



2006
Brazil
ECONOMIC
CONFERENCE

CONFERENCE REPORT

Singapore



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e-mail: info@brazilcham.com

<http://www.brazilcham.com>

EXECUTIVE EDITOR

Sueli Bonaparte

EDITOR

Christopher Buettner

PRODUCTION COORDINATOR

Kevin Penzien

CONFERENCE ART DIRECTOR/DESIGNER

Christiane M. Bezerra

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**BRAZILIAN
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CHAMBER OF COMMERCE, INC.

October 2006

Dear 2006 Brazil Economic Conference participants, Chamber members and friends:

I am very proud to present you with this conference report covering the 2006 Brazil Economic Conference. As you know, the conference is an annual Chamber program organized to parallel the meetings of the International Monetary Fund and the World Bank Group.

For nearly two decades, the conference has served as a high-level forum for business and financial leaders, government ministers and academicians to debate the key issues affecting the present and future outlook of the Brazilian economy.

This year's edition of the conference was held at The Regent in Singapore on Monday, September 18, 2006. The opening dinner featuring keynote speaker H.E. Guido Mantega, Finance Minister of Brazil, was held on September 17, 2006 at the Shangri-La Hotel in Singapore. The theme of this year's conference was "Rediscovering the Route East: The Growing Brazilian-Asian Connection." A wide range of corporate leaders from the Pacific Rim and other countries attended the event.

We were honored to have a remarkable line-up of speakers covering a broad array of topics of interest to business leaders and investors in the US, Brazil and Asia. I would like to personally thank each of our speakers for their timely and enlightening presentations and their strategic analysis of the Brazilian economy. We would also like to take this opportunity to thank our corporate sponsors who played an integral role in the success of this year's Brazil Economic Conference through their financial and institutional support.

As Finance Minister Guido Mantega noted during the opening dinner, "The conditions for sustainable and higher rates of economic growth have never been more favorable." It will now be up to the incoming administration to capitalize on this singular moment in Brazil's economic history.

We look forward to seeing you at the 2007 Brazil Economic Conference next year in Washington, D.C.

Sincerely,

Richard S. Aldrich, Jr.
Chamber President and Conference Chairman

2006
Brazil
ECONOMIC
CONFERENCE

CONFERENCE REPORT

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Agenda

Sunday, September 17, 2006 **Shangri-La Hotel**
22 Orange Grove Road • Singapore

07:00 PM – 08:00 PM **RECEPTION**

08:00 PM – 10:00 PM **OPENING DINNER**

KEYNOTE SPEAKER

H.E. Guido Mantega, *Minister of Finance of Brazil*

Monday, September 18, 2006 **The Regent Tower**
1 Cuscaden Road • Singapore

08:00 AM – 08:30 AM **REGISTRATION AND CONTINENTAL BREAKFAST**

08:30 AM – 08:40 AM **WELCOME REMARKS**

CONFERENCE CHAIRMAN

Richard Aldrich, Jr., *President*, BRAZILIAN-AMERICAN CHAMBER OF COMMERCE, INC.

08:40 AM – 08:50 AM **OPENING REMARKS**

Minister Affonso Santos, *EMBASSY OF BRAZIL, Singapore*

08:50 AM – 09:20 AM **BRAZILIAN MONETARY POLICY – BUCKING THE GLOBAL TIGHTENING TREND**

Henrique Meirelles, *Governor*, CENTRAL BANK OF BRAZIL

09:20 AM – 10:00 AM **BRAZIL'S FISCAL POLICY — COUPLING FISCAL RESPONSIBILITY WITH SUSTAINABLE ECONOMIC GROWTH & POVERTY REDUCTION**

Carlos Kawall, *Treasury Secretary*, MINISTRY OF FINANCE

10:00 AM – 10:10 AM **COFFEE BREAK**

10:10 AM – 10:55 AM **TAKING A CLOSER LOOK AT BRAZIL'S WORLD-CLASS FINANCIAL INFRASTRUCTURE**

João Lauro Amaral, *International and Government Relations Director*,

BM&F—BRAZILIAN MERCANTILE AND FUTURES EXCHANGE

Cristiana Pereira, *Advisor for Development and International Relations*, BOVESPA—SÃO PAULO STOCK EXCHANGE

Suli Fontaine, *Advisor to the Board*, CVM - BRAZILIAN SECURITIES AND EXCHANGE COMMISSION

MODERATOR

Peter Douglas, *Principal*, GFIA PTE LTD

10:55 AM – 11:05 AM **BREAK**

11:05 AM – 11:50 AM **BRAZIL'S POST-ELECTION ECONOMIC FORECAST: ANALYST PERSPECTIVES**

Guilherme da Nóbrega, *Chief Economist*, ITAÚ CORRETORA

Abraham Weintraub, *Chief Economist*, BANCO VOTORANTIM S.A.

MODERATOR

Riordan Roett, *Sarita and Don Johnston Professor and Director of Western Hemisphere Studies and the Latin American Studies Program*, PAUL H. NITZE SCHOOL OF ADVANCED INTERNATIONAL STUDIES, JOHNS HOPKINS UNIVERSITY

11:50 AM – 12:00 PM **BREAK**

12:00 PM – 12:45 PM **THE BUSINESS CLIMATE: DETERMINANTS OF INVESTMENT AND M&A OPPORTUNITIES IN BRAZIL**

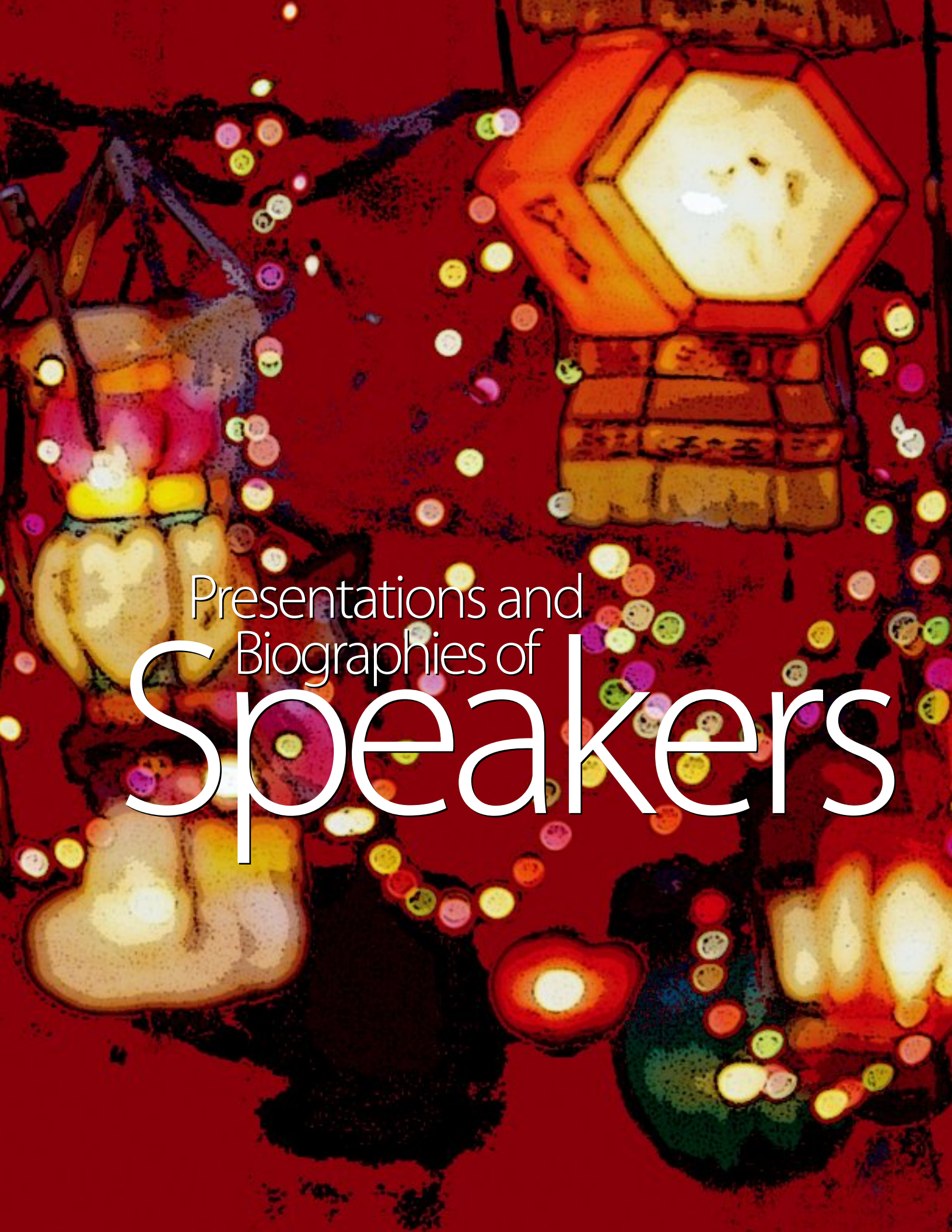
Bruno Fusaro, *Head of Investor Relations*, USIMINAS

Paulo Penido, *CFO*, USIMINAS

MODERATOR

Thomas Decoene, *President*, ITAÚ SECURITIES INC.

12:45 PM – 2:00 PM **COCKTAIL RECEPTION**



Presentations and
Biographies of
Speakers



OPENING DINNER KEYNOTE SPEAKER

H.E. Guido Mantega

Finance Minister of Brazil
MINISTRY OF FINANCE

PRIOR TO HIS APPOINTMENT AS FINANCE MINISTER OF BRAZIL, GUIDO MANTEGA SERVED AS THE PRESIDENT OF THE BRAZILIAN DEVELOPMENT BANK (BNDES) FROM NOVEMBER 2004 TO MARCH 2006. HE HAS ALSO SERVED AS THE MINISTER OF PLANNING, BUDGET AND ADMINISTRATION OF BRAZIL.

MINISTER MANTEGA HOLDS A DOCTORAL DEGREE IN DEVELOPMENTAL SOCIOLOGY FROM THE UNIVERSITY OF SÃO PAULO, WITH A SPECIALIZATION FROM THE INSTITUTE OF DEVELOPMENT STUDIES AT THE UNIVERSITY OF SUSSEX (UK). HE ALSO HOLDS A DEGREE IN ECONOMICS FROM THE SCHOOL OF ECONOMICS AND ADMINISTRATION AT THE UNIVERSITY OF SÃO PAULO.

MINISTER MANTEGA WAS A MEMBER OF THE ECONOMIC POLICY TEAM FOR THE BRAZILIAN WORKERS PARTY (PT) IN THE PRESIDENTIAL ELECTIONS OF 1984, 1989 AND 1998, AND HAS SERVED AS AN ECONOMIC ADVISOR TO PRESIDENT LUIZ INÁCIO LULA DA SILVA SINCE 1993. HE WAS ALSO ONE OF THE COORDINATORS OF THE PT'S ECONOMIC POLICY PLATFORM FOR THE 2002 CAMPAIGN.

MINISTER MANTEGA SERVED AS A PROFESSOR OF ECONOMICS IN THE GRADUATE PROGRAM AT THE PONTIFÍCIA UNIVERSIDADE CATÓLICA OF SÃO PAULO FROM 1982 TO 1992. HE IS ALSO THE AUTHOR OF SEVERAL MAGAZINES ARTICLES AND BOOKS.

Good evening. It is a pleasure to be here with you this evening to address such a distinguished audience of leaders from the international business and financial communities, and to provide the Finance Ministry's analysis of Brazil's economic outlook over the medium-to-long term.

Given the forthcoming general elections in Brazil, I'd like to focus my address on the challenges that the next administration will face over the next four years. The issues facing the new administration are dramatically different than those confronted by the Lula administration in 2002. At that time, the country was extremely vulnerable to internal and external shocks. The international markets were skeptical of policymakers in Brazil as well as the nation's resolve in honoring its debt obligations. These factors contributed to a great deal of nervousness on the eve of the last presidential election. Conversely, the Brazilian economy and market expectations have remained extremely stable in the run-up to this year's elections, due in large part to the administration's commitment to continuity on the monetary and economic policy front.

When the current administration began its tenure in 2002, Brazil was facing significant inflationary pressure. Economic growth rates were lackluster and unemployment was high. At the time, government bond issues had a maximum term of only three months. Government bond issues now have terms that exceed thirty years in some cases. Brazil has also been able to significantly reduce its external vulnerability over the past four years. The nation's trade surplus has mushroomed, reaching US\$45 billion last year. As a result,

Brazil's international reserves are on the rise, providing an added buffer against external economic shocks. In fact, when the markets exhibited some turbulence in May of this year, Brazil was able to weather the instability with only a negligible impact on the exchange rate and stock prices.

Additionally, the nation's external debt-to-export ratio is at its most favorable level since the mid-1970s. Brazil's international reserves are now larger than the total public external debt. The country's inflationary outlook has also improved due to a concerted effort by the monetary policy team to lower price levels in a gradual and strategic manner. I must concede that the administration's anti-inflation program has had an opportunity cost (i.e., lower GDP growth rates), but the government made the right choice to lay the groundwork for sustainable growth over the long term. Now, inflation is at 3.32% – below the government target. By securing low rates of inflation over the past four years, the government has helped battle the inertial component of Brazilian inflation that plagued the nation for decades. In addition, the country's risk rating is substantially better than it was four years ago. As a result of the improvements we've made to Brazil's economic fundamentals, we are on our way to achieving investment grade status.

Brazil has also secured a primary fiscal surplus for eight consecutive years. If the nation's GDP continues to grow as expected – and the nation maintains its commitment to primary fiscal surpluses – Brazil's debt-to-GDP ratio will fall to a more comfortable level. The government is committed to fiscal discipline by maintaining the public ac-

counts and public expenditures under firm control. While expenditures invariably rise during election years, our determination to control current account expenditures and maintain the primary surplus target will not waver. We must also reduce the tax burden in Brazil which is very high, a fact that makes expenditure cuts even more crucial.

This administration prefers sustainable rates of economic growth to the boom and bust cycles of the past. And while GDP growth rates have been modest in comparison to some emerging market economies in recent years, the nation's economic expansion has resulted in strong job growth and upward social mobility for the most vulnerable cross-sections of the populace. These factors have helped strengthen the nation's domestic market which – in turn – has improved the nation's growth prospects over the medium-to-long term. Despite a slight deceleration in the second quarter, GDP growth in 2006 will be higher than 2005.

The administration's successes on the reform front have been paramount to the nation's increasingly strong economic fundamentals. Those reforms have included important constitutional amendments, social security reform legislation, some tax reform measures and parts of the judicial reform agenda. We do, however, have a long list of additional reforms

that are needed to consolidate Brazil's macroeconomic gains and to ensure a sustainable growth cycle over the long term. Such measures include additional tax reforms in order to modernize the nation's taxation system as well as passage of microeconomic reforms in the Senate to simplify the bureaucracy of doing business in Brazil. The first year of any administration is the ideal time to forward important reforms, given that the government's political capital is at its highest and legislators are most amenable to advancing such measures.

In order to achieve higher rates of growth, I believe the new government will need to maintain the economic fundamentals (including inflation controls and fiscal surplus targets), reduce regional economic imbalances and ensure an increasingly important role for Brazil on the international stage. One of the greatest challenges we face, however, is increasing the rate of investment in Brazil. The nation's current investment rate of 20% is relatively modest in comparison to other emerging markets such as Korea (more than 30%) and China (nearly 40%). In order for investment rates to increase in Brazil, investment conditions need to improve, including the cost of financing such investments. There has been substantial progress in this area since 2002. The supply of

credit in the market has increased dramatically. In addition, the cost of credit has fallen. Despite this progress, I believe significant work remains in order to establish more favorable conditions for large-scale investment.

Brazil's solid economic performance has also allowed the Central Bank to adopt a more flexible monetary policy. As a result, interest rates are falling. Increasing competition in Brazil's financial sector is another very positive development that should continue to drive financing costs down over the medium-to-long term. However, Brazil still needs to make a concerted effort to reduce its tax burden and infrastructure costs. The next administration also needs to increase the volume of credit available in the market, reduce spreads and continue to cut the basic interest rate. In terms of fiscal policy, I strongly believe the nation must continue to cut current account expenditures without sacrificing social development initiatives or infrastructure development programs.

With falling interest rates, stronger rates of economic growth, waning inflation and a growing supply of credit, the conditions for sustainable and higher rates of economic growth have never been more favorable. It will be up to the next administration to capitalize on this remarkable opportunity.

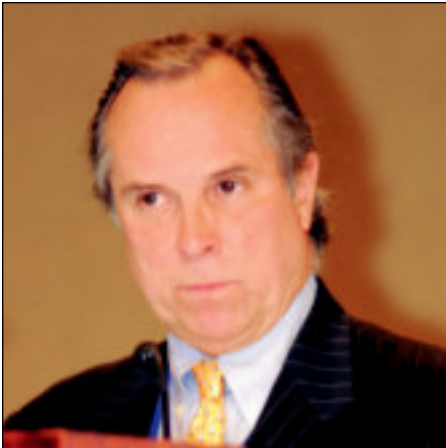


JOÃO LAURO AMARAL, MANOEL FÉLIX CINTRA NETO, BRAZILIAN FINANCE MINISTER GUIDO MANTEGA, MINISTER AFFONSO JOSÉ SANTOS, NEY CASTRO ALVES, RICARDO DINIZ, JOÃO AYRES RABÉLLO FILHO AND CARLOS EDUARDO SCHAHIN

Richard Aldrich, Jr.

President

BRAZILIAN-AMERICAN CHAMBER OF COMMERCE, INC.



