

Japan-Brazil 3.0

Fostering economic relations based on common interests

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- **World trends: where to, Japan and Brazil?**
- **The evolution of Brazil**
- **BNDES: a mission oriented institution**
- **Investment trends in Brazil**
- **The way ahead and a strategic proposition**

World trends

World

- World leadership: negotiated or conflictive multipolarity?
- Economic inclusion in emerging countries: a new frontier but high demand for public goods.
- Very fierce competition based on innovations. In all grounds.
- Pressure on resources will increase. Are we doomed?
- Activism by States: protection against chaos; defence of national interests. But no role model.

Japan and Brazil

- **Japan: the challenges of maintaining conquered wealth in a dynamic and contrasting neighbourhood**
- **Brazil: the challenges of unbalanced development and growth in tranquil geographical surroundings**

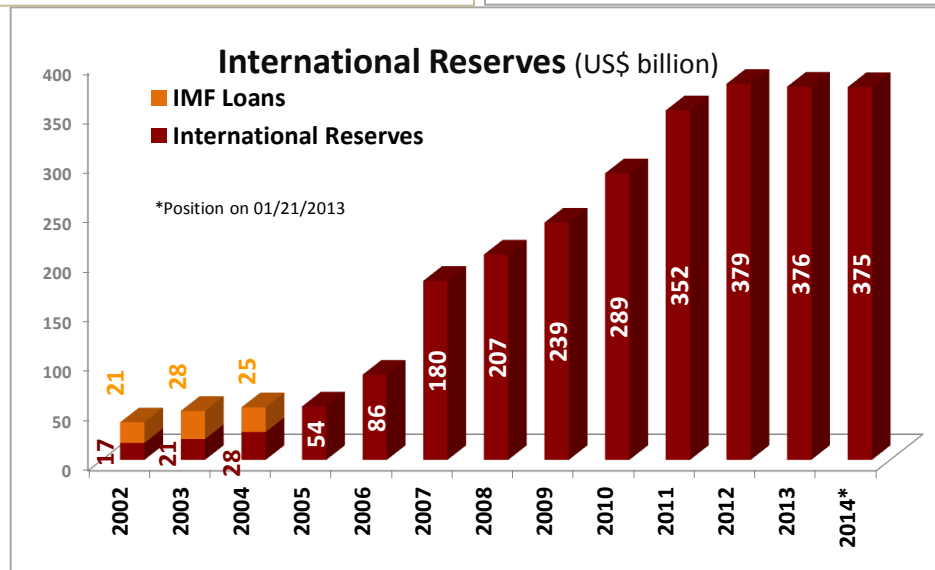
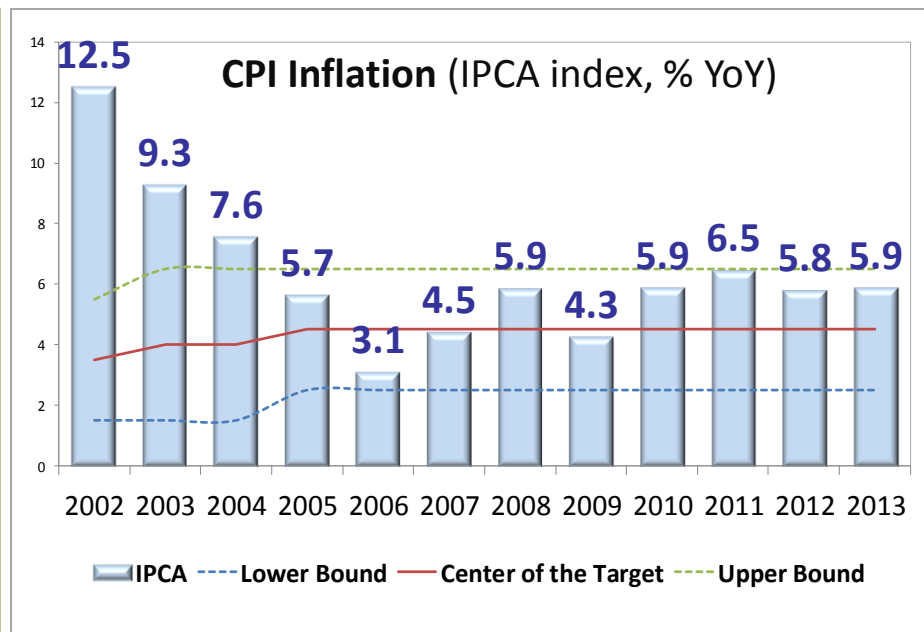
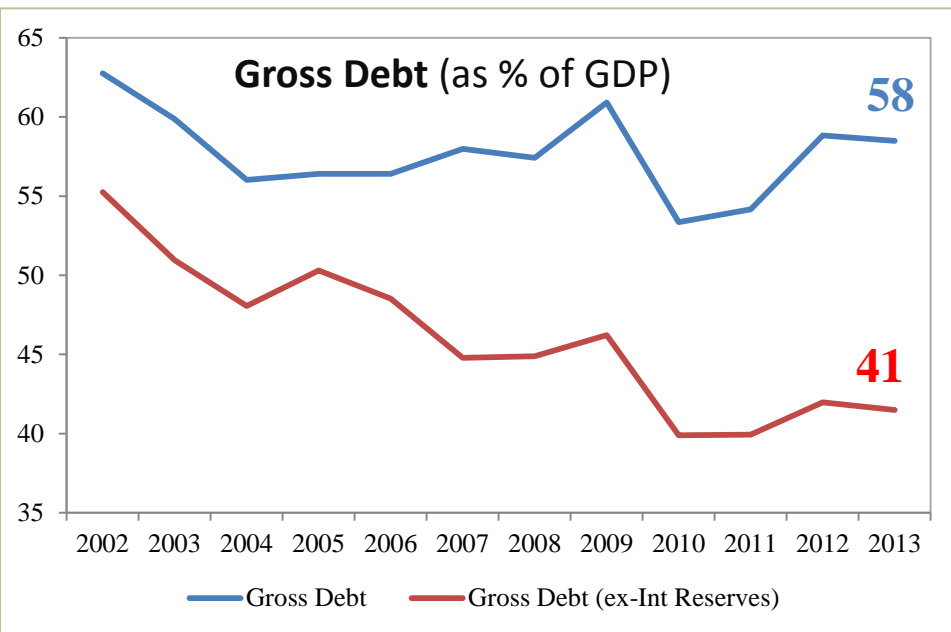
The evolution of Brazil

