

Brazil-Germany Economic Meeting 2005 – Final Report

- Introduction

The 23rd Brazil-Germany Business Meeting was held in Fortaleza, Brazil, on July 4 and 5, 2005, under the headline of "Growth by Investment".

Armando Monteiro, President of CNI and Dr. Michael Rogowski, Vice-President of BDI, inaugurated the ceremony.

The Brazilian Ambassador in Berlin, Jose Arthur Denot Medeiros, spoke on behalf of the Brazilian Ministry of Foreign Affairs. For the German Government, State Secretary Rezzo Schlauch, of the Ministry for Economics and Labour took the stand. He was followed by the Brazilian Minister for Development, Industry and Foreign Trade, Luiz Fernando Furlan. The Governor of the Federal State Ceará, Lúcio Alcântara, and Jorge Parente, President of FIEC, welcomed the participants.

The main Panel of the business meeting explored the possibilities of a closer German-Brazilian economic cooperation in order to increase growth and employment in both countries. Specific workshops dealt with Brazil as an export platform for products with high added value; infrastructure investments in Brazil as an essential contribution to sustainable development; new areas of cooperation in the field of innovations and future technologies; and opportunities of CDM as a promising field for bilateral climate cooperation.

The WG "Doing Business in Germany" highlighted the advantages of the business location in Germany and informed about the basic conditions and guidelines of the German business environment. Financing and export credit insurance, and cooperation of German and Brazilian SME's were treated in other workshops. Sectorial sessions informed about new technologies and new markets in the automotive industry in Brazil – especially flex-fuel – and in Germany.

Another meeting pinpointed the opportunities of the Brazilian as well as the German tourism market. Finally, future prospects of cooperation in the biotechnological sector and with regard to plant and machinery construction were addressed in other sectorial sessions.

Panel: Economic Cooperation for Growth and Employment Investments are the key factor for national economic growth and well-being – this was the main tenor of the entrepreneurial meeting's main panel. With a significant share of the GDP and of the industrial sector, German industries have substantially contributed to the Brazilian economy. Nevertheless, the flow of German investment to Brazil has decreased in recent years. Brazilian businesspeople expressed their wish to see the return of this investment flux. As international competition has increased due to ongoing globalisation, every country should provide stable political, financial and economic conditions in order to attract foreign investments. Therefore, both the German and the Brazilian industries request an efficient realisation of reforms with respect to labour law and tax law. This especially applies for the Brazilian infrastructure in order to swiftly succeed in the German-Brazilian Energy and Infrastructure Initiative. In this context, the creation and maintenance of a functioning investment protection treaty and double tax agreement would be important framework conditions. Here, governments on both sides should strongly work

towards these goals. Moreover, German companies worry about high interest rates and the development of exchange rates. Both stressed the many interests Germany and Brazil have in common. Within the German-Brazilian Initiative for Cooperation in Agribusiness, new subjects like biotechnology and other innovative technologies will also be integrated. As Brazilian companies increasingly focus on other business locations, the German side asked for a stronger engagement also in Germany. Finally, the participants were invited to the next German-Brazilian Economic Meeting in Berlin next year, taking place during the FIFA World Cup from 8.-11. July 2006.

Workshop 1: Brazil as an export platform for products with high added value Representatives of industrial sectors such as IT, health care and the automotive segment presented the various opportunities Brazil offers as an export platform for products with high added value. The companies also indicated the risks and challenges in this regard. Especially with respect to biofuels, Brazil sees a high potential in exporting to and cooperating with Germany. Whereas low production costs, well-trained employees and access to the Mercosur market speak in favour for setting up a factory in Brazil, German companies stressed still-existing barriers like the complex Brazilian tax system, high bureaucracy and regulation, as barriers that should be diminished.

Workshop 2: Investments in Brazil – engagement for sustainable development Companies engaged in the logistics sector underlined the prospects and challenges connected with investments in the infrastructure and energy sector as the basic condition for sustainable growth in Brazil. Being a direct competitor to emerging markets like China, India and Russia, it was stated that efforts have to be taken both by Germany and Brazil in order to further increase investments in this area. In this respect, joint ventures between German and Brazilian companies were considered to be an adequate vehicle to expand market access and to improve existing technologies. Stable framework conditions, attractive financing instruments and legislative support by the governments was particularly requested.