RICHARD S. ALDRICH, JR. IS A PARTNER WITH THE LAW FIRM SHEARMAN & STERLING LLP.

MR. ALDRICH, WHO LIVED IN BRAZIL AND SPEAKS PORTUGUESE, JOINED SHEARMAN & STERLING LLP IN 1975 AND WAS ELECTED A PARTNER IN 1983. HE IS THE CO-MANAGING PARTNER OF SHEARMAN & STERLING'S SÃO PAULO OFFICE.

FROM 1987 TO 1994, HE LED SHEARMAN & STERLING'S TEAM WORKING ON THE RENEGOTIATION OF BRAZIL'S FOREIGN DEBT. SINCE 1987, MR. ALDRICH'S PRACTICE HAS ALSO FOCUSED ON THE REPRESENTATION OF FINANCIAL INSTITUTIONS AND BRAZILIAN CORPORATIONS IN THEIR GLOBAL CAPITAL MARKETS AND PRIVATE FINANCINGS AND ACQUISITION ACTIVITIES.

Good morning ladies and gentleman. My name is Richard Aldrich and I serve as President of the Brazilian-American Chamber of Commerce, a dynamic organization that is dedicated to increasing trade and business ties between Brazil and the international community. It is with great pleasure that I welcome you to the 2006 Brazil Economic Conference.

This event coincides with the fall meetings of the IMF and the World Bank. Today, high-ranking officials in the Brazilian government and leaders from the financial and business communities will address the most timely and relevant topics affecting the economic, business and political scenarios of Brazil – the largest economy in Latin America.

I am confident that they will provide you with an enlightening perspective on the current state of Brazil and a strong sense of the macroeconomic and financial health of the nation in the run-up to the country's general election next month.

Business and trade relations between Latin America and Asia are increasing exponentially. The growing prominence of India and China on the international stage has prompted an upsurge in activity between the two regions. There have been a number of high level visits by Asian leaders to Latin America in recent years and Latin American leaders – including Brazilian President Luiz Inácio Lula da Silva - have also visited Asia.

Strengthening bilateral ties between Asia and Brazil will further reinforce the flow of trade and investments between the two regions. Brazilian exports to Asia grew 28% in 2005 and account for a growing share of the nation's overall trade. With an increasingly globalized economy and enhanced modes of exchanging goods and information, Brazil and Asia are developing ever stronger trade and business relations – a fact underscored by your presence here today.

Before we begin the formal presentations, I wish to thank our corporate sponsors who have allowed us to bring you these outstanding speakers. Their generous support has been essential to the success of this event. Please join me in thanking them for their support.

In addition, I'd like to acknowledge the efforts of the Chamber staff and Executive Director Sueli Bonaparte who have orchestrated this remarkable event. It is always a logistical challenge to coordinate events of this magnitude, and I want to thank those of you whose efforts have been instrumental in bringing this international conference to fruition. Finally, I would like to thank Minister Affonso Santos and the Brazilian Embassy in Singapore for their outstanding support.

At this time it gives me great pleasure to introduce Minister Affonso Santos of the Brazilian Embassy here in Singapore who will provide the opening remarks.



OPENING REMARKS

Affonso José Santos

Minister

BRAZILIAN EMBASSY IN SINGAPORE

AFFONSO JOSÉ SANTOS ENTERED THE RIO BRANCO INSTITUTE, BRAZIL'S DIPLOMATIC ACADEMY, IN 1968 AND BEGAN HIS CAREER AS A DIPLOMAT IN THE BRAZILIAN FOREIGN SERVICE IN DECEMBER 1969. HE RECEIVED HIS LAW DEGREE IN 1967 FROM THE UNIVERSITY OF THE STATE OF GUANABARA (NOW KNOWN AS RIO DE JANEIRO STATE UNIVERSITY – UERJ). HE ALSO WORKED AS A LEGAL ADVISOR, DIVIDING HIS TIME BETWEEN THE LAW FIRM OF JOSÉ THOMAZ NABUCCO AND THE LEGAL DEPARTMENT OF THE FEDERAL MINISTRY OF HEALTH, BOTH IN RIO DE JANEIRO.

AFTER JOINING THE FOREIGN SERVICE, MINISTER SANTOS WAS ASSIGNED TO THE UNITED NATIONS DIVISION, AND WAS THEN POSTED TO THE EMBASSY IN ROME IN 1973, WHERE HE SERVED AS SECOND SECRETARY UNTIL 1976. HE WAS THEN APPOINTED AS HEAD OF MISSION AT THE BRAZILIAN CONSULATE IN SYDNEY, AUSTRALIA, WHERE HE REMAINED UNTIL THE END OF 1979.

UPON HIS RETURN TO BRASÍLIA IN 1980, HE WAS PROMOTED TO FIRST SECRETARY AND SERVED AS HEAD OF CABINET TO THE DIRECTOR OF THE EUROPEAN DIVISION. IN 1985, HE SERVED BRIEFLY IN ADMINISTRATIVE AND BUDGETARY POSTS BEFORE MOVING TO THE MIDDLE EAST DEPARTMENT, WHERE HE ALSO SERVED AS HEAD OF CABINET TO THE DEPARTMENT DIRECTOR.

MINISTER SANTOS HAS HELD OVERSEAS POSTS IN SWITZERLAND, SWEDEN, SAUDI ARABIA, TURKEY, FINLAND, INDIA AND TOGO. SINCE 2003, HE HAS SERVED AS MINISTER AT THE BRAZILIAN EMBASSY IN SINGAPORE.

IN 1994, MINISTER SANTOS SUCCESSFULLY DEFENDED HIS THESIS ENTITLED "CONFLICTS OF AN ETHNIC NATURE: THE CASE OF THE BALTIC STATES." DURING THE COURSE OF HIS CAREER, MINISTER SANTOS HAS RECEIVED SEVERAL DISTINCTIONS, INCLUDING THE ORDER OF MERIT OF THE ITALIAN REPUBLIC AS WELL AS VARIOUS MEDALS FROM THE BRAZILIAN AIR FORCE AND NAVY.

Thank you very much. It is a pleasure to be here with you this morning. As we heard last night during Brazilian Finance Minister Guido Mantega's keynote speech, Brazil has shown impressive and significant economic progress in recent years. The macroeconomic figures presented leave little doubt as to the positive economic reality that Brazil is enjoying at present. And the forecasts for the short-to-medium term suggest that we are in store for more of the same. Present-day Brazil is far less vulnerable to international market volatility and has become a prime destination for investment.

As a result, I have witnessed a noticeable improvement in the level of bilateral business development between Brazil and Singapore during my nearly four years with the Brazilian Embassy here. The forging of closer business ties between the two nations has been led by the efforts of private-sector entrepreneurs. However, the Singaporean government has also played a role. The opening of an "International Enterprise (IE) Singapore" office last year in São Paulo is an example of a public-sector initiative to strengthen bilateral trade and investment ties between the two economies.

As the Singaporean Minister of State for Trade and Industry, Lee Yi Shyan, mentioned during the Latin-Asia Business Forum held last week here in Singapore, Latin America is proving to be a profitable market for Singaporean companies. In fact, 85.7% of the

Singapore-based companies operating in the region reported profits on their Latin American investments during the last financial year. Needless to say, Brazil-based initiatives account for an important share of the activities of Singaporean companies operating in the region.

There are many reasons for Brazil's current economic health and the rising profile of its capital market. The Brazilian Central Bank and the National Treasury have played a particularly important role. According to the Institute of International Finance (IIF), Brazil ranks first among 32 emerging markets for investor relations and data transparency. According to the Chairman of Banco Itaú, Brazil's first-place ranking in the IIF study is the result of solid economic policies adopted by the Brazilian Central Bank and the National Treasury this year. The ranking is even more impressive if we consider the fact that South Korea was the runner-up.

Despite the distance that separates Brazil from Asia, there has been a concerted effort on both sides to forge closer ties. Participation in trade fairs and business missions between the two regions are on the rise. Brazil continues to seek new ways to energize its globalization efforts and strengthen its trade and economic relationships in Asia. Only last week, during the first India-Brazil-South Africa (IBSA) Dialogue Forum held in Brasília, the heads of state of those three countries signed the IBSA Action Plan on Trade

Facilitation for Standards, Technical Regulations and Conformity Assessment. They noted that the Action Plan, which is one element of broader goals on business facilitation, will help lay the groundwork for increased trade flows between IBSA countries. The leaders also reiterated their commitment to enhancing trilateral trade through the conclusion of customs cooperation agreements. The IBSA Forum is just one of several creative initiatives being forwarded to enhance business opportunities between Brazil and other major emerging markets.

The Brazilian Embassy here in Singapore has been working tirelessly to bring more high-level, government-led business delegations to Singapore. However, there is much more work to be done. Fortunately, the IMF and World Bank meetings have allowed us to cast a spotlight on our bilateral business and trade relations. In particular, the efforts of the Brazilian-American Chamber of Commerce, Inc. to stage this Singaporean edition of the Brazilian Economic Conference has provided us with a truly unique op-

Latin America is proving to be a profitable market for Singaporean companies.



portunity to showcase major investment opportunities. An initiative known as BEST (Brazilian Excellence in Securities Transactions) aims to do just that. It involves the joint efforts of the São Paulo Stock Exchange (Bovespa), the Brazilian Clearing and Depository Corporation (CBLC), the Brazilian Mercantile and Futures Exchange (BM&F), the National Association of Investment Banks (ANBID), the Central Bank and the National Treasury to promote investment opportunities in Brazil's capital market. You will learn more about the BEST program during subsequent keynote presentations on Brazil's financial infrastructure.

I have no doubts that this will be a very productive conference given the high quality of the government representatives, analysts and business leaders who have assembled here. Mr. Aldrich, it was a pleasure coordinating with your team over the last few months and I am certain the presentations we are about to hear will live up to the high standards your organization has established over the years. Thank you.



BRUNO FUSARO, PAULO PENIDO, RICHARD ALDRICH, JR. AND MINISTER AFFONSO JOSÉ SANTOS



Henrique Meirelles

Governor
CENTRAL BANK OF BRAZIL

HENRIQUE DE CAMPOS MEIRELLES HAS BEEN GOVERNOR OF THE CENTRAL BANK OF BRAZIL SINCE JANUARY 2003. PRIOR TO ASSUMING HIS CURRENT POSITION, HE WAS PRESIDENT OF BANKBOSTON AND FLEETBOSTON'S GLOBAL BANK WHERE HE LED FLEET'S STRATEGIC EFFORTS IN THE NEW YORK METROPOLITAN REGION. MR. MEIRELLES WAS ALSO A MEMBER OF THE OFFICE OF THE CHAIRMAN, FLEETBOSTON FINANCIAL'S TOP MANAGEMENT GROUP, RESPONSIBLE FOR HELPING FORMULATE OVERALL STRATEGY AND COMPANY POLICY.

MR. MEIRELLES JOINED BANKBOSTON IN 1974 AS MANAGING DIRECTOR OF BANKBOSTON LEASING. IN 1978, HE BECAME A VICE PRESIDENT, AND IN 1980 WAS APPOINTED TO HEAD THE FIRM'S COMMERCIAL BANKING ACTIVITIES IN BRAZIL. MR. MEIRELLES WAS PROMOTED TO DEPUTY COUNTRY MANAGER IN 1981 AND BECAME PRESIDENT AND REGIONAL MANAGER OF THE BANK'S BRAZIL OPERATION IN 1984. MR. MEIRELLES WAS APPOINTED PRESIDENT AND COO OF BANKBOSTON CORPORATION IN 1996. HE WAS NAMED PRESIDENT OF FLEETBOSTON'S GLOBAL AND WHOLESALE BANK IN OCTOBER 1999, FOLLOWING THE MERGER OF BANKBOSTON AND FLEET FINANCIAL GROUP. MR. MEIRELLES OVERSAW THE COMPANY'S OPERATIONS IN ASIA AND EUROPE AS WELL AS LATIN AMERICA, WHERE THE FRANCHISE NAME IS BANKBOSTON.

HE IS THE FOUNDING PRESIDENT OF THE LATIN AMERICAN LEASING FEDERATION, CHAIRMAN EMERITUS OF THE BRAZILIAN ASSOCIATION OF INTERNATIONAL BANKS, CHAIRMAN OF THE SOCIETY FOR THE REVITALIZATION OF THE CITY OF SÃO PAULO AND CHAIRMAN OF THE TRAVESSIA FOUNDATION.

MR. MEIRELLES RECEIVED A DEGREE IN CIVIL ENGINEERING FROM THE UNIVERSITY OF SÃO PAULO. HE ALSO EARNED AN MBA FROM THE FEDERAL UNIVERSITY OF RIO DE JANEIRO, AND HAS COMPLETED THE ADVANCED MANAGEMENT PROGRAM AT HARVARD BUSINESS SCHOOL.

It is a pleasure to be here today. International interest in Brazilian trade and investment opportunities is clearly on the rise. From a macroeconomic standpoint, most of the dialogue on Brazil these days focuses on the level of economic activity and GDP growth expectations.

Unlike at past conferences, there is little doubt when it comes to key aspects of Brazil's economic fundamentals. The nation's inflation targeting regime, the structure of the foreign debt and the balance of payments are all on solid ground. Brazil is increasingly resilient in the face of international volatility as well as fluctuations in the level of international risk aversion and liquidity.

Brazil's budget surplus before interest payments, or primary surplus, widened to its highest level in four months (R\$13.2 billion last month from R\$5.62 billion in July). I know that my colleague Guido Mantega, Brazil's Finance Minister, has already addressed this administration's commitment to the primary surplus goal, so I will focus my remarks on the questions surrounding the level of economic activity and GDP growth in Brazil.

We have experienced some volatility in recent years if we measure GDP growth on a quarter-over-quarter, seasonally-adjusted basis. However, there is no doubt that the country has been on a sustained growth path since the third quarter of 2003. The most acute period of economic instability took place during the third quarter of 2005, stemming primarily from a widespread adjustment

in inventory levels. In September of that year, some production lines even temporarily halted operations to correct for the extremely high levels of production recorded during the previous quarter. That microeconomic inventory adjustment is still ongoing this year. However, there are no long-term reasons for the kind of volatility we witnessed in Q3 of last year.

The lackluster economic growth registered in the second quarter of this year (0.5%) has been another cause for concern among Brazil watchers. However, if we look back at the year 2000 – which was a relatively strong year for economic growth in Brazil – the GDP grew 1.4% during Q1, 0.5% in Q2, 0.6% in Q3 and 1.4% in Q4. This gives you a sense of the seasonal fluctuations in GDP growth even during a year of fairly robust economic expansion.

Seasonal fluctuations aside, there were some very specific reasons for the low growth rate registered during the second quarter of this year. One such issue was the World Cup. Reduced productivity and output are expected on the days when Brazil is playing because the country essentially shuts down. Factories, offices, banks and retail operations close their doors. While the World Cup is very important to the Brazilian populace from a cultural perspective, it does mean fewer working hours. Voicing such a reason for reduced economic output may sound amusing to some, but it is a serious issue in Brazil.

A strike by Internal Revenue Service (or Receita Federal do Brasil) auditors

in the second quarter also impacted economic output. All activities at the Receita Federal were paralyzed by the strike, a fact that prevented businesses from obtaining certain documentation required for clearing customs. This engendered a slight decrease in general exports and component imports. There were also some environmental issues in the city of São Paulo in May and June prompting some companies to shut down and negatively impacting overall economic output during those months. When we consider all of these factors together, it becomes apparent that the lower volume of working hours wielded a negative impact on economic growth. If we look at GDP growth compared to the same quarter of the previous year, a certain level of volatility is still apparent, but it is less glaring than the quarter-over-quarter figures suggest.

If we analyze the contributions of internal and external demand to GDP growth, we start to see something very important. In 2003, the Brazilian economy experienced a profound change when a significant share of its industrial production and agribusiness output shifted from internal consumption to external consumption (i.e., exports). As a result, we witnessed a negative contribution of internal demand to GDP growth in 2003. In short, GDP growth in that year was driven by exports. Domestic demand rebounded in 2004. The tides shifted once again in 2005, as growth – albeit modest – was driven by domestic factors.

When we take a closer look at the demand side of the equation – focusing on household consumption on a year-over-year basis – we will see a much smoother picture of how the economy is behaving. Aggregate demand has outstripped supply over the last few quarters. Inventory levels and issues with agricultural output have contributed to this trend. It is important to underscore that the process of adjusting inventory levels to account for increased demand is already taking place. At this point, the demand side gives us a better understanding of the GDP growth trends in Brazil in the short-to-medium term.

In 2002, the Brazilian currency was depreciated by 63%, spurring inflation that reached a high of 30% on an annualized base (and 17% for the calendar year). By May of 2003, we experienced a loss of pur-

The nation's inflation targeting regime, the structure of the foreign debt and the balance of payments are all on solid ground.



chasing power and declines in consumption as a result of the higher price levels. This was accompanied by vigorous monetary policy actions by the Brazilian Central Bank. In 2003, Brazil also lost US\$28 billion in external credit lines, requiring a further tightening of the economic policy belt. GDP growth recovered in 2004, followed by a soft landing in 2005. And in 2006, we are once again experiencing an economic recovery and increasingly robust rates of economic expansion.

We experienced a 0.6% increase in industrial output in July of this year. Oil production, electricity consumption, automotive production and domestic sales all rose significantly in July and August. This represented a strong rebound from June which was a relatively weak month. All of these factors point to a much stronger third quarter.

When we consider fixed capital investments, we will also see some volatility. However, the figures clearly show that the level of fixed capital investment has grown at a higher rate than GDP over the last three quarters. This is also an important and positive indicator.

