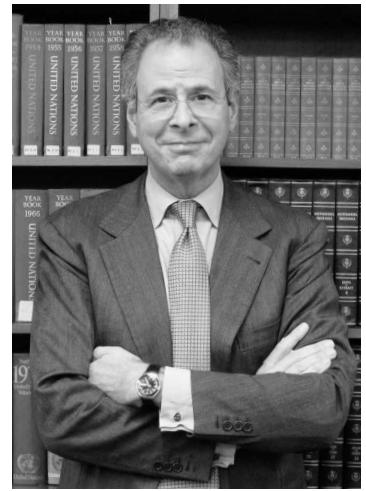




Outlook for the Brazilian Economy and Brazil-Japan Relations

André Corrêa do Lago
Ambassador of Brazil to Japan

H.E. Mr. André Corrêa do Lago was appointed as ambassador to Japan in November 2013. He has a profound knowledge of architecture and with his great initiative the “2014: Embassy of Brazil Football Pavilion” was constructed in front of the embassy building to enjoy World Cup as well as to introduce Brazilian food and culture.



It's a pleasure to address the readers of “Kaigai Toyushi” on the outlook for the Brazilian economy, investment opportunities in my country and economic relations between Brazil and Japan.

Brazil is very proud for having recently held the World Cup which, by many accounts, was a success in terms of organization, public attendance, goals scored and sporting drama. We are obviously very sorry Japan and Brazil did not go as far as we hoped. Watched by over 3 billion people around the planet, the month long tournament displayed the amazing experience that is Brazil, the contrasting allure of its regions (and temperature!), as well as the diversity and friendliness of its people. An estimated 1 million foreigners traveled through Brazil during the World Cup coming into contact with Brazilian culture and lifestyle.

Whatever the outcome of the sports competition, we hope the World Cup has helped to bring together people from across the world in celebrating what is truly one of the finest and most popular sporting events.

The World Cup will contribute to the Brazilian economy as a result of the private and public investments in infrastructure (amounting to R\$ 25.6 billion), increased consumption and activity in the services sector. Brazilians are fully aware that the infrastructure upgrading and other positive impacts of the event, however significant, are part of a long term and unfinished effort to tackle the country's development needs. It is important to remember that the entire budget of the sporting event corresponds to a single month of government spending on education.

Over the last decade, Brazil joined the world's largest economies while achieving more inclusive growth than in the past. Our economy benefited from a very strong

performance in the period — rising more than 44% in real terms — in which some 35 million people were pulled out of poverty. A significant part of this expansion, nonetheless, occurred prior to the crisis of 2008/09 while the country has faced difficulties sustaining the previous high growth rates. In 2013, the 2.3% growth of Brazilian GDP, though reasonable in the context of the global economy, was below what people have come to expect from an emerging market such as Brazil.

Explanations for the recent slowdown have highlighted that increased consumption — linked to rising employment and salary and credit expansion — needs to be complemented by other sources of growth. That is why, now and in the near future, as domestic demand rebalances, investment will play an ever greater role in determining the path of the Brazilian economy. The government is pressing ahead with the nationwide effort to modernize infrastructure and implement large-scale development projects, including construction of transportation infrastructure, power grids and telecommunication networks. It is essential that private investors, both national and foreign, be engaged in this process as partners. The continued high flows of foreign direct investment to Brazil, which have surged since 2009, reveal the attractiveness of business opportunities and express confidence in the country's prospects.

Brazil and Japan enjoy formidable economic synergies and should maximize them, taking the partnership to a higher level of importance. Cooperation between the world's second largest developing economy and the second advanced economy makes sense. The focus on development of infrastructure, technology and industry in Brazil perfectly matches Japan's strengths and expertise. In this regard, the revitalization of the Japanese economy under Prime Minister Shinzo Abe is a very auspicious develop-

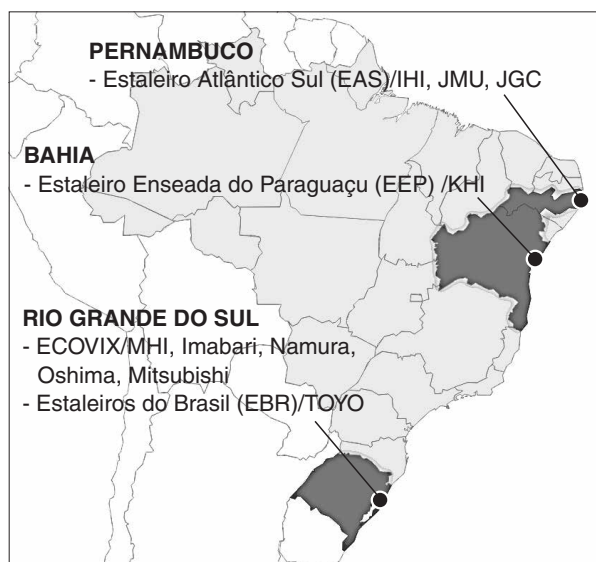
ment as it increases the confidence of Japanese companies to invest both at home and abroad.

The alliances celebrated in the last two years between Brazilian and Japanese shipbuilding companies exemplify the strategic and mutually beneficial relations that can be developed between our two countries. Encouraged by the discovery of massive, off-shore oil reserves since 2007, shipbuilding and related fields are experiencing a renaissance in Brazil. These partnerships assure critical technological capacity for shipbuilding and bring improvements to management and industrial engineering. Our joint efforts are paving the way for the emergence of a world class industry in Brazil with a very positive outlook for the foreseeable future.

We need to inspire ourselves in these examples and explore new ideas to both broaden and deepen economic bilateral relations. The official visit of Prime Minister Abe to Brazil in early August for meetings with President Dilma Rousseff will enable discussions on further partnership possibilities. Other opportunities for institutional dialogue are the very important annual meetings — currently under planning — between the Ministry for Development, Industry and Trade (MDIC) and the Ministry of Economy, Trade and Industry (METI), as well as the joint meeting of the Japan-Brazil Cooperation Committee, organized every year by the Confederation of National Industry (CNI) and Keidanren.

Besides these initiatives, a group of prestigious business leaders (“Wise Men”) from both countries will meet in Rio de Janeiro at the end of July to discuss priority sectors for development of bilateral relations and later in Brasilia relay their recommendations to both President Dilma Rousseff and Prime Minister Shinzo Abe.

It’s my hope that not only in these discussions, but in other interactions as well, concerned parties — governments,



Brazilian and Japanese shipbuilding companies



NYK, “K” LINE, MITSUI & CO. and JDC are participating in an ownership consortium for an ultra-deepwater drillship “Etesco Takatsugu J” being used in the provision of charter services to Petrobras.

private enterprises, policy experts, among others — contribute with their suggestions on how best to promote closer economic ties between our two countries. We need to be bold and ambitious in our thoughts and proposals since conditions for the partnership are very favorable, and the potential for our relations, limitless.

* This message was contributed in mid- July 2014.

JOI 特別会員

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