Democracy and predictable institutions

**Macroeconomic
stability**

**Inclusion:
economic,
social,
cultural**

Diversification of sources of dynamism



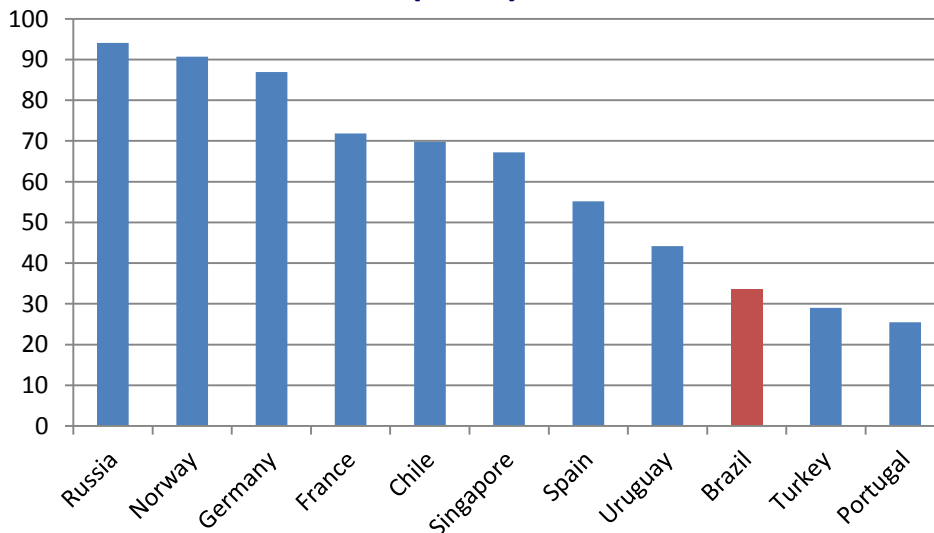
Economic inclusion: a revolution! ... but capabilities ... high demand

↗ 2003 – 2012

- ↗ Middle class: from 67 to 120 million
- ↗ Per capita household \$: + 51%
- ↗ Income of poorest 10%: + 106%

Source: IBGE/PNAD

% Workers with at least completed high schooling (2008)

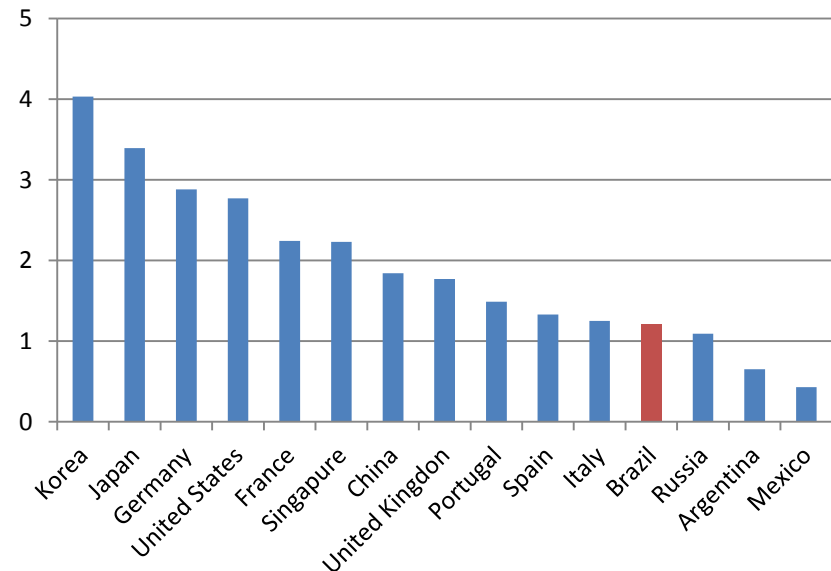


Source: ILO

2007 – 2012

- ↗ Public sewage: 26 to 33 million households (57% total)
- ↗ Computer w/internet: 9 to 22 million households (40% total)