As for the domestic absorption of capital goods, the news is also good. From 2001 to 2003, the three-month moving average showed a decline. Capital goods absorption recovered in 2004, declined in 2005 and is once again on the rise. This bodes well for our future capacity utilization levels and potential growth prospects.

As a result of rising employment and income levels, retail sales have increased steadily since mid-2003. At present, Brazil is creating an average of 1.3 million jobs per year in the formal sector. Such vigorous job growth has spurred a tremendous increase in formal sector employment.

The economically active population is also growing at a brisk rate, not only as young people enter the labor market but also as Brazilians who had given up on formal sector employment begin to join the ranks of the formally employed. After declining in 2003, real average incomes in Brazil have also been growing steadily over the past three years. And if we consider total payrolls, we are reaching record levels. Wage growth and job creation have been the basic drivers of domestic demand.

There are a number of factors that have been driving GDP growth in recent quarters. In addition to the strong job market and rising income levels, Brazil has been able to introduce more flexibility into its monetary policy regime in recent months. In fact, the Brazilian Central Bank has been gradually cutting interest rates since September of last year.

Lower interest rates make it easier for businesses to borrow to invest in equipment, inventories, and buildings. And these rate cuts not only help corporations invest, but they also have a positive impact on individual Brazilian consumers. Lower interest rates mean that consumers spend less on interest costs, leaving them with more of their income to spend on goods and services. This, in turn, can wield a strong positive impact on growth and the economy as a whole. All of the factors underlying recent growth are even stronger now than they were in Q1 when Brazil's economy expanded 1.3%. As a result, we believe that a prolonged growth cycle is already underway in Brazil.

As for price levels, there was a clear spike in inflation expectations in 2003.

Since then, inflation forecasts have been converging towards the official target. In 2006, inflation forecasts have stabilized at around 5.9%. Lower-than-expected actual inflation levels this year have even begun to prompt analysts to reduce their inflation projections moving forward.

Let us return to the issue of interest rates for a moment. The topic of Brazil's real interest rates invariably arises at every presentation I make. We know they are high. The question is what can be done about it. If we look at market rates, we can clearly see a downward trend. The average from 1994 to 1996 was more than 18%. From 1996-1999, the average was 18.5%. From 2000 to 2003, it fell to 15%. The average was 11.5% in 2004-2005, 10.1% in 2006 and now stands at 9%.

Why are interest rates high in Brazil? There are several reasons typically given by economists, but I'm only going to mention one. If you compare the twelve-month inflation expectation figures with actual inflation over the last several years, you'll see that expectations were quite stable. However, actual inflation rates surprised the markets. These un-

Brazil is increasingly resilient in the face of international volatility as well as fluctuations in the level of international risk aversion and liquidity.



expected fluctuations in price levels have a clear impact on future inflation premiums and interest rates. Fortunately, in recent months, the surprise has been a positive one (actual inflation has been lower than expectations). Despite the good news lately, there is clearly an inflation premium in the Brazilian economy, due in large part to unexpected volatility in the past. The more Brazil is able to keep inflation on target, the more the inflation premium will continue to decline, resulting in lower real interest rates in the market.

No one wants real interest rates to continue falling more than my colleagues at the Central Bank. However, we have to be very clear about how to get there. Surprising the markets is not a prudent course of action. We must continue to anchor expectations, reduce our vulnerability to external shocks, decrease the inflation premium and stabilize the economy. By doing so, Brazil will not only be able to cut interest rates, but it will also continue to spur stronger rates of economic growth which, in turn, will improve prospects for the nation as a whole. Thank you very much.



EDGAR DA SILVA RAMOS, NEY CASTRO ALVES, CARLOS KAWALL, THOMAS DECOENE, ROBERTO NISHIKAWA, GUILHERME NÓBREGA AND RICARDO DINIZ



Carlos Kawall

Treasury Secretary
MINISTRY OF FINANCE

PRIOR TO HIS APPOINTMENT AS NATIONAL TREASURY SECRETARY WITHIN THE MINISTRY OF FINANCE IN MARCH 2006, MR. KAWALL SERVED AS ADVISOR AND DIRECTOR AT BNDES, THE BRAZILIAN DEVELOPMENT BANK. PREVIOUSLY, HE HAD BEEN CHIEF ECONOMIST FOR CITIGROUP IN BRAZIL. IN THAT POSITION, HE WAS RESPONSIBLE FOR MACROECONOMIC ANALYSIS OF THE BRAZILIAN ECONOMY.

MR. KAWALL EARNED HIS DEGREE IN ECONOMICS FROM THE UNIVERSITY OF SÃO PAULO. IN 1987, HE RECEIVED HIS MASTERS DEGREE FROM THE UNIVERSITY OF CAMPINAS (UNICAMP), AND SUBSEQUENTLY EARNED A DOCTORAL DEGREE FROM THAT SAME INSTITUTION IN 1995. FOR EIGHTEEN YEARS, HE WAS A PROFESSOR AT THE PONTIFÍCIA UNIVERSIDADE CATÓLICA OF SÃO PAULO.

I'd like to thank the Brazilian-American Chamber of Commerce, Inc. for hosting this event, as well as Minister Santos and the Brazilian Embassy for all the support they've provided us during this past week here in Singapore. We have met a tremendous number of potential investors, both from Asia as well as other parts of the world. Asian investors have been resoundingly positive and have shown a tremendous amount of excitement about what is going on right now in Brazil. Therefore, I have no doubts whatsoever that it was the right time to come here to Asia and give our perspectives on Brazil's fiscal policy and debt management practices.

While the investor base here in Asia has focused on the dynamic and rapid growth going on within the Asian-Pacific region, there is clearly a rising level of interest in other emerging economies outside Asia, including Brazil. Asian investors are voicing their interest in diversifying into other currencies. Henrique Meirelles, Governor of Brazil's Central Bank, has just laid out why we believe the nation now has a much stronger and more reliable currency.

In my presentation, I'd like to take a closer look at the Brazilian government's securities market. To date, most Asian investments in Brazil have been in the corporate sector. This is understandable given the strong connection many Brazilian corporations have to Asia because of robust international commodity prices. However, I also think there is increasing interest in fixed-income instruments. We welcome the presence of

international investors in this arena, and are particularly interested in increasing the participation of Asian investors in our local markets in Brazil.

Let me start by giving a quick overview of the macroeconomic landscape in Brazil. It is extremely important to understand the context in which we are developing and implementing fiscal policy and debt management practices in Brazil. As you know, we have experienced a sharp turnaround in the fiscal accounts since 2003. When we consider external indicators, Brazil is now comparable to many investment grade countries around the world. Net external debt to exports, gross external debt and other key solvency indicators are all moving in the right direction. This is a very important pre-condition for Brazil's debt strategy moving forward.

Strong international prices for our commodity exports have no doubt contributed to our healthy fiscal performance. However, Brazil's export base is highly diversified. In fact, non-commodity exports account for half of Brazil's total exports. Manufacturing exports have grown substantially in recent years. The primary export markets for Brazil's manufactured goods are the US and Latin America. Meanwhile, most of Brazil's commodity exports go to European and Asian markets. However, we do have Brazilian companies such as Embraer that are actively increasing exports to Asia, as well as capital goods and agricultural equipment companies that are doing the same. Even within the commodity segment, the nation's exports are highly diversified. In fact, Brazil has strengthened its stature

as a global powerhouse in agribusiness, cementing its position as a top three producer of such diverse commodities as sugar cane, oranges, coffee, soybeans, beef, poultry, corn and sugar.

Additionally, I'd like to underscore the fact that Brazil will become a marginal exporter of petroleum by 2007. Given international petroleum price levels, this is clearly a very important and positive development for the nation. In the late 1990s, roughly 40% of domestic demand was met through imports. That scenario has now changed dramatically in a period of only a few years.

Even though it isn't exactly the mandate of the National Treasury to highlight Brazil's leadership position in the area of alternative energy, the nation's technological achievements in this arena are truly remarkable. We have made tremendous strides in areas such as ethanol, biodiesel and H-Bio (a new diesel fuel developed by Petrobrás which is obtained from the mixture of vegetable oil with petroleum during the refining process). By 2009, biodiesel is expected to account for 5% of Brazil's domestic energy consumption, a 150% increase over its current share of the nation's energy mix.

As for the recent market volatility we've experienced, Brazil has proven much more adept at weathering the storm than in previous periods. In fact, analysts now rank Brazil as among those emerging markets with the least vulnerability to external market volatility.

The excitement among Asian investors when it comes to Brazil has a great deal to do with our economic fundamentals. And while investors always ask why our real interest rates remain so high, the good news is that the efforts of Governor Meirelles and his monetary policy team at the Central Bank are beginning to pay off. In fact, there has been a significant decline in inflationary expectations since last April. Inflation projections for 2007 have also fallen. This bodes well for Brazil's risk premium and the current structure of our interest rates.

I believe it's the right time for investors to bet on fixed-income instruments in Brazil. When we reconvene next year, I think we will already be talking about substantial reductions in the yields of our instruments because inflation will be better anchored by our

economic fundamentals and our external position will likely be better than ever before. Therefore, the opportunity is particularly auspicious at present.

Now, I'd like to turn our attention to fiscal policy. Minister Mantega and I have focused heavily on meeting the agreed-upon fiscal targets since we joined the Finance Ministry in April. As a result, 2006 will be the eighth consecutive year that Brazil meets or exceeds its fiscal surplus target (4.25% of GDP since the beginning of Lula's administration).

Net public sector debt to GDP - which peaked at 63% in 2002 - is now around 50%. The 4.25% fiscal surplus is sufficient to reduce the debt to GDP ratio to 40% over the next five years. And as we continue to lower long-term interest rates, we will be able to reduce the public sector deficit to a much lower level.

For the January-August period, our fiscal results were extremely positive. By July, we had already reached 90% of the fiscal primary surplus target established by the federal government. And we are confident that we'll be able to announce further progress towards this target when the August numbers become available in a few weeks.

According to Brazil's Fiscal Responsibility Law, Brazil is required to reassess its revenues and expenditures every two months and to make any necessary adjustments if imbalances begin to appear. The next budget performance assessment is scheduled for late September. At this point, we are confident that we will reach the revenue target. We also share the view of many analysts that GDP growth will be stronger in the third and fourth quarters, which bodes well for revenue generation and overall fiscal performance.

On the expenditure side, it is important to highlight that the social security reforms approved in 2003 are beginning to bear fruit. Although there is still a large social security deficit in Brazil, the numbers just released by the ministry responsible for the public sector's social security regime show that the system's net deficit is declining. In the private social security system - the largest segment in terms of the number of beneficiaries - the efforts implemented this year to improve management standards have been very successful. Social security fraud has been curtailed as a result of a nation-wide

census of retirees aimed at reducing the volume of unduly paid benefits.

Personnel expenditures constitute another large share of government spending. These expenditures have also been reigned in, and now stand at around 5% of GDP. The containment of government payroll expenditures represents a sharp turnaround from 2002, when such spending was growing rapidly.

On the social development front, I have been very happy to hear that Asian countries such as Indonesia are looking at our social programs as a benchmark for their own initiatives. I highlight this area because social programs are also an important part of our government expenditures. And our initiatives are beginning to pay dividends. We are combining growth with social justice.

The "bolsa-familia" program in Brazil is an initiative in which extremely poor Brazilians (those with a monthly per capita income of up to R\$120) receive cash transfers from the federal government. In order to receive the benefit, these families must commit to maintaining their children and adolescents in school, keeping their vaccinations up to date and undertaking pre-natal examinations, among others requirements. The benefits are between R\$15.00 to R\$95.00. The average benefit is R\$62.0 (US\$30.0). The program now reaches 11.1 million families (a universe of 45-50 million people), and has been very effective in reducing inequalities in Brazil. Since the late 1990s, we have been making progress on every major social indicator, including education and income distribution. A large cross-section of the Brazilian populace still lives below the poverty line, but the administration's programs are having a very positive impact.

Brazil must continue to control spending while increasing government investment programs and reducing taxes. The fiscal surplus of the last eight years has been based primarily on revenue increases from taxes. It is no longer possible to move in that direction. Therefore, the focus of the next administration must be on controlling current expenditures, increasing investment and reducing the excessive tax burden.

We have a very substantial securities market in Brazil. Through the end of July, the market capitalization had reached R\$1 trillion (or US\$450 billion). [Editor's note: The market capitalization of the companies

with stocks traded on BOVESPA had risen to R\$1.3 trillion (or US\$602 billion) as of October 6, 2006]. Given past market volatility as well as inflation and exchange rate fluctuations, we did have a significant volume of debt linked to floating interest rates and the exchange rate in 2002. The effort since then has been to reduce the nation's variable-rate foreign debt, which has paid off in the elimination of the government's exposure to US dollar fluctuations.

As for the domestic debt, we need to make further progress. In particular, we need to replace floating-rate financial instruments with both fixed-rated bonds and inflation-linked securities that have longer maturities. The domestic debt market is precisely where we see foreign investors – including Asian investors – playing a key role in our efforts to extend the time horizon of our local debt. On a positive note, we have largely eliminated the impact of exchange rate depreciation on our net public sector debt. However, as previously noted, we still need to make further progress.

The current administration has forwarded a number of initiatives to improve the access of foreign investors to our government securities market. In June, the Brazilian Senate gave final approval to a measure that made non-resident investors exempt from the federal withholding tax. In addition, the registration process for non-resident investors has been dramatically streamlined, allowing potential investors to register in a period of only 24 hours. We encourage Asian investors to take a closer look at our government securities market if they want to benefit from the current, highly-favorable scenario for fixed-income instruments in Brazil. There has been an increase in the presence of foreign investors, but it is a very small fraction (roughly 2%-2.5%) of the entire investor base in Brazilian government bonds. However, the foreign investor base is an important segment, as non-resident investors hold a large share of the government bonds with longer maturation periods.

We are working very hard with market institutions to improve price transparency in Brazil as part of our broader effort to enhance liquidity in secondary markets. In early October, ANDIMA (the National Association of Market Institutions) and the Central Bank will launch a joint website with quote infor-

The focus of the next administration must be on controlling current expenditures, increasing investment and reducing the excessive tax burden.



mation, including indicative prices and online pricing in the government securities market. As a result, current and potential investors will have increased access to actual prices and trading information online. In 2005, BM&F also made screens available in real time to provide government securities pricing to investors throughout the world via financial information agencies such as Reuters and Bloomberg.

In terms of the external debt, the turnaround that has taken place since July of last year has been truly remarkable. This clean-up was already underway when I joined the Finance Ministry in April of last year. We have finished repaying all of Brazil's restructured debt from the 1980s, and we continue our efforts to reduce external debt payments. In addition, the Central Bank is still managing a buy-back program to retire external debt maturing through 2012. As a result of these initiatives, the Federal Government's total external debt has been reduced from approximately US\$100 billion in mid-2005 to US\$63 billion at present.

When it came time to reassess our borrowing plan - which is what the Treasury

typically does in the third quarter – we found that we could shift our debt management strategy as a result of this dramatic reduction in the total external debt. Our borrowing needs through 2008 amounted to only US\$14.2 billion, down sharply from previous years. And this was the first time in which we included both principal and interest payments in our borrowing needs calculations.

After conducting a number of stress tests, we found that even in the worst-case scenarios we could meet our borrowing needs by acquisitions in the FX market or directly via the Central Bank. Our focus has been on extending our yield curve in Brazilian reais. In September of last year, we issued a 10-year bond in the local currency. And a few days ago, we issued a 15-year Euroclearable bond in Brazilian reais that was highly successful. This issue was very important in the development of our local capital market in Brazil. In essence, the more progress we make in building international reserves and decreasing our short-term hard currency needs, the greater the assurances we'll be giving to foreign and domestic investors that the component of inflationary risk linked to exchange rate volatility has been significantly reduced.

All three rating agencies have upgraded Brazil's rating this year. However, we are still below investment grade status. In terms of external indicators (including current account balance, the external debt to GDP ratio, trade balance, volume of exports, short-term debt levels and net foreign investment), we already compare favorably to markets with investment grade status. We do, however, still need to make progress on reducing our overall indebtedness level. Nonetheless, we believe that we are on the right track to achieve investment grade status during the next presidential administration.

If you have any additional questions regarding Brazil's government securities market, I'd encourage you to visit the Finance Ministry's Investor Relations website www.tesouro.fazenda.gov.br, which provides a tremendous clearinghouse of information for current and potential investors. In fact, the website earned the highest ranking in a recent IAF study for investor relations services, marking the first time that an emerging market led the rankings.

Thank you very much.



PANEL MODERATOR,
BRAZIL'S FINANCIAL INFRASTRUCTURE

Peter Douglas

Principal
GFIA PTE LTD

PETER DOUGLAS HAS OVER 21 YEARS OF EXPERIENCE IN THE INVESTMENT MANAGEMENT INDUSTRY, GARNERED VIA POSTS IN LONDON, SINGAPORE, SYDNEY AND TOKYO. HE IS PRINCIPAL OF GFIA PTE LTD., A SINGAPORE-BASED CONSULTING FIRM ENGAGED EXCLUSIVELY IN THE RESEARCH OF HEDGE FUNDS AND THEIR MANAGERS. ESTABLISHED IN 1998, GFIA IS ASIA'S OLDEST HEDGE FUND CONSULTANCY, COMPENSATED SOLELY BY FULLY-DISCLOSED FEES FROM INVESTORS AND ALLOCATORS. SINCE 2004, GFIA HAS ALSO OFFERED COVERAGE OF THE LATIN AMERICAN HEDGE FUND INDUSTRY.

