33.6bln (US\$)
  - <Exchange rate>
    - 2006:2.1, 2005:2.3, 2004:2.7 (Real/US\$)

## II. Investment Climate

- **Ranking of Brazil (JBIC's Survey on Japanese FDI)**

**13th(2004)**      **9th(2005)**      **7th(2006)**  
(out of 45 countries, inquiries to Japanese 967 manufacturing companies)

- **Main reasons for positive attitudes**

- Growth potential of the market (81.8%)
- Inexpensive labor forces (22.7%)
- Supply base for assembly manufacturing (18.2%)

- **Concerns over the economy**

- Instability of security and social conditions (38.9%)
- Instability of local currency and price (36.1%)
- Unclear legal system (36.1%)
- Intense competition in the market (36.1%)



# **III. JBIC strategy toward Brazil**

# 1. Infrastructure Development

- Infrastructure development for:
  - raising potential GDP growth rate
  - improving business climate in Brazil
- JBIC is interested in supporting Brazilian PPI/PPP especially the following sector:
  - Railway, Road
  - Port
  - Electricity

## 2. Digital TV

- JBIC is considering to support Brazil's introduction of Digital TV system (SBTVD) scheduled from the end of the 2007 onwards
- Cooperation with BNDES
  - BNDES's special financial package for SBTVD
- Cooperation for expanding promotion of the Brasil-Japan system throughout the Latin American countries

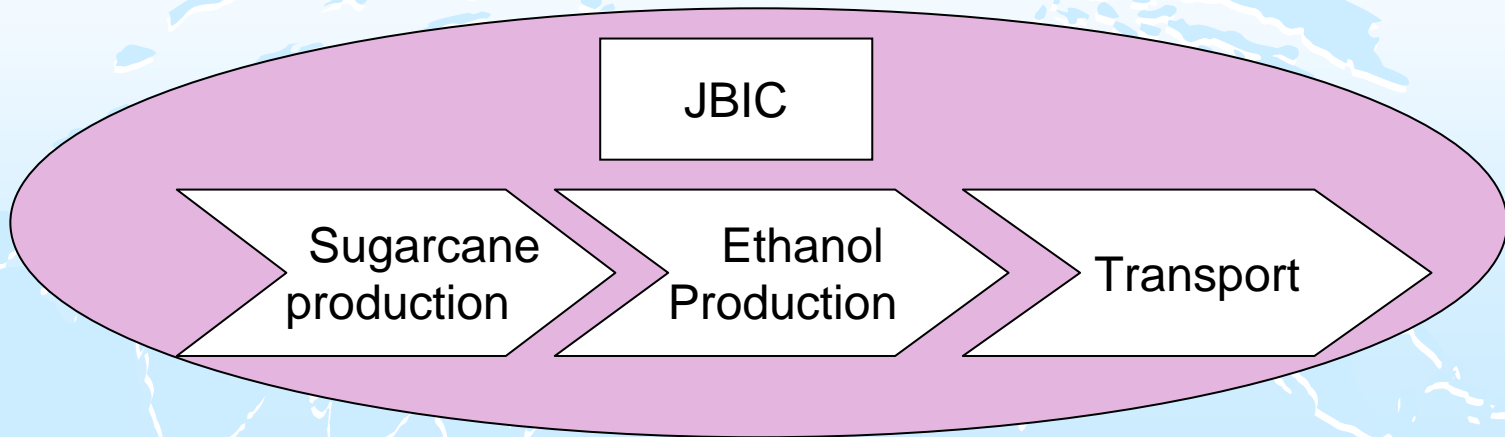
# 3. Energy and Natural Resources



- Long-lasting relation between Brazil and Japan in terms of energy and natural resources
- Securing stable supply of energy and natural resources to Japan
- Enhancement of further cooperation



# 4. Bioenergy



- Japanese government's policy for energy security associated with environmental sustainability
- Enhancing Brazilian supply and price stability
- JBIC's support for projects aiming export to Japan

*Concluded the MoU with Petrorbras for broad cooperation in the ethanol business*

# JBIC's Recent International Financial Operations (IFO) in Brazil

*Our outstanding to Brazil (IFO) amounted to around 8 billion US dollars, which is the 2<sup>nd</sup> largest in our recipient countries*

- **[Export Loan]** Credit lines to 3 Brazilian local banks (Banco do Brasil, Bradesco, Unibanco): 9bln JPY+60mln US\$
- **[Overseas Investment Loan]** CVRD's improvement of transportation facility (railroads, ports) : Total 450mln US\$
- **[Untied Loan]** BNDES TSLs for infrastructure development and export promotion: Total 800mln US\$
- **[Guarantee for Syndicated Loans]** PETROBRAS' improvement of REPLAN refinery: 300mln US\$
- **[Guarantee for Bond Issuance]** PETROBRAS' construction of sea floor pipelines: 35bln JPY



**Thank you for your attention!**  
***Muito obrigado pela atencao!***

**JBIC**