R&D/GDP (2011) - %

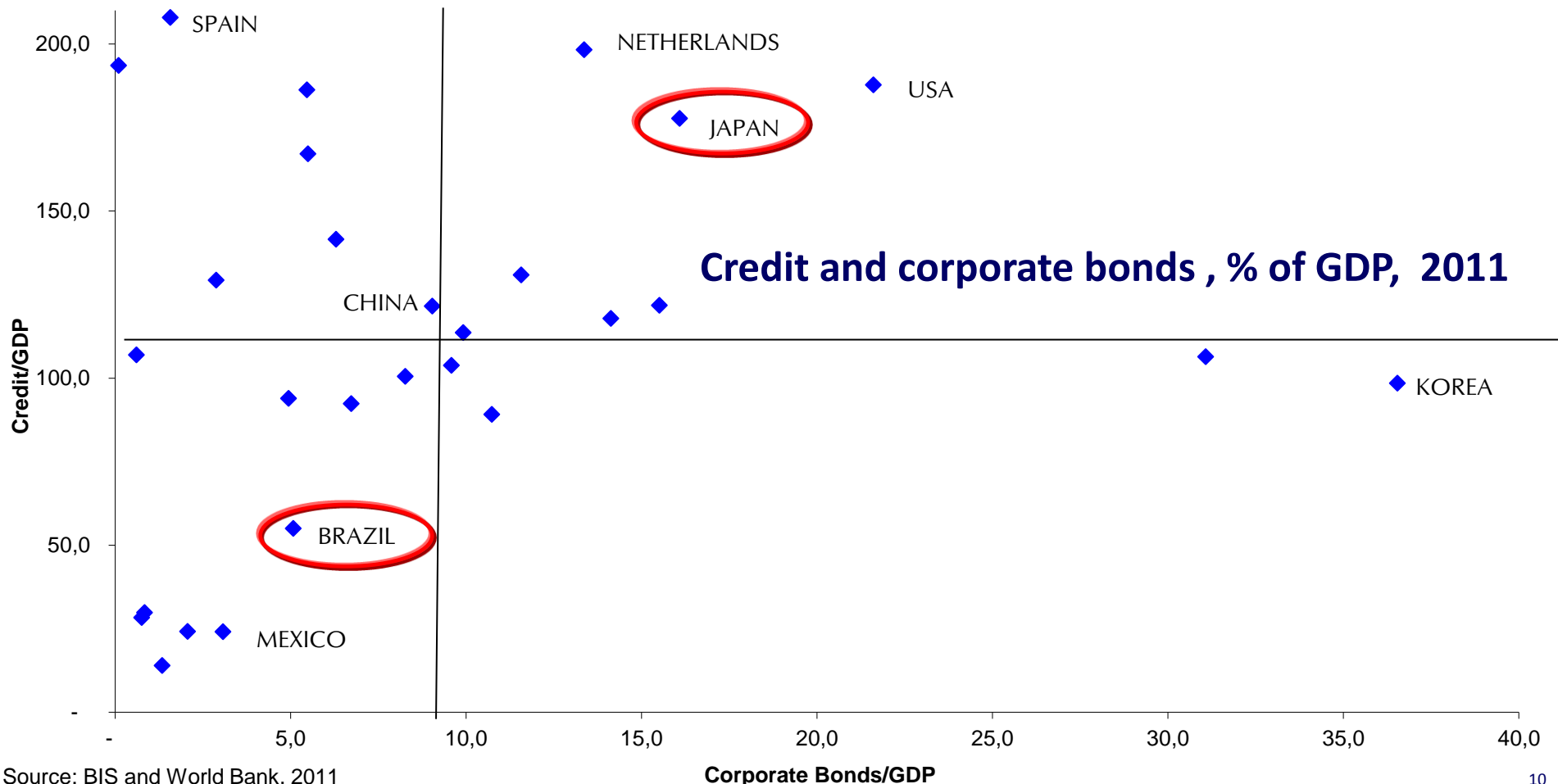


Source: Brazil - MCTI

BNDES: a mission oriented institution

Long term financing in Brazil is scarce

- 2003-2012: Investment and Savings/GDP: between 15% and 19%
- Since 2008, Savings at around 3% below Investment



➤ 2/3 of long term loans in Brazil

➤ 100% Publicly owned

➤ Stable institutional funding

➤ Instruments

➤ Direct Operations

➤ Indirect Operations

➤ MSME (financing and guarantee)

➤ Exports (Pre and Post shipment)

➤ *Project finance*

➤ Grants

➤ Investment bank

Equity Portfolio

Estimated market value (US \$ b.)	45.4
Nº firms with direct support	203
Nº Investment Funds	44