MR. DOUGLAS BEGAN HIS CAREER WITH THE FOREIGN & COLONIAL GROUP OF ASSET MANAGEMENT COMPANIES. DURING HIS TENURE AT THE COMPANY, HE MANAGED THE PRODUCT DEVELOPMENT OF LATIN AMERICAN SECURITIES THROUGH THE FIRM'S F&C EMERGING MARKETS GROUP. SUBSEQUENTLY, HE ESTABLISHED ABERDEEN ASSET MANAGEMENT'S BUSINESS ACTIVITIES IN SINGAPORE, AND WORKED WITH INVESTOR SELECT ADVISORS, A GLOBAL FUND OF HEDGE FUNDS, WHERE HE WAS RESPONSIBLE FOR RESEARCH AND ALLOCATION TO ASIAN HEDGE FUNDS.

HE IS SINGAPORE'S FIRST COUNCIL MEMBER APPOINTED TO THE ALTERNATIVE INVESTMENT MANAGEMENT ASSOCIATION, THE GLOBAL INDUSTRY BODY FOR HEDGE FUND PRACTITIONERS. MR. DOUGLAS IS ALSO A FOUNDER OF THE FINANCIAL PLANNING ASSOCIATION OF SINGAPORE AND REMAINS A SPECIAL ADVISOR TO THE ASSOCIATION.

HE HOLDS AN HONORS DEGREE FROM THE UNIVERSITY OF EXETER (UK), AN INVESTMENT MANAGEMENT CERTIFICATE FROM I.I.M.R. (UK), AN MBA FROM INSEAD (FRANCE) AND IS A CHARTERED ALTERNATIVE INVESTMENT ANALYST – A DESIGNATION OFFERED BY THE CAIA ASSOCIATION TO PROFESSIONALS WHO COMPLETE A SERIES OF RIGOROUS EXAMINATIONS FOCUSED ON INTERNATIONAL ALTERNATIVE INVESTMENTS.

MR. DOUGLAS SITS ON THE BOARD OF THE CAIA ASSOCIATION, AND IS A MEMBER OF THE MBA ADMISSIONS COMMITTEE OF INSEAD. HE SERVES IN A NON-EXECUTIVE FIDUCIARY CAPACITY FOR A NUMBER OF INVESTMENT VEHICLES. HE IS ALSO ON THE BOARD OF RICE (RETURNS INVESTED IN CHILDREN'S EDUCATION) AND THE STUDENT ADVISORY CENTRE. HE TEACHES GRADUATE STUDENTS AT SINGAPORE MANAGEMENT UNIVERSITY, AND IS A FREQUENT MEDIA COMMENTATOR ON THE INDUSTRY.

Thank you very much. In this panel, we're going to take a closer look at Brazil's financial infrastructure with a particular focus on the options open to international investors interested in investing in Brazilian securities. My company, GFIA PTE LTD, advises professional investors

on investing in Brazil through Latin American hedge funds. I will not ask the panelists to make a formal presentation. However, I will ask each speaker to give a brief overview of his or her expertise and a synopsis of key issues and recent developments in Brazil's financial infrastructure.



CRISTIANA PEREIRA AND JOÃO LAURO AMARAL



Cristiana Pereira

Advisor for Development and International Relations
BOVESPA—SÃO PAULO STOCK EXCHANGE

CRISTIANA PEREIRA IS THE ADVISOR FOR DEVELOPMENT AND INTERNATIONAL RELATIONS AT BOVESPA – THE SÃO PAULO STOCK EXCHANGE. IN HER CURRENT POSITION, SHE LEADS A STRATEGY UNIT RESPONSIBLE FOR ADVISING THE BOARD OF DIRECTORS ON INTERNATIONAL ISSUES AS WELL AS THE DEVELOPMENT OF NEW PRODUCTS AND SERVICES.

FROM 2000 TO 2002, SHE SERVED AS MANAGER OF PROJECTS AND ECONOMIC ADVISORY AT BOVESPA, COORDINATING A TEAM RESPONSIBLE FOR THE DEVELOPMENT AND IMPLEMENTATION OF MYRIAD INITIATIVES, INCLUDING THE DEPLOYMENT OF THE ELECTRONIC MARKET FOR CORPORATE BONDS (BOVESPA FIX) AND THE NOVO MERCADO LISTING SEGMENT.

FROM 1995 TO 2000, SHE WAS AN ASSISTANT MANAGER FOR THE SPECIAL PROJECTS DEPARTMENT AT BOVESPA, WHERE SHE COORDINATED THE INTRODUCTION OF PRODUCTS AND SERVICES GEARED TOWARD INTERNATIONAL INVESTORS. SHE ALSO PARTICIPATED IN THE TASK FORCE THAT DEVELOPED THE NEW FOREIGN INVESTMENT LEGISLATION IN BRAZIL.

MS. PEREIRA HOLDS AN MBA DEGREE FROM HARVARD BUSINESS SCHOOL AND A MS DEGREE IN ECONOMICS FROM FUNDAÇÃO GETÚLIO VARGAS. SHE RECEIVED HER BA DEGREE IN ECONOMICS FROM THE STATE UNIVERSITY OF CAMPINAS (UNICAMP) IN BRAZIL.

Good morning. I am here representing BOVESPA, the São Paulo Stock Exchange as well as the CBLC (the Brazilian Clearing and Depository Corporation). The CBLC was established in 1997, following its spin-off from BOVESPA, as a response to the Brazilian market's need for a modern financial infrastructure in clearance, settlement, depository and risk management activities in line with international best practices and trends.

BOVESPA has had an incredible year in 2006 despite the turbulence in May and June. The BOVESPA index is up 23% in dollar terms thus far in 2006. Our daily trading volume is now US\$1 billion, up nearly 50% from last year. The market capitalization of our company is currently about US\$580 billion. So far this year, we have had 13 IPOs and almost US\$10 billion in capital raised by Brazilian companies.

Since there are a number of renowned Brazil analysts and economists on the agenda this morning, I will focus my remarks on some aspects of the financial infrastructure that BOVESPA provides to investors that I believe will be central to your investment decisions in our marketplace.

There are three aspects that I'd like to highlight in my presentation: 1) the products that BOVESPA offers, 2) the technological sophistication of Brazil's equity market and 3) the BOVESPA's corporate governance structure.

In terms of products, BOVESPA is well known for its very active equity

market. In addition, we have a traditional equity derivatives market. In fact, BOVESPA is now the third largest equity derivatives exchange in the world. We have also just recently launched a platform for fixed-income securities. As a result, corporations can now issue bonds and trade them with the same transparency and efficiency as stocks traded in our equity market. Also, as part of this new platform, we have experienced an increase in the volume of asset-backed securities and mortgage-backed securities. Thus, ABS and MBS have become increasingly important components of the new fixed-income platform known as BOVESPA FIXA.

It is also important to underscore the fact that all of these products are available to international investors. There have not been any diversification restrictions for some time now in Brazil. All products – both in the cash market and derivatives – are available to non-resident investors. In fact, international investors account for approximately 30% of our daily turnover. Unfortunately, Asian investors still represent a small fraction of total international investments in BOVESPA, accounting for only 2%. We are hopeful that initiatives such as this will help to increase knowledge of the Brazilian market in Asia and attract more investors from the region.

I'd also like to stress that the technology employed by Brazil's capital market is state of the art. In fact, BOVESPA is now a fully electronic exchange. In addition to continually upgrading our systems to effectively man-

age increasing trade volumes, we have also worked tirelessly to provide international and local investors with full access to market information. For example, our systems allow brokerage funds to provide routing alternatives through the Internet, primarily for retail investors. However, we also provide such options for institutional investors so that they can route orders to their computers directly from the exchange's trading system. Such alternatives for individual and institutional investors now represent almost 20% of our daily trading value.

Finally, I'd like to underscore the fact that BOVESPA has been dedicated to promoting a best practices approach to corporate governance since it launched the Novo Mercado initiative five years ago. The Novo Mercado is a trading segment designed for companies that volunteer to abide by more stringent corporate governance practices and transparency requirements than those already mandated by Brazilian Law. It is based on the premise that stock valuation and liquidity are positively impacted by the quality of company information.

The BOVESPA index is up 23% in dollar terms in 2006, and our daily trading volume is now US\$1 billion, up nearly 50% from last year



This has now become a new standard for Brazilian companies. We believe this increased level of professionalism and transparency in corporate governance resulting from the Novo Mercado initiative has led directly to the higher level of IPO activity and capital raised in Brazil's equity market in recent years. We see this as an important structural change in Brazil's capital market, and one that will continue for the foreseeable future. We now see a steady stream of new companies filing with the SEC or BOVESPA, a fact that bodes well for future IPO activity. The portfolios of private equity funds are also full of companies that could join the market in the near future.

As a result of this increased activity, the capital market has surpassed the nation's development bank as the main source of financing for Brazilian companies for the first time in many years. This is not to say that the government financing available via BNDES is no longer important. Rather, the Brazilian corporate sector's financing and investment needs are now so robust that they require a vibrant and growing capital market.



MARK NEWMAN, MARCO BIGLIA, PHILIPPE FOLLEBOUCT AND FELIPE ATHAYDE



Suli Fontaine

Assistant to the Board

CVM - BRAZILIAN SECURITIES AND EXCHANGE COMMISSION

SINCE NOVEMBER 2005, SULI FONTAINE HAS BEEN THE ASSISTANT TO THE BOARD OF COMMISSIONERS OF THE BRAZILIAN SECURITIES AND EXCHANGE COMMISSION, AFTER HAVING HEADED THE COMMISSION'S DEPARTMENT OF MARKET DEVELOPMENT SINCE 2003.

PRIOR TO THAT, HE WORKED AT THE BRAZILIAN NATIONAL DEVELOPMENT BANK (BNDES) AND BNDESPAR (THE EQUITY BRANCH OF BNDES) FOR SEVEN YEARS, WHERE HE WAS THE MANAGEMENT BOARD'S COUNSELOR.

FROM 1978 TO 1994, HE PERFORMED SEVERAL ROLES AT THE BRAZILIAN SECURITIES AND EXCHANGE COMMISSION, INCLUDING HEAD OF INTERNATIONAL AFFAIRS, GENERAL EXECUTIVE OFFICER, HEAD OF THE DEPARTMENT OF CORPORATIONS AND CAPITAL MARKETS ANALYST.

MR. FONTAINE HOLDS A DUAL BACHELOR'S DEGREE IN MANAGEMENT AND ACCOUNTING, AS WELL AS AN MBA FROM THE BRAZILIAN CAPITAL MARKETS INSTITUTE (IBMEC, INSTITUTO BRASILEIRO DE MERCADO DE CAPITAIS). HE HAS ALSO PARTICIPATED IN THE ENFORCEMENT TRAINING PROGRAM AT THE U.S. SECURITIES AND EXCHANGE COMMISSION'S INTERNATIONAL INSTITUTE FOR CAPITAL MARKETS DEVELOPMENT.

It is a pleasure to be here. First, I must agree with Cristiana Pereira when she says that the recent changes in Brazil's capital market are structural in nature. I was pleasantly surprised when the Finance Minister concluded his presentation last night by focusing on Brazil's capital market and highlighting the market's strong performance in raising capital to finance the development of the nation's corporations. This is a major change that should not be overlooked. I've worked for CVM for my entire professional career and this is the first time that I've witnessed the capital markets being spotlighted as a driver of economic development at an international event of this magnitude.

Let us first consider the institutional capacity of Brazil's capital market to support economic growth. We strongly believe that the CVM's regulatory framework, its supervisory capacity as well as its enforcement and compliance mechanisms are on par with those of the finest securities and exchange commissions around the globe. We have a clear regulatory framework that includes a consistent set of rules based on a best practices analysis of similar commissions around the world. We have strong supervisory and compliance mechanisms that give us the power needed to regulate the market and punish any economic agent who chooses not to abide by the rules of the game.

We do rely on self-regulation to a certain extent, because we don't want CVM to mushroom into a large bureaucracy as the market grows. And as

Cristiana noted, the volume of companies who are volunteering to abide by more stringent regulatory standards via programs such as the Novo Mercado has grown tremendously. In addition, AMBID, Brazil's National Association of Investment Banks, has established voluntary codes of conduct and procedures (including the standardization of prospectuses and the regulation of custodial services) that have been particularly important for the development of Brazil's capital market.

While building state of the art financial infrastructure is undeniably crucial to the future growth of Brazil's capital market, we understand that investor education is clearly the best way to protect the interests of both foreign and domestic investors who choose to enter the nation's securities market. By contributing to the development of a well-informed and strategic pool of international and domestic investors, we will no doubt lay the groundwork for future market growth.

The CVM regulates derivatives, stocks and corporate bonds issued in the Brazilian marketplace. The nation's Securities and Exchange Commission provides full information for investors anywhere in the world in a transparent and efficient manner so that you can make informed decisions about Brazil's capital market. Such information is readily available on the CVM website. If you have any questions whatsoever related to the market's regulatory framework or the role of CVM, you can rely on our support. Thank you very much.



João Lauro Amaral

International and Government Relations Director

BM&F—BRAZILIAN MERCANTILE AND FUTURES EXCHANGE

JOÃO LAURO AMARAL IS THE INTERNATIONAL AND GOVERNMENT RELATIONS DIRECTOR OF THE BRAZILIAN MERCANTILE & FUTURES EXCHANGE – BM&F. HE IS ALSO THE MANAGING DIRECTOR OF BM&F (USA) INC., AND SERVES AS THE CHIEF REPRESENTATIVE AT THE BM&F SHANGHAI REPRESENTATIVE OFFICE. MR. AMARAL WAS FORMERLY THE GENERAL COUNSEL OF BM&F AND A SENIOR ECONOMIST FOR THE TECHNICAL AND PLANNING DIVISION. BEFORE JOINING BM&F, HE WORKED AS AN INTERNATIONAL OFFICER AND TRADER FOR BRAZILIAN BANKS AND INTERNATIONAL FINANCIAL INSTITUTIONS.

MR. AMARAL HOLDS UNDERGRADUATE DEGREES IN LAW AND ECONOMICS, AN MBA IN FINANCE (IBMEC-SP), AND A PH.D. IN LAW (USP-SP). HE IS ALSO AN ACTIVE PARTICIPANT ON INDUSTRY AND GOVERNMENT PANELS, EDUCATIONAL SEMINARS AND ACADEMIC CONFERENCES AS A LECTURER, PANELIST AND PROFESSOR – A FACT THAT UNDERSCORES HIS WEALTH OF EXPERIENCE AND LEADERSHIP POSITION IN THE INDUSTRY.

Good morning. My name is João Amaral and I serve as the International and Government Relations Director of the Brazilian Mercantile and Futures Exchange (BM&F). We are here this morning to deliver a message about the quality and efficiency of Brazil's capital markets. When you talk about this panel's presentations, there should be three primary take-aways: 1) how easy it is to access Brazil's capital markets, 2) how efficient such markets have become (and how significant the opportunities are in terms of yields and returns) and 3) how safe and transparent the infrastructure is for such investments.

To that end, let me begin by providing you with some background information on the nation's BEST initiative. BEST is an acronym for the "Brazilian Excellence in Securities Transactions" program. It is a joint initiative of the Brazilian Central Bank, the National Treasury and the Securities and Exchange Commission (CVM) to bring together the primary players in Brazil's capital market. These players include the São Paulo Stock Exchange (BOVESPA), the Brazilian Clearing and Depository Corporation (CBLC) and the Brazilian Mercantile & Futures Exchange (BM&F). In-depth information on the nation's capital markets infrastructure and the BEST initiative is available for potential investors on CD-ROM outside this room.

The Brazilian Mercantile & Futures Exchange (BM&F) is a world-class derivatives exchange. BM&F is a private, not-for-profit organization with two regulatory layers. The first entails supervision under the nation's Securities and Exchange Commission. The second involves Brazil's Central Bank which charters and certifies all of the exchange's clearinghouse activities. However, BM&F does not define itself solely as a place to trade. BM&F is the fifth largest futures exchange in the world, with 200 million contracts per year. Its only true peers are the leading futures and

commodities exchanges in Chicago and Europe. However, BM&F also provides training and registration systems for three main classes of assets in the country, including derivatives, inter-bank FX market securities and government bonds.

Over the last few years, BM&F has broadened its capacity, becoming the leading clearinghouse in Latin America. It provides an integrated set of asset, securities and derivatives clearing services, while at the same time offering economies of scale, competitive costs and operating security. The three BM&F clearinghouses are ISO 9001 certified: the Derivatives Clearinghouse, the Foreign Exchange Clearinghouse, and the Government Bonds Clearinghouse also known as the Securities Clearinghouse. We also organized a settlement bank in 2004 after the Central Bank of Brazil issued a resolution granting commodity and futures exchanges the right to open commercial banks. The mission of the settlement bank is to provide settlement and custody services to the economic agents responsible for the transactions performed at the exchange.

The Brazilian derivatives market includes both floor trading and an electronic trading platform. As previously mentioned, BM&F is one of the top five futures exchanges in the world. At present, more than one million futures are traded on a daily basis with the average number of contracts topping the 12 million mark. This represents a risk exposure of more than US\$500 billion. To sustain that level of risk, BM&F has an initial margin deposit of more than US\$25 billion.

What are some of the main opportunities for investors interested in the Brazilian derivatives market? We offer futures options and swaps on interest rates, the exchange rate and the stock index, as well as some of our primary commodity exports including coffee, soybeans, ethanol, sugar and live cattle. We have a margining system that is based on a proprietary risk management system to mitigate mar-

ket and liquidity risks. The system also allows us to serve as the primary central counterparty in the country. [Editor's note: A central counterparty (or CCP) is an entity that interposes itself between transacting counterparties – a seller vis-à-vis the original buyer and a buyer vis-à-vis the original seller – to guarantee execution of the transaction. Thus, the original transacting parties substitute their contractual relationships with each other with contracts with the CCP].