Workshop 3: Innovations and future technologies – new areas of cooperation Various opportunities of a closer German-Brazilian cooperation in the fields of innovation and future technologies were discussed. Two concrete projects and some future projects in the nanotechnology sector were part of the presentations. Moreover, measures to modernize the Brazilian institute for patents (INPI) were presented, including the installation of modern IT and an increase in employment.

Workshop 4: Financing and export credit insurance Playing a key role for foreign investors, this workshop explored the various financial instruments for foreign direct investments in and exports to Brazil, focussing on new credits in the engineering, construction and metallic sector. Both Germany and Brazil stressed the will for deeper cooperation with regard to legislation and regulations in this field. Moreover, experiences of a national reinsurance company were discussed.

Workshop 5: Bilateral climate cooperation – Opportunities for CDM CDM offers many opportunities for a closer cooperation between Germany and Brazil. After a presentation of the German and the European Clean Development Market, various CDM projects implemented by German companies located in Brazil were examined. As CDM is only at an early stage of implementation, more projects were requested in order to collect more experiences. A so-called "stock exchange" for CDM projects has already been established, thus offering the possibility to exchange experiences and to gather more

incentives.

Workshop 6: Cooperation between small and medium sized enterprises Also small and medium sized enterprises both in Germany and Brazil have to adapt to the challenges of the proceeding globalization. In this workshop, different forms of German-Brazilian cooperation between small and medium sized companies were discussed. Moreover, the opportunities as well as the requirements for successful joint ventures were pointed out. Whereas Germany wants to get market access to Mercosul and other Latin American countries, Brazil is particularly interested in technology transfer. It became clear that not only the Brazilian market is interesting for German-Brazilian enterprises, they can also benefit from the EU Enlargement and the arising markets in Eastern Europe. Finally, several institutions and platforms were presented that try to support and inform SMEs on their way to other markets.

Workshop 7: Doing Business in Germany Germany is an important production and export platform located in the middle of Europe, providing excellent infrastructure and innovative technologies. For successful operations in Germany, Brazilian companies were invited to contact various institutions according to their needs and goals, ranging from BDI, Invest in Germany and local chambers of commerce, to a special export office in Frankfurt and financing institutions like KfW. It was further stressed that marketing campaigns are organized to promote Brazilian products in Germany.

Sectorial Meeting 1: Automotive industry – new technologies and new markets Due to the high prices of the commodities, the automotive industry has gradually lost competitiveness in the last few years. The workshop explored alternative mechanisms in order to guarantee stable growth rates of the automotive industry also in the future. Besides the improvement of industrial processes such as the installation of 1-litre motors, flex fuel cars and the implementation of Biodiesel, political measures have to be taken to support these projects.

Sectorial Meeting 2: Tourism – Opportunities for Germany and Brazil Brazil provides a lot of success stories in the tourism sector and still offers a high potential. The northeast region of the country has not yet reached its maximum capacity and is open for international tourists from all over the world. In Germany, national tourism prevails. However, with the FIFA World Cup 2006, a higher level of international tourism is expected, offering the opportunity for huge infrastructure investments and the promotion of the business location Germany.

Sectorial Meeting 3: Chemical and pharmaceutical industry – Bio-technology and Research New processes and technologies in the chemical and pharmaceutical industry were explored in this workshop. In this context, especially new approaches in the "white biotechnology" were discussed, e.g. sugar alcohol as a component of industrial products. Moreover, Brazilian research succeeded in the so-called "green biotechnology", where Brazilian organic cultures are already being used for commercial products. Although the chemical industry shows high and stable growth rates, the trade balance remains negative. Therefore, more investments are requested. Moreover, companies call for clear framework conditions and swift licencing procedures

Sectorial Meeting 4: Plant and Machinery construction – Cooperation in development and innovation Like in Germany, plant and machinery construction represents a major industrial sector in Brazil. The segment currently employs over 220 000 people and exported goods amounting to 6,8

bn. US-dollar in 2004. Several opportunities of a closer cooperation in the field of research and innovation were discussed. The constant demand for new solutions in the telecommunication sector calls for closer collaboration between German and Brazilian companies could result in an expansion of the range of products and an increase of value. Common fabrication, and the joint development of innovative solutions can boost competitiveness of both German and Brazilian companies.