2012 (in US\$ billion)

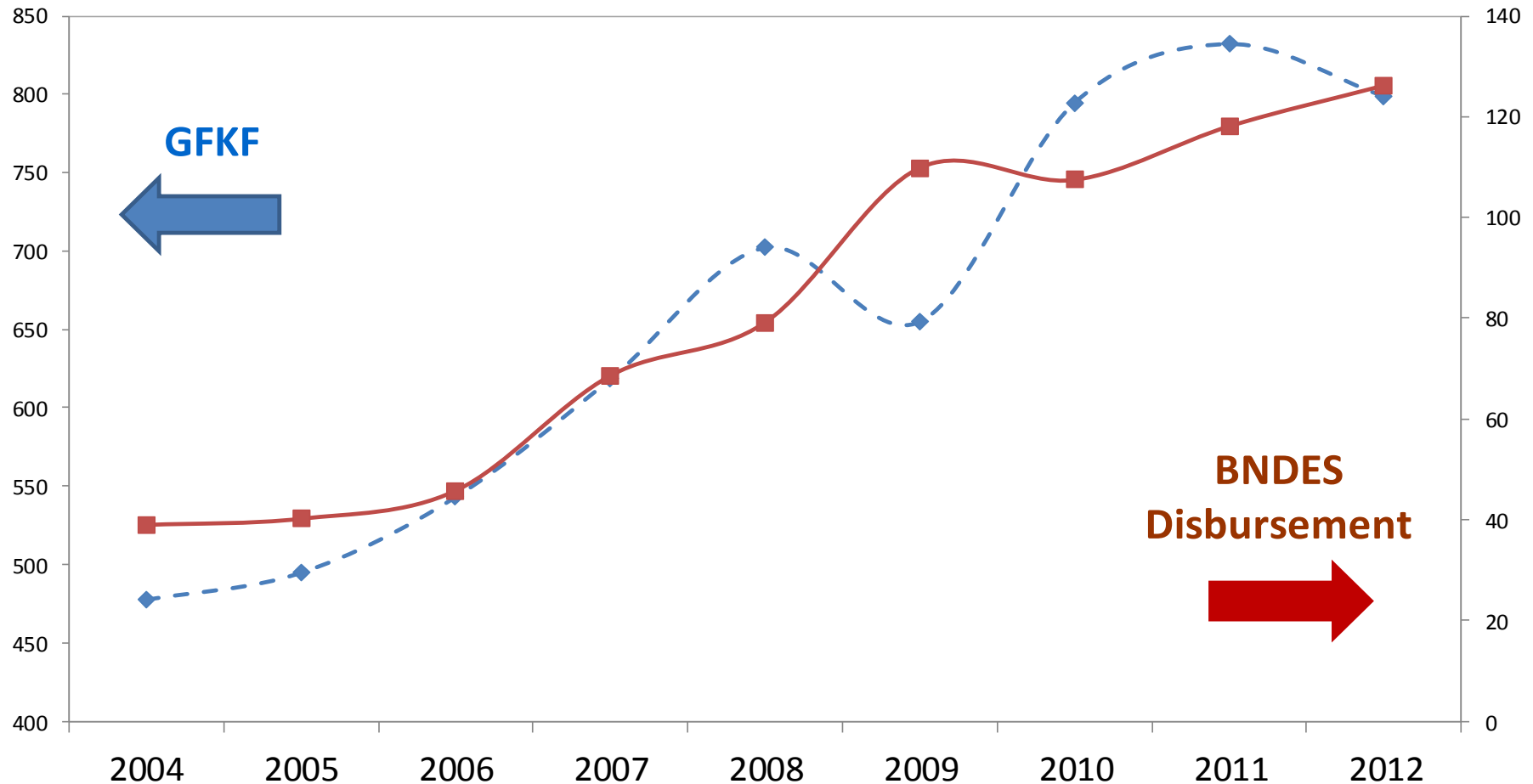
	BNDES	KFW	CDB	JFC
Assets	367.8	657.3	1,191.6	318.4
Outstanding Loans	254.0	526.4	1,016.9	272.4
Net Profit	3.0	3.1	9.9	-3.6
ROA (%)	0.90	0.47	0.92	-1.13
NPL (%)	0.06	0.21	0.30	2.98

Source: Banks' balance sheets.