As opposed to other emerging markets where the derivatives exchanges are managed much like casinos, the BM&F maintains a professional trading floor. Fifty-five percent of the traders are representatives of major financial institutions, 25% are from the hedge funds, and 15% are international investors.

The primary benefits of investing in the Brazilian Mercantile & Futures Exchange are reduced risk levels and lower trading costs. For example, rather than entering into an NDF contract in New York or London, you can access our dollars futures market directly and get more than 100 basis points as the daily volatility for a trading cost of less than 0.2 basis points (bps). In terms of structured products, you can trade interest rate risk in the local currency and get more than 15 bps for a trading cost of less than 0.1 bps. In short, the leverage capacity is quite amazing. The opportunities in the area of commodity trading are similarly impressive. For a 5-6% initial margin in the coffee market, you can grant more than 180 basis points as the daily volatility. These are the kinds of opportunities we offer in Brazil.

As I mentioned before, the BM&F has stringent financial safeguards that align the interests of the exchange with those of the brokerage house and the clearing member. In order to guarantee any defaults in the market, the exchange has more than US\$60 million in mutualized default funds, as well as the equity of the exchange that sustained the trades (more than US\$400 million at present). And our first line of defense is the US\$25 billion initial margin deposit that I mentioned previously.

Other markets have also benefited from the expertise we have generated in the area of derivatives over the past few years. Nowadays, our FX clearinghouse is dominating the market in Brazil. More than 95% of the trading between banks in the FX cash market is held at BM&F. This translates into a market of more than US\$3 billion on a running basis.

Under the BM&F model, clearing members are liable to BM&F for the settlement of all transactions. These members must meet a series of requirements, in addition to pledging their memberships to the BM&F. In financial terms, they must maintain the minimum net working capital established by the clearing division. In operational terms, they must contribute to the clearing fund as well as comply with liability limits in order to reduce leverage risk. In addition to margin requirements, the clearing fund guarantees the settlement of transactions in the case of default by a clearing member. A member's contribution to the clearing fund cannot be withdrawn as long as the organization remains a clearing member.

There are two other funds that provide guarantees to investors in BM&F. The first

is the clearing members' special liquidity fund, which is funded by the exchange's revenues to cover a clearing member's default before the liquidation of its share in the clearing fund and to meet occasional liquidity needs of clearing members and commodities brokerage houses. The second is the guarantee fund which was created to ensure customers of commodities brokerage houses that price differences resulting from inaccurate execution of trading orders and/or misuse of amounts that were supposed to be invested in the BM&F markets will be refunded.

Finally, I'd like to briefly mention the BM&F Securities Clearinghouse where government bonds are traded. We are really just scratching the surface in this arena. The government bond market in Brazil is more than US\$450 billion. The Securities Clearinghouse, for its part, clears approximately US\$3 billion on a daily basis in the secondary market for government bonds. We expect dramatic growth in this market in the future. You can access full information on Brazil's secondary market for government bonds on your Reuters or Bloomberg terminal.

As previously mentioned, BM&F has implemented a forward-thinking program to reduce operational risks and increase the access of international investors to Brazil's futures and commodities market. As a result, the Brazilian market is now extremely open to international investors. Given its efficiency, transparency and cost-effectiveness, we hope you will take advantage of the opportunities afforded by the Brazilian market. Thank you very much.



JAVIER DE USSEL, CICERO FIGUEIREDO PONTES, JOSÉ MARIA RABELO, OSANAN LIMA BARROS FILHO AND JOAREZ PICCINI



RIORDAN ROETT IS AN INFLUENTIAL AMERICAN POLITICAL SCIENTIST WHO SPECIALIZES IN LATIN AMERICA. HE CURRENTLY SERVES AS THE SARITA AND DON JOHNSTON PROFESSOR OF POLITICAL SCIENCE AND DIRECTOR OF THE WESTERN HEMISPHERE PROGRAM AT JOHNS HOPKINS UNIVERSITY'S PAUL H. NITZE SCHOOL OF ADVANCED INTERNATIONAL STUDIES (SAIS) IN WASHINGTON, D.C. IN 2004, HE WAS RECOGNIZED FOR HIS CONTRIBUTIONS TO SAIS WITH THE ESTABLISHMENT OF THE RIORDAN ROETT CHAIR IN LATIN AMERICAN STUDIES.

DR. ROETT IS A MEMBER OF THE COUNCIL ON FOREIGN RELATIONS, A MEMBER OF THE BRETTON WOODS COMMITTEE AND A FORMER NATIONAL PRESIDENT OF THE LATIN AMERICAN STUDIES ASSOCIATION. IN 2001, THE PRESIDENT OF BRAZIL NAMED DR. ROETT TO THE ORDER OF RIO BRANCO WITH THE RANK OF COMMANDER. HE IS A RENOWNED EXPERT ON BRAZIL, MERCOSUL AND MEXICO AND HAS AUTHORED SEVERAL BOOKS ON LATIN AMERICA'S POLITICAL ECONOMY.

DR. ROETT HAS ALSO SERVED AS AN ADVISER TO CHASE MANHATTAN BANK. FROM 1989 TO 1997, HE SERVED AS A FACULTY FELLOW OF THE WORLD ECONOMIC FORUM AT THE ANNUAL MEETING IN DAVOS, SWITZERLAND. SINCE 1999, DR. ROETT HAS SERVED AS A CONSULTANT TO THE NATIONAL INTELLIGENCE COUNCIL OF THE CENTRAL INTELLIGENCE AGENCY. IN ADDITION, DR. ROETT IS A MEMBER OF THE BOARD OF DIRECTORS OF FOUR FAMILIES OF MUTUAL FUNDS AT CITIGROUP/SALOMON ASSET MANAGEMENT IN NEW YORK, AND SITS ON THE ADVISORY COUNCIL OF CILAE (CENTRO DE INVESTIGACIÓN LATINOAMÉRICA EUROPA).

DR. ROETT RECEIVED HIS PH.D. FROM COLUMBIA UNIVERSITY IN POLITICAL SCIENCE.

PANEL MODERATOR,
POST-ELECTION ECONOMIC OUTLOOK

Riordan Roett

Director of Western Hemisphere and Latin American Studies

JOHNS HOPKINS SCHOOL OF ADVANCED INTERNATIONAL STUDIES

Thank you very much. Thus far this morning, we've had an excellent overview of Brazil's past and present macroeconomic reality. Now comes the fun part when we analyze Brazil's post-election economic outlook. During the IMF and World Bank meetings here in Singapore, there has been a great deal of talk about the BRICs – Brazil, Russia, India and China. This, to a large extent, is the arena in which Brazil will play over the next decade in terms of competing for investors and moving forward with institutional changes.

A recent report by the World Economic Forum provides a good context of where the big emerging markets stand when it comes to global competitiveness. The study involved 117 countries. I'd like to call your attention to two particularly interesting indexes – one that considers economic growth potential and the other that analyzes the microeconomic environment in which businesspeople and investors work and compete. In terms of the

potential for medium-to-long term growth, Brazil ranked 65th. Russia ranked 75th, India 50th and China 49th. In other words, while Brazil's growth potential has surpassed that of Russia, the nation still lags behind India and China.

As for the microeconomic index, Brazil ranked ahead of China and Russia. Brazil ranked 49th while China was 57th and Russia 74th. India led the group, holding the 31st position in the rankings. India's strong performance stems from the streamlined institutional context for doing business in that nation - something that Brazil is quickly beginning to adopt.

This competitiveness study gives us a solid framework for considering the topic to be addressed by this panel – what happens after the elections in Brazil from an economic standpoint. I first traveled to Brazil more than 40 years ago to begin my career in Latin American Studies, and I'm delighted to have the chance to dialogue with this new generation of economists analyzing the future course of the Brazilian economy.



JOSÉ GUILHERME LEMBI DE FARIA AND MARLENE MORAN MILLAN



Guilherme da Nóbrega

Chief Economist
ITAÚ CORRETORA

GUILHERME DA NÓBREGA HAS BEEN CHIEF ECONOMIST AT ITAÚ CORRETORA SINCE SEPTEMBER 2004. MR. NÓBREGA HAS 13 YEARS OF EXPERIENCE AS A FINANCIAL MARKET ECONOMIST, HAVING SERVED AS AN ANALYST AT MCM CONSULTORES ASSOCIADOS, FOUNDING PARTNER AT TENDÊNCIAS CONSULTORIA AND CHIEF ECONOMIST AT BANCO FIBRA BEFORE JOINING ITAÚ. HE WAS ALSO A SENIOR ADVISOR TO THE BRAZILIAN LABOR MINISTER IN 1998, AND A RESEARCH ASSISTANT AT THE WORLD BANK'S INDUSTRY AND ENERGY DIVISION IN THE EARLY 1990S.

MR. NÓBREGA IS A MEMBER OF THE ECONOMIC COMMITTEE OF THE BRAZILIAN FEDERATION OF BANKS AND IS A FREQUENT MEDIA COMMENTATOR ON THE BRAZILIAN ECONOMY. MR. NÓBREGA ALSO AUTHORS A MONTHLY COLUMN FOR A MAGAZINE FOCUSED ON THE CONSTRUCTION INDUSTRY.

MR. NÓBREGA HOLDS A BSC IN ECONOMICS FROM THE LONDON SCHOOL OF ECONOMICS AND COMPLETED GRADUATE STUDIES AT THE CATHOLIC UNIVERSITY IN RIO DE JANEIRO, WHERE HE ALSO TAUGHT MICROECONOMICS.

Thank you all for being here. In my position as the Chief Economist at Itaú Corretora, I get paid to tell Brazil's economic story. Today, I'll need to be extremely brief because I only have ten minutes to relay three important stories about Brazil's macroeconomic environment.

The first story I'd like to convey is about how the Brazilian economy has opened up over the past several years. Brazil has made substantial progress in becoming increasingly connected to the global economy. One of the biggest changes has been the growing participation of Brazilian firms in foreign markets, as well as the presence of foreign firms in Brazil. In comparison to 15-20 years ago, Brazil is unquestionably a much more open economy.

While Brazil was still essentially a closed economy, it managed to develop a very sophisticated financial market. In the previous panel, we heard about how sophisticated it became eventually. And despite the nation's infamously high interest rates over much of the second half of the 20th century, this financial system enabled Brazil to develop a strong market in local currency. It would have been much easier to simply dollarize away the nation's difficulties. Many other countries adopted that approach. However, because of the route we took, a very robust, sophisticated and complex financial market began to take root in Brazil.

The market that was created over the last 20-30 years brought financing to an increasingly demanding public sector. It is that financial system that is now

adapting and creating the instruments required to finance development in the private sector. Given the ability of the Brazilian financial market to thrive during those years when the economy was closed and the macroeconomic situation was much worse than it is today, I am confident that the nation's financial system will continue to deliver strategic, safe and diverse solutions during this period of macroeconomic health we are currently enjoying.

The second message I'd like to convey is about democracy. Brazil is a country of about 185 million people. The nation has become a vibrant, complex and very open democracy since the 1980s. The nation's democratic transformation has very important implications for economic policy. Brazil began to elect its president through direction elections in 1989. Believe it or not, this was the first election in which illiterate Brazilians were allowed to vote. Brazil is not a poor country, but it is a country with a significant number of poor people. Eighty percent of the world's population lives in countries where per capita income is lower than Brazil. The problem is that a large share of the Brazilian populace is still poor and income inequality in Brazil is among the most skewed in the world.

Since the early 1990s, economic thinking and policy has clearly shifted towards a more proactive approach to dealing with the nation's poor. The first major step in that direction was to curb inflation. Reducing inflation has wielded a very positive impact on the nation's

lower socioeconomic classes. In my view, it was low inflation that allowed President Cardoso to be elected to the presidency twice without having to face a run-off. The Lula administration, for its part, has built upon Cardoso's success on the inflation front and has launched more aggressive policies to improve the socioeconomic plight of the nation's poor. This is a very important development that will have social and economic implications for years to come.

Inflation has become a decisive issue for much of the Brazilian electorate. Brazilian voters are likely to reject any candidate who doesn't take a hard-line approach in the fight against inflation. This becomes very important not only as you analyze economic prospects for the country as a whole, but also when you consider monetary policy and the role of the Central Bank. The Central Bank will continue to monitor and control inflation very closely because governments – ever watchful of their voting base – are mandating that they do so.

While the macroeconomic environment is in harmony with the demands of most constituents in this new democracy (low inflation, stability and steady

progress), the nation needs to secure stronger rates of growth in order to include a larger portion of the Brazilian populace in the formal sector economy. The reality is that Brazil is still laying the groundwork for higher rates of growth. The challenge is to make the economy even more open, while also reforming economic institutions to make them safer and more robust. Such a transformation involves a great deal of time and effort on the part of Brazil's economic policymakers. I am confident that stronger rates of growth will follow these early years of democratic consolidation. However, there is a lot of work to be done before Brazil can grow at a stronger pace.

While the price of using money in Brazil is still high, real interest rates have fallen considerably over the past few years. Several of the presentations this morning highlighted the fact that Brazil's real interest rates are likely to continue falling in the near term. In my view, Brazil's current macroeconomic context requires much lower interest rates than were needed five or ten years ago when the economy was much more turbulent. At that time, we needed to make sure in-

vestors were happy with their investments in reais, a fact that necessitated a high interest rate policy. However, for three years now, Brazilians and foreign investors have been making more money by keeping their balances in reais than by maintaining dollar balances. This is very important for the way people think about their investments in Brazil. In addition to the strength of the local currency, there are many other factors – including a credible monetary policy and reasonable fiscal efforts – that are pushing real interest rates down.

As interest rates in Brazil continue to fall, the nation's economy will no doubt enjoy myriad benefits, as we witnessed several years ago in Portugal and Spain and more recently in Greece, Poland and Mexico. These are all countries where low interest rates allowed for the development of a vibrant capital market. I'm confident that the Brazilian capital market is ripe for growth and will realize its full potential as interest rates continue to fall over the next two to four years. There is still a lot to be done to realize this potential, but the nation is already making substantial progress and growth is clearly forthcoming.



RICHARD ALDRICH, JR. AND SUELI BONAPARTE



ABRAHAM WEINTRAUB AND LUCIANA GOES



Abraham Weintraub

Chief Economist
BANCO VOTORANTIM S.A.

ABRAHAM WEINTRAUB BEGAN HIS TENURE AT BANCO VOTORANTIM IN 1994. SINCE 1996, HE HAS LED THE FINANCIAL INSTITUTION'S RESEARCH DEPARTMENT. OVER THE PAST 12 YEARS, HE AND HIS TEAM OF ANALYSTS HAVE BEEN RESPONSIBLE FOR ECONOMIC FORECASTING AND STRATEGIC DEVELOPMENT FOR BANCO VOTORANTIM AND ITS CLIENTS. THE RESEARCH TEAM'S PRIMARY FOCUS IS THE DOMESTIC POLITICAL AND ECONOMIC ENVIRONMENT.

NEVERTHELESS, AS CHIEF ECONOMIST OF A MAJOR BRAZILIAN FINANCIAL INSTITUTION, MR. WEINTRAUB BELIEVED IT WAS VITAL TO DEVELOP A STRONG UNDERSTANDING OF THE INTERNATIONAL ECONOMIC CONTEXT. MR. WEINTRAUB RECEIVED A BS IN ECONOMICS IN 1994 FROM THE UNIVERSITY OF SÃO PAULO AND AN MBA IN 2004 FROM ONEMBA. THE LATTER PROGRAM COMBINES RESOURCES OF FIVE LEADING BUSINESS SCHOOLS (CUHK IN CHINA, ERASMUS IN HOLLAND, FUNDAÇÃO GETÚLIO VARGAS IN BRAZIL, TEC-MONTEREY IN MEXICO AND UNC CHAPEL HILL IN THE US). OVER THE COURSE OF THE PROGRAM, ONEMBA STUDENTS RESIDE IN SIX COUNTRIES ON FOUR CONTINENTS AND FOCUS ON GLOBAL ORGANIZATIONS AND THE INTERNATIONAL ECONOMY.

SINCE MARCH 2004, MR. WEINTRAUB HAS ALSO BEEN RESPONSIBLE FOR THE OPERATION OF VOTORANTIM CTVM, THE BANK'S BROKERAGE HOUSE.

Thank you very much. Last night, Guilherme and I met to discuss our strategy for today's presentations. We talked about possibly going with a good cop, bad cop approach. In all honesty, I'm not really cut out to be a bad cop, so I decided instead to simply challenge the optimistic perspectives on Brazil that have predominated recently by posing some pointed questions.

Is Brazil set to grow 5-6% a year in the foreseeable future? I don't think so. So then, what is the outlook for Brazil after the general elections in October? Brazil is not going to suddenly become as vibrant and dynamic as some of the strongest performing Asian markets. I do, however, think Brazil has the potential to be among the strongest performing markets in Latin America. At present, Chile and Mexico are the markets to beat. Will Brazil be able to reach the levels of development, income per capita and asset prices registered in those countries today? If we deliver what is expected of us on the fiscal front and if the global environment remains positive, then I believe the answer is yes.

I don't believe we will catch up with Chile and Mexico in the next year or two. Rather, it will take at least four years, largely because we are not securing important reforms as fast as we could in Brazil. Even so, we have implemented some important reform measures over the first three years of the Lula administration and the nation's underlying economic fundamentals are strong.