**Average annual
disbursement:
US\$ 85 billion**

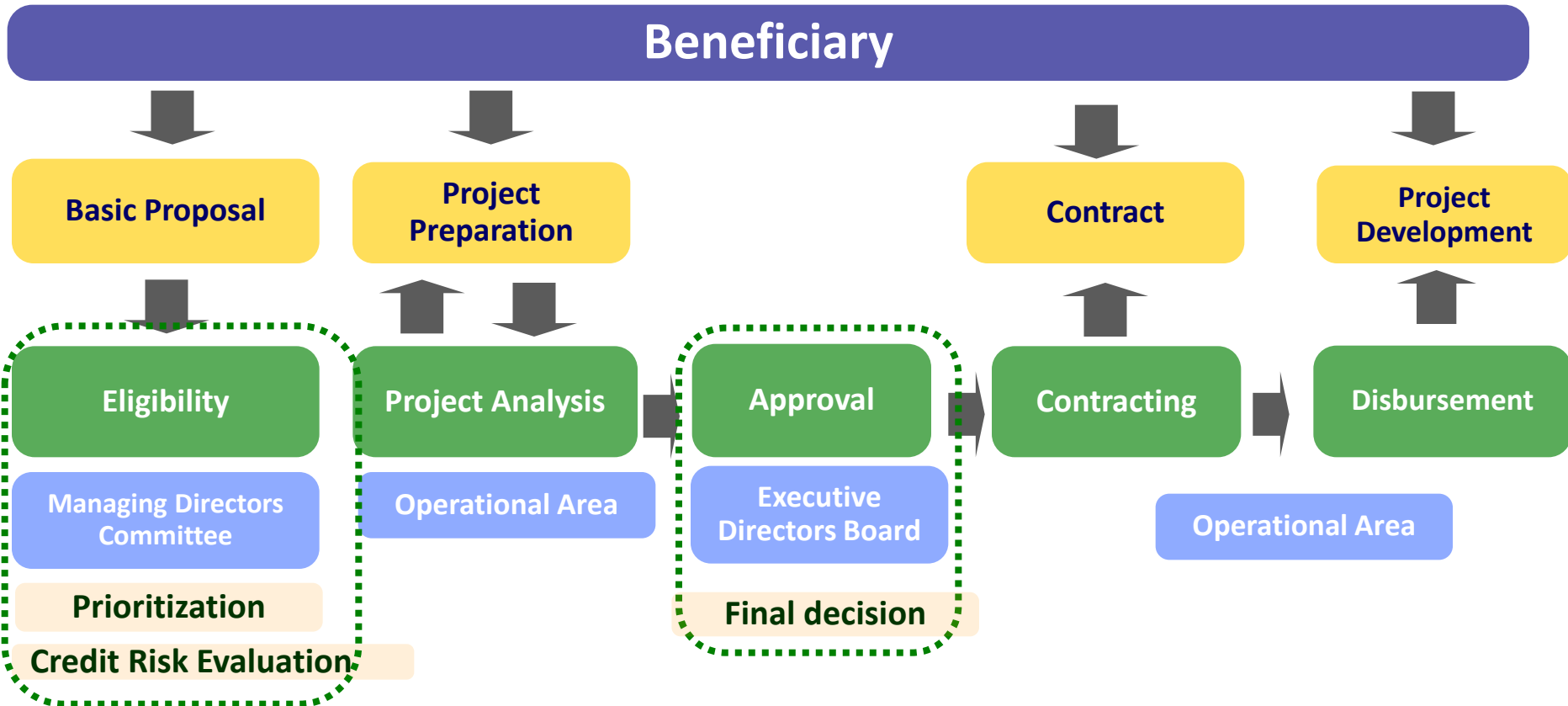
Public financial institutions, as BNDES, very relevant when credit crunch prevails

**Gross Fixed Capital Formation (GFCF) and BNDES' Disbursement
(US\$ billion)**



BNDES principles: collegiate decisions, project quality, segregation (operation vs credit risk)

BNDES financing process and relations with beneficiaries



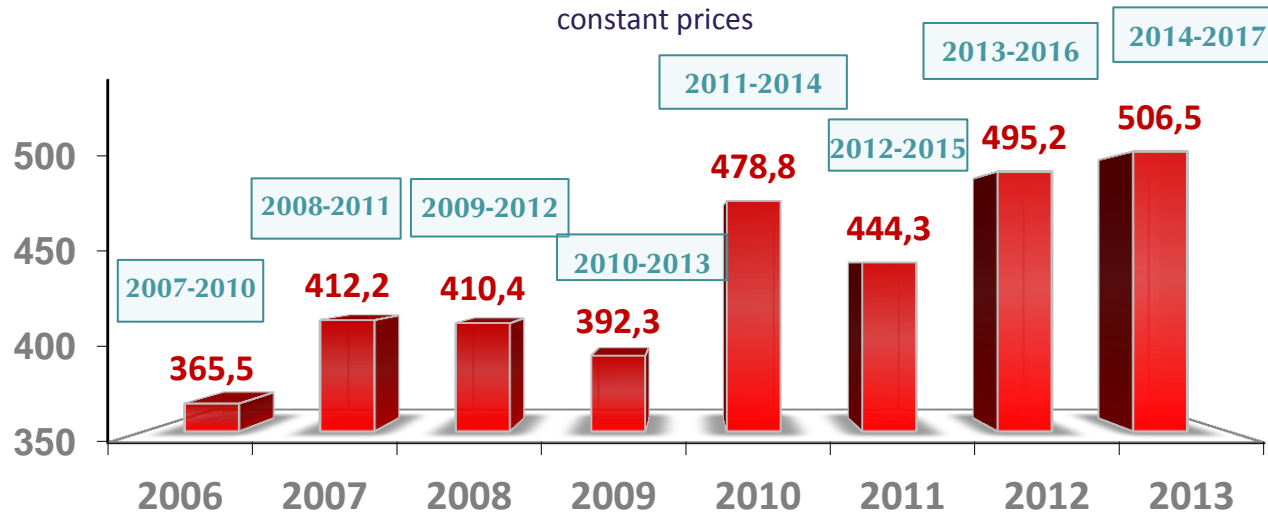
**All Brazilian based corporations are eligible.
BNDES discriminates only bad projects!**

Investment trends

Investments: an positive trend but still a long road ahead

Investment forecast of a sample of similar sectors US\$ billion

constant prices

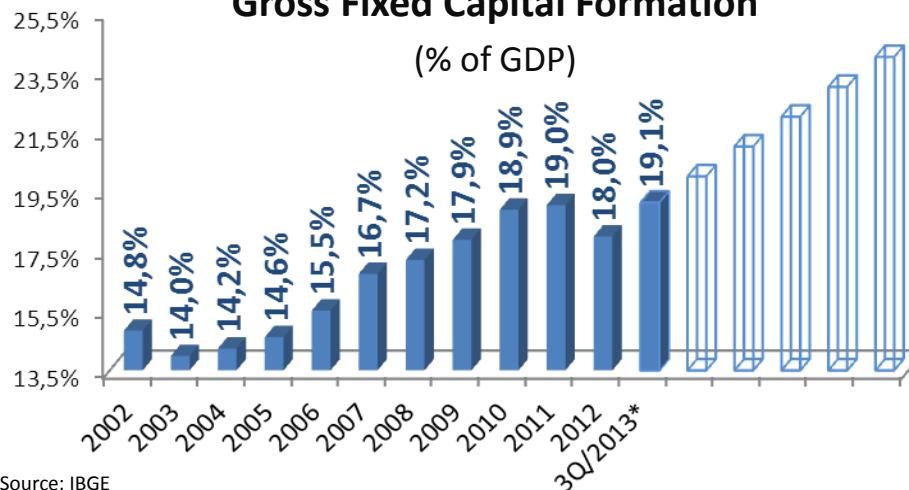


Source: BNDES

Every year BNDES forecasts investments for the following four years. 2013 forecast: highest ever.

Gross Fixed Capital Formation

(% of GDP)



Source: IBGE

Increasing investments a great Brazil challenge

2014-17: BNDES forecasts investments of US\$ 1.9 trillion. Attractive, low risk opportunities abound

Forecast of (Total) investments (2014-17)

(US\$ billion - Constant prices)

Sectors	2009-2012	2014-2017	Δ%
Industry	421.4	523.9	24.3
Infrastructure	194.4	242.7	24.8
Housing	338.6	413.1	22.0
Agriculture & Service	547.6	716.7	30.9
Total	1,502.0	1,896.3	26.3

(*) Note: BNDES Investment Outlook direct research covers 66% of industrial investments and 100% of investments in infrastructure, totaling about 58% of investments in the economy. Housing, agriculture and services investment estimates were based on queries to Sectorial entities and/or econometric forecast.