This government has adopted a strong policy stance when it comes to the primary surplus. People may fault the Lula administration for increasing the tax burden rather than cutting expenditures. Nevertheless, at the end of the day, the country's primary surplus has increased. This is clearly the most important factor for Brazil to achieve investment grade sta-

tus in the foreseeable future. Without a doubt, the public debt ratio needs to come down. The external figures are fine. In fact, the external figures would put Brazil at investment grade status in two years time. However, the primary surplus had been deteriorating slightly over the last year and a half. While this will not derail the Brazilian economy, it could postpone the realization of our market's full potential.

As you may know, I serve as the Chief Economist at Banco Votorantim. I joined the bank more than 12 years ago. Banco Votorantim is the financial branch of Grupo Votorantim. The company has over 90 years of expertise in a country that has experienced a tremendous amount of volatility. There are huge opportunities in a market with such vast resources, but there has also been a great deal of turbulence.

What's the differentiating factor for a company like Votorantim that has been able to weather all this turmoil and still grow and increase its market share? In essence, throughout the company's history we have adopted a measured approach. We have avoided being swayed by overly optimistic or pessimistic analyses of the economy. Every time Brazil is compared to a nation like Uganda or some other bankrupt economy, we know it is time to expand our position. And every time the country is positioned as the new Switzerland, we also recognize the fact that we are dealing with an overly optimistic analysis of the Brazilian market.

Right now, Brazil still has plenty of space to grow. As Guilherme pointed out, local interest rates are likely to continue falling. We may still have to endure periodic crises in certain asset classes but, for the most part, we are experiencing strong growth and solid prospects. In 2002, some analysts were comparing Brazil to Ecuador and Guatemala. That is clearly not an apt comparison.

To get a sense of the size of the Brazilian market, you can think of it as all of the Spanish-speaking countries in the Americas combined. Brazil is a former colony of Portugal that did not splinter into separate countries as its Spanish-speaking neighbors did. If you truly want to understand Brazil, think of it as a mosaic. There is a little bit of Chile in Brazil's present economic reality, a little Colombia, some Mexico, etc.

Brazil still has to make substantial progress if it wants to outperform its strongest peers in Latin America. For most of the last 200 years, Brazil has been on par with the most successful markets in Latin America such as Mexico and Chile. However, we are not at that level at the moment.

To achieve that level of performance, we must reverse the recent trends on the fiscal front. The primary surplus has deteriorated slightly over the past few months. The surplus is not likely to dip below the 4.25% target in 2006, but next year the new administration is likely to face huge demands for wage increases from public servants. In addition, new representatives in the Brazilian Congress are likely to push for higher expenditures to placate different cross-sections of the po-

New representatives in the Brazilian Congress are likely to push for higher expenditures to placate different cross-sections of the political support base that got them elected to office.



litical support base that got them elected to office. As a result, the next president will have to make a concerted political effort to keep the fiscal house in order.

Right now, Brazil has a current account surplus that will help sustain the nation through the turmoil that is likely to occur in other emerging markets next year. We should use the surplus to jumpstart infrastructure development in the country – to improve our railroads, to get our ports in better shape, to export more and be more competitive.

I do not believe Brazil will outperform the current forecasts and surprise us with more dramatic rates of economic growth. We are likely to deliver what is expected of us. Within the next four to five years, Brazil should be on par with Mexico and Chile. In addition, we should achieve a triple-B-minus investment rating. But don't expect this to happen in a period of fewer than four years and don't expect GDP growth rates of 6-7%. The Minister has called for growth rates of around 5%. Such growth is possible if Brazil continues to keep the fiscal accounts in line and pursues much-needed reforms in areas such as social security. Thank you very much.



REINALDO HOSSEPIAN SALLES LIMA, JOAREZ PICCININI AND AMBASSADOR CHOO BENG



PANEL MODERATOR,
DETERMINANTS OF INVESTMENT
AND M&A OPPORTUNITIES IN BRAZIL

Thomas Decoene

President
ITAÚ SECURITIES INC.

THOMAS DECOENE MOVED TO BRAZIL IN 1971 AND LIVED THERE FOR 14 YEARS, WORKING FOR CITIBANK. IN 1985, HE WAS TRANSFERRED TO NEW YORK, WHERE WE WORKED AT THE FINANCIAL INSTITUTION'S INVESTMENT BANKING DIVISION. IN 1990, HE MOVED TO TOKYO TO HEAD CITIBANK'S EMERGING MARKET GROUP.

IN 1992, MR. DECOENE JOINED LTCB LATIN AMERICA INC. (A WHOLLY-OWNED US BROKER DEALER OF THE LONG TERM CREDIT BANK OF JAPAN). HE SERVED AS THE MANAGING PARTNER OF LTCB LATIN AMERICA IN TOKYO, AND IN 1995 BECAME PRESIDENT. IN 1998, HE JOINED GE CAPITAL MARKETS SERVICES IN STAMFORD, CT TO BUILD AN EMERGING MARKET SYNDICATION GROUP, AND WAS SELECTED TO LEAD THE TOKYO OFFICE IN 2000.

HE WAS ELECTED THE FOUNDING PRESIDENT OF THE BRAZILIAN CHAMBER OF COMMERCE IN TOKYO IN NOVEMBER 2001. IN 2003, HE MOVED TO LUXEMBURG TO RUN THE EUROPEAN OPERATIONS OF UNIBANCO. IN APRIL 2005, HE JOINED ITAÚ SECURITIES INC. IN NEW YORK AS PRESIDENT.

H.E. Affonso Santos of the Brazilian Consulate in Singapore; Non-Resident Ambassador to Brazil Choo Chiau Beng; Mr. Richard Aldrich, President of the Brazilian-American Chamber of Commerce, Inc.; ladies and gentlemen. Good afternoon. My name is Thomas Decoene and I am the President of Itaú Securities. I'd like to thank the Brazilian-American Chamber of Commerce for putting together such an impressive event. The panelists have provided a great deal of valuable information on Brazil and its investment opportunities. We are very proud to be a sponsor of this event. I will be moderating the final panel of the conference.

As I mentioned, I represent Itaú which is one of the main banking groups in Brazil.

The bank has a market capitalization of US\$32 billion and a consistent return on equity of over 30%. Itaú is establishing a growing international presence and is working relentlessly to foment its position as a leader in the Brazilian securities industry. We continue to expand our global reach, as evidenced by the opening of our broker-dealer in Hong Kong to serve our Asian clientele. Our commitment to the Brazilian capital market is unwavering.

Today, to complement the other presentations at the Brazil Summit, we organized this panel to provide you with a corporate perspective on doing business in one of Brazil's most dynamic industrial sectors – the steel industry. Usiminas is one of Brazil's most successful steel companies. It is highly regarded, well managed and consistently profitable.



JOHN ALEXANDER MCGOWAN AND MICHAEL YOUNG



Paulo Penido

Head of Investor Relations
USIMINAS

PAULO PENIDO HAS SERVED AS CFO OF USIMINAS SINCE 2000. MR. PENIDO ALSO HOLDS THE CFO POSITION AT COSIPA (THE GROUP'S OTHER STEEL COMPANY) AND AT UMSA (A CAPITAL GOODS COMPANY WITHIN THE USIMINAS GROUP). HE IS A BOARD MEMBER OF USIPARTS (A BRAZILIAN AUTO PARTS COMPANY) AND CONSÓRCIO AMAZONIA (A HOLDING COMPANY WITH A CONTROLLING INTEREST IN SIDOR, THE LARGEST STEEL PLANT IN VENEZUELA). HE IS ALSO A COUNCIL MEMBER OF ABRASCA (THE BRAZILIAN ASSOCIATION OF PUBLICLY-TRADED COMPANIES).

PREVIOUSLY, MR. PENIDO HELD POSITIONS AT JP MORGAN (VICE PRESIDENT AND DIRECTOR OF STRUCTURED FINANCING AND CREDIT); BANK OF AMERICA (DIRECTOR OF LARGE CORPORATE BANKING AND FINANCIAL INSTITUTIONS); AND CITIBANK (DIRECTOR OF INVESTMENT AND OTHER POSITIONS DURING HIS 12 YEAR TENURE AT THE BANK).

MR. PENIDO HAS AN ENGINEERING BACKGROUND.

Thank you very much. I'd like to give you a very brief overview of our company and the steel sector in Brazil. Maintaining a competitive edge and a healthy margin is a challenge for every company. Based on research by the World Steel Dynamics Organization and the Boston Consulting Group, it is clear that Brazil's steel industry is highly competitive on the international stage. In fact, the cost of steel production in Brazil is one of the lowest in the world.

A recent research study by a UK-based steel sector consultancy has also highlighted the fact that Brazilian steel companies have some of the best operating margins in the industry. A Russian company leads the ranking followed by three Brazilian corporations. Brazilian steel companies are clearly competitive in comparison to other leading firms around the world.

Why are we competitive? Most of the steel companies in Brazil are located in the southeastern region of the country. Usiminas has two plants in Brazil – one in the state of São Paulo and another in Minas Gerais. One of the primary reasons for our competitiveness has to do with location. We utilize three tons of raw materials in order to generate one ton of steel. As the raw materials are readily available in this region of Brazil, we are not required to import them as other significant steel producers such as China must do.

The second reason has to do with our technology. Some steel companies around the globe use gas in the production process. Given the high price of petroleum in international markets, those firms struggle to be competitive. Brazilian companies rely on a highly-efficient and cost-effective process that uses coal and iron ore.

Another reason for our success has to do with infrastructure. As we have heard,

there are substantial infrastructure bottlenecks in Brazil. Our approach to overcoming this constraint is similar to the strategy several other successful Brazilian exporters have adopted. We have few ports, but Usiminas has a port on site at our facility in the state of São Paulo. We have a second port in Espírito Santo which we also own. There are port problems and bottlenecks in Brazil, but those problems evaporate when you operate your own facilities. Our port costs are comparable to the best ports in Europe and other parts of the world.

We also agree that there are problems with Brazil's railroads. To compensate, Usiminas bought a 20% stake in the railroad company that connects Rio de Janeiro, São Paulo and Minas Gerais in order to transport its products to market. Usiminas and two other companies own and manage the railroad. It is a highly profitable and efficient company. As a result, a similar bottleneck is averted.

Our competitors (a major steel company in the state of Rio de Janeiro, another in the state of Espírito Santo and two others in the state of Minas Gerais) have adopted similar approaches. So, while there are several reasons for our competitiveness, the three primary factors are technology, location and infrastructure. Furthermore, the quality and quantity of the iron ore in Brazil constitutes another important factor.

Even during difficult economic times, Usiminas has managed to consistently export around 30% of its steel output year after year. The quality of the product we produce (and our efficiency in producing it) has allowed us to weather these economic storms. The company has maintained a consistent EBITDA margin of around 31-35%, even in very difficult years such as 2001 when Brazil's energy crisis and 9/11 caused the economy to falter. Of course, there have also

been windfall years such as 2004 and 2005 when China was aggressively buying our steel and pushing up prices in the sector. Now, the sector has returned to a relative state of normalcy and we are once again seeing margins on the order of 33%.

Usiminas is pursuing a multi-phased approach to growth. In the first phase, we are investing US\$1.8 billion to improve our quality, diversify our product mix and expand our production by

500,000 tons. As a result of this first wave of investments, we will increase our annual production to 10 million tons within the next 2-3 years. But that is not enough. The real growth will take place during the second phase. Productive investments through 2012 will boost Usiminas' annual production to 15 million tons.

The real challenge for the growth of our company – and other companies operating in Brazil's steel sector - is di-

versifying our export markets. There are still significant trade barriers around the globe and a great deal of protectionism in major markets. We must tackle this issue head on by working with the relevant authorities to reduce such protective measures and level the playing field internationally to realize the full potential of this important sector of the Brazilian economy.

Thank you once again for the opportunity to be here.



Bruno Fusaro

CFO
USIMINAS

BRUNO FUSARO HAS SERVED AS HEAD OF INVESTOR RELATIONS AT USIMINAS AND COSIPA SINCE 2004. MR. FUSARO HOLDS A BACHELOR'S DEGREE IN BUSINESS ADMINISTRATION FROM UNA (BRAZIL), AND AN MBA FROM THE UNIVERSITY OF ILLINOIS (US). HE IS ALSO THE VICE PRESIDENT OF IBRI (THE BRAZILIAN INVESTOR RELATIONS INSTITUTE).

PREVIOUSLY, MR. FUSARO SERVED AS THE GENERAL MANAGER OF FINANCE AT COSIPA, AND AS CFO OF USIPARTS (A BRAZILIAN AUTO PARTS COMPANY).

Thank you very much. As Paulo has provided a solid overview of Brazil's steel industry, I will focus my remarks on the challenge posed by China in the international steel sector. Let me first give you some figures to illustrate what China currently represents in terms of global steel production. At present, the world is producing approximately 1.1 billion tons of steel per year. Production is expected to grow to 1.2 billion tons by the end of 2006. Most of that growth will come from China. Brazil, for its part, is currently the ninth largest steel producer in the world, producing 31.6 million tons of steel in 2005.

In 2005, China produced 350 million tons of steel, more than ten times the output of Brazil's steel sector. This year, China has already produced over 400 million tons. Chinese steel production is clearly growing at a very fast rate.

It is also important to consider the leading importers and exporters of steel around the globe in order to get a better sense of the competitive playing field. In 2004, China was one of the largest net importers

of steel together with the US. In 2006, however, China has become a net exporter. In the January-August period, China had exported 12-13 million tons of steel. In other words, in a very short period of time, China has become one of the largest exporters of steel on the international stage. This no doubt represents a challenge for Brazil as we seek to continue growing exports and diversifying our export markets.

Regarding prices, there are myriad reasons why we don't believe prices will fall as much as some analysts are suggesting at this point, despite the increased output from China. There are two primary reasons for this assertion. First, demand around the globe for steel is still strong. Second, prices for the raw materials used in steel production are still at a very high level. Therefore, we believe steel prices will remain at a healthy level in the short-to-medium term. And given Brazil's competitive advantages when it comes to technology, infrastructure and the abundance of raw materials, we believe Brazil will continue to be a strong competitor on the international stage for years to come.



Profiles of
Sponsors


 Banco Votorantim

Banco Votorantim S.A.

S&P: Local currency = BB/B; Foreign Currency BB-/B; National Scale = BrAA/BrA-1

Incorporated in 1988 as a broker-dealer, Banco Votorantim became a full-fledged multiple bank in 1991. Initially established as the financial arm of Votorantim Group, the bank subsequently developed a strong client base that allowed it to become the fifth largest private held Brazilian Bank, focused on fee-based and high aggregate value transactions for large corporations. Headquartered in São Paulo, the Bank has branches in Rio de Janeiro, Porto Alegre, a full branch in Nassau–Bahamas, a Representative Office in London, and a broker-dealer in New York.

Banco Votorantim is fully owned by the Ermírio de Moraes family, who controls Votorantim Group. This gives the Bank the conservative management style and efficient decision-making process inherited from its ownership.

The 88 year old Votorantim Group is one of the largest and most influential privately owned Brazilian industrial conglomerates, with leading market shares in cement, pulp & paper, mining and metallurgy, agro-industry, finance, chemicals, energy and international trade.

Along with its historically strong presence in the Treasury markets – notably hedges – Banco Votorantim has been strategically diversifying its sources of revenues by investing on annuity business segments, such as Fund Administration with its local subsidiary Votorantim Asset and Consumer Finance through BV Financeira. Also, Banco Votorantim is enlarging its client's portfolio among Brazilian top-tier companies thanks to its brand-name recognition and better access to the multinational's head offices through our new Rep. Office abroad.

Moreover, Banco Votorantim has been expanding its participation in International Markets by increasing Financial Institutions credit lines to fund Trade Finance and Working Capital transactions. In Capital Markets the Bank expanded the number of clients investing on its Fixed Income instruments, having an outstanding of USD 1,180 Mi in Eurobonds under its USD1.6 Bi MTN Note Program. The Bank also provides its corporate clients access to international funding through trade finance deals.

USD Mi (Consolidated)	Dec 01	Dec 02	Dec 03	Dec 04	Dec 05	Jun 06
Total Assets	5,043	5,306	8,629	13,773	19,669	23,623
Current Assets	4,169	4,428	7,712	11,577	15,819	18,851
Total Liabilities	4,695	4,812	7,803	12,535	17,889	21,401
Equity	291	429	759	1,163	1,724	2,166
Interest Income	777	867	1,384	2,048	3,019	1,902
Net Int. Income	191	253	504	729	950	590
Net Income	72	107	218	279	344	219
ROE	25.0%	28.7%	24.0%	20%	21,2%	
Basle Index	12.3%	19.6%	22.1%	17.5%	15,9%	15,72%

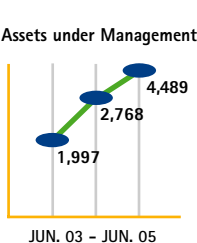
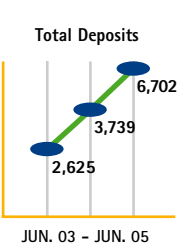
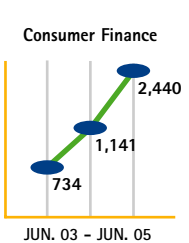
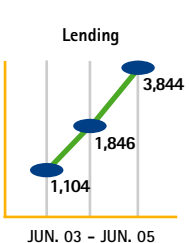
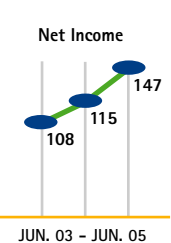
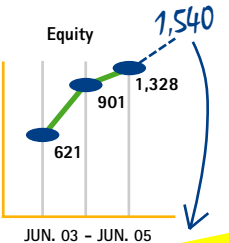
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Thanks to a long-term strategy and in-depth knowledge of the variables, we continue to win important positions.

Banco Votorantim was born and grew up in the world of business. It is part of one of Brazil's largest private-sector groups with a presence in many key industries. Hence its in-depth knowledge of your business and your needs in a highly competitive market. The highlights displayed below evidence its efficiency and regularity.

- Best Wholesale & Corporate Bank - May 2002, 2003, 2004, 2005. *Revista Conjuntura Econômica.*
- Best Wholesale & Corporate Bank - 2005. *Revista Balanço Financeiro - Gazeta Mercantil.*
- BV Financeira - Top in Consumer Finance by Assets, Credit Transactions & Credit Revenue - 2005. *Revista Balanço Financeiro - Gazeta Mercantil.*
- Votorantim Asset - Top in Mixed Income Management - 2005. *Revista ValorInveste.*



Capital increase in cash of US\$ 212MM (Aug. 2005)

All amounts in US\$ million



BEST – Brazil Excellence in Securities Transactions (BEST)

WHAT IS BEST?

Brazil: Excellence in Securities Transactions (BEST) is an initiative to promote the Brazilian capital markets and show international investors how easy and secure it is to invest in Brazil. It is a joint undertaking of the Brazilian Clearing and Depository Corporation (CBLC), the Brazilian Mercantile and Futures Exchange (BM&F), the National Association of Investment Banks (ANBID) and the São Paulo Stock Exchange (BOVESPA) to boost Brazilian capital markets overseas. BEST also receives decisive support from the Brazilian Central Bank (BCB), the Brazilian National Treasury (TN) and the Brazilian Securities and Exchange Commission (CVM). BEST's mission is to provide an accurate view of the Brazilian capital markets, highlighting their safety, efficiency, and soundness for international investors, intermediaries and asset managers.

WHY BEST?

Over the last few years, Brazilian capital markets have developed considerably. Since the late 90's, exchanges, clearinghouses, market entities and regulators have all worked to develop the Brazilian market, bringing it closer to (and in many aspects one step ahead of) the standards adopted in the world's most advanced markets.

The new legislation for non-resident investors, which dramatically simplified the procedures for financial investments in the country, was a landmark in this process. The restructuring of the Brazilian payment system, which increased the safety standards of the services rendered by clearinghouses and allowed them to adopt the latest international recommendations for the sector, was another important turning point.

BM&F is currently ranked among the world's largest derivatives exchanges. BOVESPA is Latin America's largest stock exchange and figures among the top three exchanges in the international ranking for stock options. CBLC was recently named one of the world's most secure depositories. And in 2004, ANBID created the self-regulation code for qualified custody services, requiring the industry to comply with the most rigorous international standards for the sector. These are only a fraction of the innovations that the international investment community should be made aware of.

WHO SHOULD ATTEND BEST?

Decision-makers from investment companies, mutual funds, pension funds, hedge funds and insurance companies, as well as brokers, dealers, custodians, investment bankers and other market intermediaries and participants.

BEST EVENTS?

Created in 2004, BEST has already held three events in New York, two in Singapore and Hong Kong, two in London, as well as programs in San Francisco and Frankfurt. In 2007, BEST will again be in Asia, Europe and the United States of America showing to global market participants key products, projects and initiatives in the Brazilian markets, the operational and technological infrastructure of the Brazilian exchanges and clearinghouses as well as guidance on how to invest in Brazil. Top management from the Brazilian National Treasury, Brazilian Central Bank and Brazilian Securities Exchange Commission as well as the Brazilian Exchanges and Clearings will participate in these road shows.

WHERE TO FIND MORE ABOUT BEST?

The B.E.S.T website is the leading source of information on the Brazilian market. You can find at the BEST website the market institution and regulators' presentations, information on previous and upcoming events, the Brazilian Market Profile, all the relevant legislation translated to English, and important market news. Keep yourself up to date on Brazil by accessing the B.E.S.T website.

www.bestbrazil.org.br

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The world's local bank

HSBC Holdings PLC

Headquartered in London, HSBC is one of the largest banking and financial services organizations in the world. HSBC's international network is comprised of over 9,500 offices in 76 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa. With listings on the London, Hong Kong, New York and Paris stock exchanges, shares in HSBC Holdings plc are held by nearly 200,000 shareholders in some 100 countries and territories. The shares are traded on the New York Stock Exchange in the form of American Depositary Receipts. Through an international network linked by advanced technology and rapidly growing e-commerce capabilities, HSBC provides a comprehensive range of financial services, including: commercial banking; personal financial services; corporate, investment banking and markets; private banking; and other activities.

For more information about the HSBC group, please visit www.hsbc.com

CORPORATE, INVESTMENT BANKING AND MARKETS (CIBM)

Corporate and Institutional Banking at HSBC was aligned with Investment Banking and Markets in May of 2002, creating an integrated business known as CIBM. The creation of CIBM brings together the commercial and investment banking skills required to service these vitally important client segments.

CIBM provides tailored financial products and services to major government, corporate and institutional clients. Within client-focused business lines, Global Banking, Global Markets and Global Transaction Banking, CIBM offers a full range of capabilities, including: foreign exchange, fixed income, equity sales and trading, equity and debt capital markets, derivatives, risk advisory, investment banking, payments and cash management, trade services and securities services.

CIBM has adopted a relationship management strategy based on leadership by senior bankers who are accountable for the profitability of the global relationship. Origination activity with the client (including relationship management, corporate finance and debt advisory services) are now under unified and cohesive management by the CIBM management team. The focus is on payments and cash management, foreign exchange, debt financing and advisory services, risk management, corporate finance and equities.

The treasury and capital markets business serves the requirements of supranationals, central banks, international and local corporations, institutions and other market participants. The dealing rooms in London, New York and Hong Kong are complemented by operations in Tokyo, Düsseldorf, Geneva, Zurich, Hong Kong SAR and Singapore, as well as São Paulo, Mexico City, Panama City and Buenos Aires.

HSBC's Latin American capital markets business serves both sovereigns and corporations, having led award-winning bond and syndicated loan deals for clients such as UMS (Mexico), Pemex, Gerdau and Aeropuertos de México, as well as extremely successful transactions for the Republic of Brazil, the Republic of Panama, CVRD, Braskem, Banco Itaú, Votorantim, Codelco, Telmex and ENAP, among others. HSBC currently ranks among the top arrangers of Brazilian USD Syndicated Loans and top underwriters of Brazilian USD Bonds.

HSBC Securities (USA) Inc. is a primary dealer in US Treasury securities, and has a well-established presence in US Agency debt programs. It offers primary and secondary markets, corporate bonds and asset-backed securities, as well as a US Futures operation with global clearing capabilities. Additionally, HSBC Securities (USA) Inc. provides access to international equity securities through its equity division.

www.hsbcnet.com

May 2006



CVRD
USD500 million

Syndicated Revolver Facility

**Joint Bookrunner,
Lead Manager and Agent**

May 2006




Banco Itaú S.A.
USD400 million

Syndicated Standby Facility
Amendment and Restatement

Sole Bookrunner and Agent

April 2006



Braskem S.A.
USD200 million

9.0% Perpetual NC5 Bond

Joint Bookrunner

March 2006



Republic of Brazil
USD500 million

Re-opening
7.125% due January 2037

Joint Bookrunner

November 2005



Republic of Brazil
USD500 million

Re-opening
7.875% due March 2015

Joint Bookrunner

October 2005



CVRD
USD300 million

Re-opening
8.25% due 2034

Joint Bookrunner

October 2005



Votorantim
USD350 million

Syndicated Term Loan

Joint Bookrunner and Lead Arranger

September 2005



Gerdau S.A.
USD600 million

8.875% Perpetual NC5 Bond

Joint Bookrunner

June 2005



Republic of Brazil
USD600 million

Re-opening
7.875% due March 2015

Joint Bookrunner

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WHOLESALE BANKING

ING Group

ING Group is a global financial services company of Dutch origin with 150 years of experience, providing a wide array of banking, insurance and asset management services in over 50 countries. More than 117,000 employees work daily to satisfy a broad customer base including individuals, families, small businesses, large corporations, institutions and governments. Based on market capitalisation, ING is one of the world's largest financial institutions and a top five player in Europe. In Asia, ING Group is active in insurance, banking and asset management activities across 14 major economies in the region, employing over 13,000 staff.

ING BUSINESS LINES

ING has six business lines. A clear client focus and strong business logic are the key elements in this structure.

- Insurance Americas

Conducts insurance operations and asset management activities in the Americas. It is well established in the US with retirement services, annuities and life insurance and has leading positions in non-life insurance in Canada and Mexico. Furthermore, ING's Insurance Americas division is active in Chile, Brazil and Peru.

- Insurance Europe

Operates ING's insurance activities in the Netherlands, Belgium, Spain, Greece and Central Europe as well as asset management activities in Europe. In these countries, ING's Insurance Europe division offers life insurance with a special focus on pensions. In the Netherlands and Belgium, it also offers non-life insurance.

- Insurance Asia/Pacific

Manages ING's life insurance operations and asset/wealth management activities in the Asia/Pacific region. ING's Insurance Asia/Pacific division has 24 wholly-owned or joint-venture businesses operating across 13 economies in the region, including: Australia, China, Hong Kong SAR, India, Japan, Macau, Malaysia, New Zealand, the Philippines, Singapore, South Korea, Taiwan and Thailand. The unit sells various types of life insurance products including annuity, endowment, unit-linked products, universal life, term life and group life. And its activities in China, India and Thailand are considered strategic priorities for the future growth of the company.

- Wholesale Banking

Oversees ING's global wholesale banking operations. Wholesale Banking at ING consists of several divisions, including: Clients, Network, Products, Financial Markets as well as Corporate Finance & Equity Markets. It offers a full range of products to corporations and institutions in its home markets. In the Benelux countries and elsewhere, it operates a more selective and focused client and product approach. The products and services offered include structured finance, securitisation, debt capital markets, mergers and acquisitions advisory and syndicated loans. ING Wholesale Banking is present and active in 12 major economies in Asia, including: Australia, China, Hong Kong SAR, India, Indonesia, Japan, Malaysia, the Philippines, Singapore, South Korea, Taiwan and Thailand. Its regional head office located in Singapore.

- Retail Banking

Manages retail banking activities in the Netherlands, Belgium, Poland, Romania and India. Retail banking at ING also includes private banking in select markets, including the Netherlands, Belgium, Switzerland, Luxembourg and several countries in Asia. ING's retail banking activities in Asia are managed from its regional office in Singapore, and include a 19.9% stake in Bank of Beijing and a 44% stake in ING Vysya Bank.

- ING Direct

Operates direct retail banking activities for individual clients in Australia, Canada, France, Germany, Austria, Italy, Spain, the United Kingdom and the United States. The primary products offered are savings and mortgages. ING Card is a separate division, and manages a credit-card portfolio within the Benelux countries.

ING Direct began operating in Australia in 1999 and now boasts over one million customers with a deposit base of more than AU\$17 billion. Unlike traditional banks, ING Direct does not maintain a branch network. Customers access their funds via the telephone, Internet or mail. Pioneering the branchless banking approach, ING Direct is now the country's sixth largest retail bank and employs over 700 staff.

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When we focus on the future, we focus on you.

At ING Wholesale Banking we have a simple policy. We listen. And we focus. Not on our needs, but on your needs for today and for the future.

By offering one single focused point of contact, our Relationship Managers are able to provide all our clients from the largest corporations to blossoming young enterprises, with personally tailored financial solutions drawn from the entire repertoire of integrated products from our worldwide Wholesale Banking Division.

This means an entire range of services is at your disposal from structured finance, to debt capital markets, mergers and acquisitions advice, to securitisation and syndicated loans all supported by our anchor products in lending, cash management and treasury services.

If you are looking for focused services tailored for your company's future, **take the first step to a partnership with ING.**

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ING 

WHOLESALE BANKING



Itaú Securities Inc.

MEMBER: NASD/SIPC

The company was established in 2001 in New York as a broker dealer with the objective of distributing Brazilian securities to Hong Kong institutional investors.

Itaú Securities is a wholly owned subsidiary of Itaú Corretora de Valores S.A., the securities arm of Banco Itaú SA.

Itaú Corretora de Valores offers products and services in the equities and futures markets to a wide range of investors and acts as a "one-stop shop" including with operations in options, domestic and international fixed income, and commodities.

Itaú Corretora and Itaú BBA participated actively in recent Brazilian IPO's and block-trade operations, such as Natura, GOL, PIBB, ALL, WEG, Braskem, EdB, Tractebel, Vivax, Gafisa, Totvs, Dasa, and Duratex consolidating its position as one of the leading distributors in the Brazilian capital markets. Itaú BBA is today the second in the Brazilian equity underwriting league tables, Itaú Corretora research team is second in Brazil in the number of ranked analysts by Institutional investors, and is the dominant research broker in Bovespa flow. With 5.8% of market share of daily equity trading, Itaú Corretora is one of the largest research brokers in the Brazilian market.

Itaú Holding is a multiple bank under the supervision of the Central Bank of Brazil and one of the largest financial institutions in Brazil.

Itaú's market capitalization is US\$ 34 billion. Itaú's shares are traded on three Stock Exchanges: São Paulo, Buenos Aires and New York.

Itaú Securities Inc. is regulated by the NASD.

For more information on Itaú, please visit our website at www.ita.com.br. For U.S. investors please contact Itaú Securities, Inc. in New York, MEMBER: NASD/SIPC, at: 212-207-9056.

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and a broker that knows them all.

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US investors wishing to effect securities transactions must call Itaú Securities Inc.

Bradesco



Banco Bradesco S.A.

Banco Bradesco is the top-ranked private financial institution in Brazil. Its business model continues to generate increasingly impressive financial results, which have translated into consistent returns for shareholders. In the first half of 2006, Bradesco posted a net profit of R\$3.1 billion. As a result, the bank's return on equity reached 31.37% and its equity grew to R\$21.5 billion. The bank's total assets stood at R\$232.9 billion, while credit operations reached R\$88.6 billion. Total deposits grew to R\$78.4 billion and assets under management reached R\$137.6 billion. Bradesco is also a market leader in pension funds, insurance, leasing and savings bonds.

Over the last few years, Bradesco has experienced strong growth, both organic and as a result of numerous acquisitions. In 2003, the group acquired Banco Bilbao Vizcaya Argentaria Brasil S.A. and Banco Zogbi S.A. as well as JP Morgan Fleming Asset Management. In 2004, Bradesco acquired the Banco do Estado do Maranhão, and in 2005, Banco do Estado do Ceará. In 2006, Bradesco acquired American Express Company's credit card and related operations in Brazil.

With an extensive branch network and comprehensive digital banking services – including online banking, call centers and ATMs – Bradesco is present throughout Brazil. The bank's forward-thinking use of technology offers its more than 16.5 million customers the highest degree of ease and convenience for conducting their financial transactions.

The bank boasts 5,506 branches and "mini-branches," and more than 23,000 ATMs. Additionally, through its partnership with the Brazilian Post Office, Bradesco has provided millions of low-income and rural Brazilians with access to banking services, many for the first time. The bank, dubbed the Banco Postal, is run by Bradesco and present in the nearly 5,500 post office branches around the nation. The Banco Postal already has nearly five million account holders, just four years after the first branch opened in remote São Francisco de Paula in March 2002.

Bradesco's services are segmented into different specialty areas. Large conglomerates and mid-sized companies are served by Bradesco Corporate and Bradesco Empresas. High net worth individuals receive personalized service via Bradesco Prime and Bradesco Private.

Bradesco is also very dynamic in international markets with branches in New York, Grand Cayman and Nassau. It also maintains subsidiaries in Buenos Aires (Banco Bradesco Argentina S.A.), Luxembourg (Banco Bradesco Luxembourg S.A.), Tokyo (Bradesco Services Co., Ltd.), Grand Cayman (Cidade Capital Markets Ltd.), and the US (Bradesco Securities, Inc.).

Bradesco is active in the social arena through the Bradesco Foundation, a non-profit organization focused on providing free education to over 107,000 children, teens and adults. Bradesco Foundation owns and operates 40 schools throughout Brazil.

Bradesco is clearly a bank that stands alone in the Brazilian market. The Bradesco organization is poised to take on any challenge and is prepared to deal with its customers' divergent needs in a unique and highly specialized manner. These are the makings of a truly comprehensive financial institution.

www.bradesco.com.br

To take part in the Dow Jones
Sustainability Indexes,
being good is not enough.
You must be complete.



The Dow Jones Sustainability Indexes were created to evaluate three aspects of corporate performance: economic, social and environmental. These indexes are a reference for investments because companies engaged in sustainability are more highly regarded by the market. And Bradesco is one of the few Brazilian companies to take part in these indexes. Because to be approved under such rigorous criteria, you must be complete.

Bradesco completo



Bradesco

www.bradesco.com.br/ir



Banco do Brasil

Established in 1808, Banco do Brasil is the largest bank in Brazil today. Over its 198-year history, Banco do Brasil has maintained its leadership position in the financial market, reinforced its commitment to fostering national development and adopted standards of corporate governance that are a benchmark for the market. Banco do Brasil has developed an identity, knowledge base and areas of specialization that differentiate it across all segments of Brazil's financial market, making it a leader in the way banking is conducted in South America.