Source: BNDES

Oil and Gas exploration and production 2014-2017

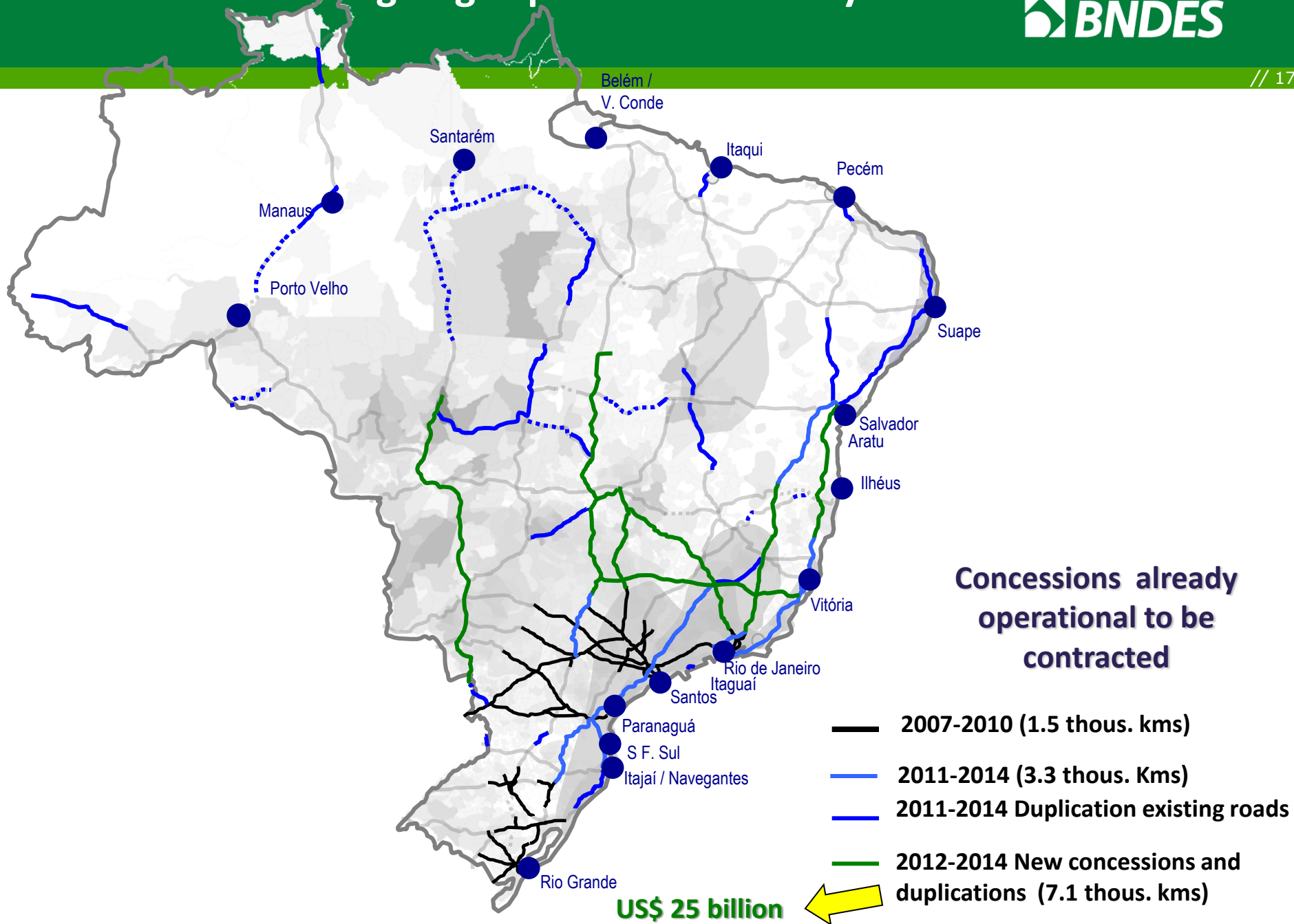
**Main
Projects**

25 Production Platforms, 10 Drilling Ships and 75 Platform Supply Vessel (PSVs)

Investments

US\$ 190 billion

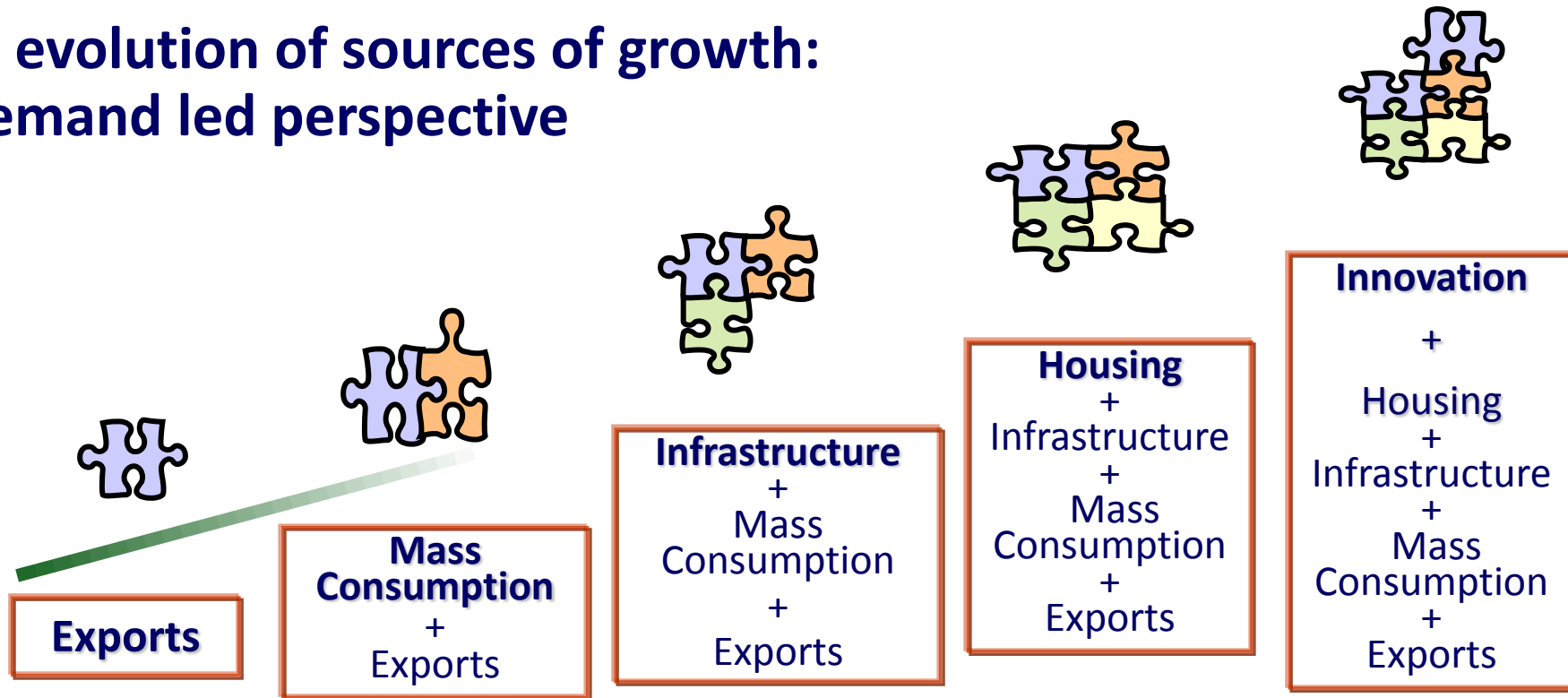
On going expansion of road system



The way ahead and a strategic proposition

Brazil: diversifying and accumulating sources of growth

The evolution of sources of growth: a demand led perspective



Starting around
...

2000

2005

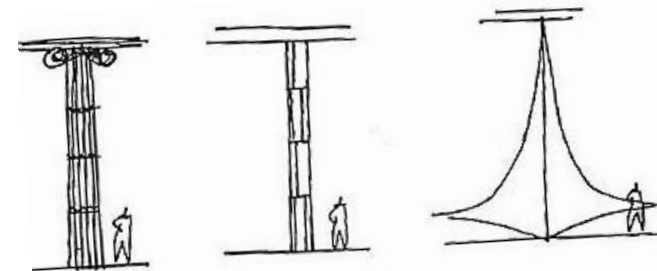
2007

2009

2013

Brazil: necessary ingredients to sustain dynamism

- **Economic policy:** endurance and **fiducia**
- **Inclusion:** expand supply and quality of **public goods**
- **Real economy:**
 - Managing unbalanced growth
 - Innovation, innovation, ... and **innovation**
 - Productivity, productivity,... and **productivity**
- **Long term financing:**
 - Engaging-in **private industry** while public institutions remain relevant
 - Savings, savings, ... and **savings**



Brasília. Sketches for the columns of the Alvorada Palace

- ✦ Open society
- ✦ Negligible geopolitical risk
- ✦ No structural political differences
- ✦ A societal consensus: investment must go on
- ✦ Regulatory orientation: balance between consumer welfare and + investment
- ✦ Fair and attractive business opportunities for the private sector
- ✦ From red ... to minimum tape

- ✦ Infant but fast advancing long term planning capacity of public sector
- ✦ After 3 decades of scarce investments... not sand on the wheel but reinventing the wheel (not easy...)
- ✦ A democratic society, based on consensus building yet open to challenges and disputes



Japan 1.0 and Japan 2.0

➤ **Japan 1.0.** 1910s to 1950s:
manpower for the expanding
agriculture frontier

➤ **Japan 2.0.** 1950s to 1970s:
industrial and infrastructure
investments to support
commodity exports

➤ **2009-2013.** Announced
investments: US\$ 21.3 billion

➤ Relatively to past, more
diversification and search
for internal market

➤ Sectoral entry: automotive
and shipbuilding

2009	NAMISA (CSN)	2.100
	CENIBRA	1.600
2010	SUMITOMO CORP /USIMINAS	1.928
	PMCC Consortium (PETROBRAS/ MITSUI/ CAMARGO)	1.000
	TOYOTA	600
	HONDA	200
2011	KIRIN	3.700
	NISSAN	1.494
	VIA QUATRO (CCR/MITSUI/RATP/ROGGIO)	897
	AGC GROUP	470
	MITSUI	459
	OJI	313
	KIRIN	301
	SUZUKI	200
	AJINOMOTO	187
	PANASONIC	120
2012	MUSASHI DA AMAZÔNIA	99
	MARUBENI	60
	KAWASAKI HEAVY INDUSTRIES	767
	TOYOTA -- ENGINE PLANT	435
	MIZUHO	380
	SUMITOMO RUBBER INDUSTRIES	316
	KIRIN	281
	TAKEDA	246
	JOHN DEERE /HITACHI CONSTRUCTION MACHINERY	180
	KAWASAKI MOTORES BRASIL	141
2013	HONDA LOGISTIC	111
	YASUDA	102
	MITSUI	528
	HONDA	464
	mitsubishi heavy industries	300
	YASUDA	185
	IHI	96
	DAIKIN	53
2013	MITSUBISHI ELECTRIC	23
	CBMM	464
	MITSUBISHI CORPORATION	495

Questions: Japan and Brazil,

- How to expand investment frontier?
- How to overcome fierce competition?

Suggestions

Brazil as...

- Provider of inputs for food and energy security
- Attractive internal and regional markets
- Reliable base to face worldwide competition

Japan as...

- Provider of production capacity where Japan excels
- Partner in new activities
- Transmitter of knowledge and experience
- Source of long term funding

Japan-Brazil 3.0

Geopolitical, market and competitive drivers can mould and forge common interests to foster a new generation of complementary economic relations

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*Brazilian
development bank*