Created to facilitate funding operations and to promote the development of the nation's industrial sector, Banco do Brasil was the first bank to operate in the country and the fourth in the world to issue currency. It operated as a monetary authority from its founding until 1964 when the Central Bank assumed those responsibilities. In 1986, Banco do Brasil ceased to operate as a government credit agency and began enhancing its functions as a commercial bank, achieving leadership in a number of niches within the Brazilian financial market. Over the past several years, it has become an even more dynamic, modern and competitive organization, and is more committed than ever to the nation's growth and development.

As BB began to operate freely in the financial market, the bank took its first steps to adapt to a new macroeconomic and regulatory environment. In the 90s, with the Economic Stabilization Plan (Real Currency Plan), the BB focused its actions on improving customer service, reorganizing its administrative procedures and becoming more agile to meet the country's needs.

In 2001, new measures were implemented in response to competitive challenges, turning Banco do Brasil into a modern and competitive bank prepared to meet its shareholders' and customers' expectations, while simultaneously performing its role as a financial agent of the Brazilian Federal Government. In this latter role, Banco do Brasil provides funds to small- and mid-sized companies as well as the rural sector. Through strong leadership and strategic planning, BB has been able to deliver against shareholders' profitability expectations while also contributing to the country's economic and social development.

In order to advance social development in Brazil, Banco do Brasil created the Banco do Brasil Foundation in 1988. The foundation is present in more than 800 Brazilian municipalities, promoting and funding a broad range of initiatives in the areas of education, culture, health, sports & recreation, social welfare, as well as science and technology.

Today, Banco do Brasil has approximately 14,450 offices and outlets (of which 3,155 are full-service branches) spread over 3,000 towns and cities. BB also boasts the largest ATM network in Latin America with 39,100 terminals strategically placed throughout Brazil and in other locations around the world.

With the aim of providing increased convenience to its 22.2 million customers, Banco do Brasil has complemented its physical presence in the country with a sophisticated virtual network. With 6.9 million customers registered on the Internet, Banco do Brasil is now the largest Brazilian bank in this medium. By accessing the Internet, Banco do Brasil customers can perform more than 180 different transactions, from obtaining a copy of an account statement to closing a foreign exchange contract.

With 86,291 employees, 10,600 interns and 5,488 temporary staff members, Banco do Brasil works in harmony with its regional offices in order to expand businesses and make credit available to exporters, small and medium-sized companies and the agro-industrial sector.

Abroad, Banco do Brasil offers its banking services to the Brazilian local community as well as other corporate and individual customers through its foreign network of 38 branches and agencies located in 21 countries. Its strong foreign presence highlights the fact that Banco do Brasil's credibility goes beyond national borders, making the bank an attractive investment option in the international capital market.

Banco do Brasil has been operating in the United States since 1969, focused primarily on foreign trade and structured finance operations. In mid-2005, the bank announced the opening of BB Securities New York, a brokerage company established to assist Brazilian companies with the US stock market.

www.bb.com.br

Banco do Brasil, your best business partner in Brazil.



Banco do Brasil is the main partner for domestic and international institutions through the largest wholly-owned bank branch network in Brazil - consisted of more than 14,800 points of service in over 3,052 cities - presence in 21 countries and nearly 1,500 correspondent banks worldwide. We have nearly 200 years of experience in trade finance and international capital markets and absolute leadership in the Brazilian banking industry.

Think partnership, think Banco do Brasil.

 **BANCO DO BRASIL**



Bunge Limited

Founded in 1818, Bunge is a leading agribusiness and food company with integrated operations that circle the globe, stretching from the farm field to grocers' shelves and family dinner tables. Bunge is 22,000 people at over 450 facilities in 32 countries dedicated to enhancing lives by improving the global food and agribusiness production chain. The company connects farmers and families through its broad range of activities. Bunge manufactures fertilizer, transports and processes agricultural commodities and produces high-quality foods that people around the world eat every day.

Bunge offers products and services that help farmers, livestock producers, commercial food companies and others succeed. And it also makes trusted retail products for consumers on three continents.

Agribusiness: Bunge helps farmers worldwide access the global market by buying, storing and merchandising their crops, and by providing them with financing and technical expertise.

Fertilizer: Bunge provides farmers in Brazil and Argentina with crop nutrients, blended fertilizers and applied fertilizer services to help them grow crops more efficiently. The company also sells raw materials to other fertilizer manufacturers and animal nutrients to livestock producers.

Food Products: Bunge partners with food processors and food service companies, supplying them with a full portfolio of products (including bulk and packaged oils, shortenings and salad dressings) used in developing and manufacturing their own trusted products. Bunge also sells many of the most popular margarine, bottled oil and mayonnaise brands from South America, Europe and Asia.

Integration improves the efficiency of the company's operations, the quality of its products and the security of the food production chain. It also enables Bunge to create value in numerous ways that the company then shares with farmers and customers.

By following a set of strong core values and cultivating a decentralized, entrepreneurial workplace, Bunge empowers its employees to act decisively and effectively for the benefit of its customers and the company as a whole. This approach has helped Bunge prosper for nearly 200 years. And it will continue to enable Bunge to grow and better serve the global marketplace (six billion people and counting) for years to come.

www.bunge.com



HELPING BRAZIL TO ENHANCE AND PRESERVE ITS WEALTH

Bunge's commitment goes far beyond product stewardship: we work to ensure high standards of living for the coming generations. Our sustainable development initiatives are guided by strict environmental policies. For us, production means preservation. Partnerships and projects aimed at preserving the Brazilian Cerrados region, restoring native flora in the mid-west of the country; recuperating riverside vegetation, as well as the launch of environmental instruction centers in the south and southeastern regions of the country, are just some examples of how the company aims to reach its target in Brazil. Bunge. Enhancing lives by improving the food and agribusiness production chain.

BUNGE



American International Group, Inc.

American International Group, Inc. (AIG)

American International Group, Inc. (AIG) is the leading international insurance organization with operations in more than 130 countries and jurisdictions. AIG companies serve commercial, institutional and individual customers through the most extensive worldwide property-casualty and life insurance networks of any insurer. In addition, AIG companies are leading providers of retirement services, financial services and asset management around the world. In Brazil, AIG maintains significant insurance and pension operations through its joint venture with Unibanco. AIG's common stock is listed on the New York Stock Exchange, as well as stock exchanges in London, Paris, Switzerland and Tokyo.

www.aig.com

Linklaters

Linklaters advises the world's leading companies, financial institutions and governments on their most challenging transactions and assignments. With offices in major business and financial centers, the firm stands out for its distinctive combination of client teamwork, commercial judgment and outstanding service.

In response to the growing importance of Latin American markets, Linklaters has developed a substantial practice to serve Brazilian and Latin American corporations, banks, government entities and multinational organizations. With a well-established international finance and corporate practice in the Americas, the firm provides one-stop service for international corporate and finance transactions. Through its São Paulo and New York offices, the firm is fully equipped to provide comprehensive legal advice and services to meet the needs of its Latin American clients.

The São Paulo office has a core group of US, English and German lawyers focused on capital markets, corporate, M&A, banking, project finance and structured finance. Through its cooperation agreements with the Brazilian law firm Lefosse Advogados, Linklaters has unparalleled Brazilian legal expertise in corporate, general finance, taxation, litigation, real estate, contracts, competition and employment law. The agreement combines Linklaters' international capabilities with Lefosse Advogados' extensive knowledge of the Brazilian market. Furthermore, it provides Brazilian and international clients with a single source of premium legal advice.

The legal team at the firm's New York office is comprised of US, English and Brazilian lawyers offering legal expertise in the areas of antitrust, banking, executive compensation, corporate (including capital markets, M&A, private equity and corporate restructuring), investment management, litigation & arbitration, restructuring & insolvency, structured finance & derivatives, and tax law.

Linklaters and Lefosse Advogados have an excellent track record in Latin America and boast an extremely prestigious client list. Since 1992, Linklaters has provided strategic advice on more than 650 financial transactions in Latin America involving capital markets, project finance, banking and structured finance. For its part, Lefosse Advogados had participated in some of the most important legal negotiations in Brazil in recent years.

Linklaters and Lefosse Advogados have aligned their working practices and systems to ensure that clients receive the same high standard of local and international advice around the world. The global excellence of Linklaters, coupled with the first-rate Brazilian expertise of Lefosse Advogados, ensure that all clients get the most out of the business they conduct in this increasingly important region.

www.linklaters.com

www.lefosse.com.br

Linklaters

Pinheiro Neto Advogados

PINHEIRO NETO ADVOGADOS was organized in 1942, and has grown steadily ever since. The firm currently has over 1,000 staff members, including 68 partners, 240 associates, 210 trainees and 107 paralegals, backed by a highly capable administrative staff. The firm provides legal advice on virtually all fields of law.

The goal of PINHEIRO NETO ADVOGADOS is to provide its clients with legal services that are strategic, up-to-date, of the highest quality and prompt. The firm has offices in São Paulo, Rio de Janeiro and Brasília, and works with local correspondents throughout Brazil. PINHEIRO NETO ADVOGADOS fosters an international presence by seconding its associates to law firms outside Brazil. PINHEIRO NETO ADVOGADOS maintains a career plan whereby law students are trained in the standards of the firm while receiving guidance on their professional legal careers. Those who stay with the firm after their initial training is complete are encouraged to continually grow and develop their skills and knowledge base in order to achieve both professional and personal satisfaction.

PINHEIRO NETO ADVOGADOS is also heavily engaged in pro bono activities for charitable and other nonprofit organizations. The organization regularly publishes materials intended to keep clients up to date on changes to Brazilian laws and regulations. The output of articles on timely issues for use both inside and outside the firm is constant. Many of these articles are subsequently published in domestic and foreign special-interest publications, including books, journals and law reviews. Given the wide range of expertise of its partners and associates, firm members also participate as speakers at major conferences, seminars and meetings involving legal matters of relevance.

PINHEIRO NETO ADVOGADOS is a member of the Club de Abogados – Iberoamérica, an organization founded in 1966 that brings together leading law firms in Europe, Latin America and Japan. The club's primary objective is to offer clients the professional assistance they need in an increasingly global business environment. The firm has been a member since 1970, and is in charge of the club's Permanent Secretariat.

PINHEIRO NETO ADVOGADOS has also established cooperative agreements with the law firms of Gomes-Acebo & Pombo headquartered in Spain; Vieira de Almeida & Associates in Portugal; and Estudio Beccar Varela in Argentina, for the development of collaborative actions in Europe and Latin America, with professional independence as well as administrative and corporate autonomy.

www.pinheironeto.com.br

Veirano Advogados

Veirano Advogados is a full-service law firm providing national and international legal assistance through its offices in Rio de Janeiro, São Paulo, Porto Alegre, Brasília, Recife, Fortaleza, Macaé and Ribeirão Preto.

Founded in 1972, the firm has 240 attorneys and a total of 700 professionals who are fully capable of providing advice in all areas of corporate law. Attorneys at the firm are all fluent in English and many are fluent in French, German, Italian, Mandarin, Spanish and other languages. Many attorneys at the firm have received training and/or completed their legal education abroad at leading US and European law firms and law schools.

International services are provided through Veirano Advogados' joint venture with Rebelo de Sousa & Associados in Portugal, Beretta Kahale Godoy in Argentina, and throughout Latin America via a strategic alliance of top law firms in the region. Veirano Advogados is also an active member of professional associations such as the World Services Group and frequently corresponds with other law firms in the Americas, Europe, Asia and Australia.

Veirano's overriding goal as one of the top law firms in Brazil is to maintain its position at the forefront of the legal profession, offering services of the highest quality, leveraging the wealth of experience it has garnered over its 33-year history and utilizing the most advanced technologies to meet the needs of clients in the 21st century. The firm strongly believes in its people. To that end, it invests heavily in each of its professionals, both in terms of their training and the technology at their disposal. In this regard, the firm's objective is to provide personal and professional growth based on a strong ethical foundation.

In 2006, Veirano Advogados was named one of the "150 Best Companies to Work for in Brazil" for the third year in a row and one of the "50 Best Companies for Women to Work for in Brazil" in the traditional survey conducted by the Great Place to Work Institute. Additionally, Veirano was named one of the "100 Best Companies to Work for in Latin America" in 2005. These awards reflect Veirano's continuous search for excellence, its constant concern for improving the workplace environment, and the investment it has made in its professionals. Additionally, the "International Who's Who of Business Lawyers," a publication of Law Business Research Limited, selected several partners from Veirano Advogados in the areas of franchising, mining, project finance, tax and trademarks as among the best in their respective fields in Brazil in 2005.

Key practice areas at Veirano Advogados include: advertising; antitrust and trade regulation; arbitration; aviation and aircraft leasing and financing; banking and finance; capital markets; civil, tax, labor and IP litigation; commercial and general litigation; consumer law; electrical power; employment & benefits; entertainment and sports; environmental law; foreign trade; franchising; insurance; intellectual property; joint ventures and associations; M&A; mining; oil & gas; ports; private equity/venture capital; privatizations; project finance; railroads; real estate and real estate financing; corporate restructurings; toll roads; shipping and shipping finance; tax advice and tax planning; as well as telecommunications, media and technology.

www.veirano.com.br

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América Economía Magazine

For two decades, AméricaEconomía Magazine has been providing business news and analysis to Latin America's top corporate leaders. It offers an independent perspective on the companies and issues that reflect and affect how business is conducted throughout the region and across the world. It is the only publication addressing readers in the languages of the region through the language of business.

Founded in 1986, AméricaEconomía is the leader in Latin American business coverage, a position of distinction earned through constant objectivity, authoritative analysis and quality investigative journalism. Published biweekly, AméricaEconomía also produces several indispensable regional rankings, such as The Best Business Schools in Latin America, The 500 Largest Latin American Companies, Latin America's Top 100 Globally-Competitive Corporations and The 25 Best Banks in Latin America. These have become vital references for executives throughout the region.

AméricaEconomía has an experienced multinational editorial team, which continuously investigates the trends and issues that shape the business environment of Latin America and the world today. With a solid network of full-time reporters in Santiago, Buenos Aires, Mexico, São Paulo and Miami, AméricaEconomía magazine covers the Latin America business arena like no other publication.

www.americaeconomia.com



Latin America Monitor

Latin America Monitor is published monthly by Business Monitor International, and provides political risk assessment and macroeconomic analysis as well as forecasts for corporations, banks, government departments, business libraries and research centers involved in the Latin American and Caribbean markets.

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Since its inception in 1988, LatinFinance magazine has developed a reputation and range of expertise that are unparalleled by any other publication covering the region. LatinFinance is read by those that move and influence Latin America's markets, including heads of government, CEOs of corporations and banks, and by investors responsible for billions of dollars of investment in the region. LatinFinance provides compelling and provocative commentary on Latin America's capital markets and financial systems, designed to keep you informed and ahead of the competition. LatinFinance runs a highly respected series of polls and gives annual awards, including its "Deals of the Year" and "Banks of the Year" honors. It also organizes high-quality events, offering both critical analysis of current market trends as well as senior-level networking opportunities.

www.latinfinance.com

Latin Lawyer

LATINLAWYER is the leading business law journal for Latin America. With ten editions a year and a regularly updated website, LATINLAWYER examines the key issues facing business lawyers and their clients throughout the region.

www.LatinLawyer.com

Latin Trade

LATIN TRADE is Latin America's leading international business magazine. For 13 years, its award-winning editorial team has provided more than 350,000 readers with a global perspective on corporate developments in Latin America and the Caribbean. LATIN TRADE is the only pan-regional business magazine published in Spanish, Portuguese and English. Complete market coverage, editorial excellence and an established presence of 13 years make LATIN TRADE your best choice.

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www.latintrade.com

Revista RI

Revista RI – a Brazilian investor relations magazine - was launched in March 1998 in association with The Brazilian Institute of Investor Relations (IBRI). Over the past eight years, it has garnered a reputation as the leading Brazilian publication for Financial and IR professionals in the investment market.

With a monthly circulation of over 5,000 copies, the publication is distributed to finance and investor relations executives at over 600 public corporations in Brazil. The magazine is widely read by institutional investors, analysts and investment professionals from leading financial institutions throughout the country.

Revista RI has a strong presence in the most important sectors of the Brazilian economy and serves as an indispensable reference point for those responsible for investment decisions in Brazil.

www.revistari.com.br

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**BRAZILIAN
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A detailed microscopic image of a biological specimen, likely a cross-section of a plant stem or a similar structure. The image is dominated by a deep red background. In the center, there is a vertical column of yellowish, elongated structures, possibly vascular tissue. Surrounding this central column are numerous small, circular cells, many of which are brightly colored in shades of yellow, green, pink, and purple. The overall appearance is that of a complex, multi-layered biological structure.

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Registrants

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Dania Roberta Acevedo

Viva Brasil Magazine

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Shearman & Sterling LLP

Derrill Allatt

Houlihan Lokey Howard & Zukin

Maria Helena Baptista Castro Alves

Theca CCTVM Ltda.

Ney Castro Alves

BM&F - Brazilian Mercantile & Futures Exchange

João Lauro Amaral

BM&F - Brazilian Mercantile & Futures Exchange

Rubens V. Amaral, Jr.

Banco Latinoamericano de Exportaciones, S.A. – (BLADEX)

Sonia Ambrosio

BBC World Service

Ricardo C. Amorim

WestLB AG, New York Branch

Carlos José da Costa Andre

Banco do Brasil

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Banco Fibra S.A.

Enrico Arrigoni

San Paolo IMI S.P.A

Govind Asokan

M/S. Rodyk & Davidson

Sean Aston

HSBC Singapore

Felipe Athayde

ING Bank Singapore

Siswanta Atmadja

Pt. FKS Multi Agro Tbk.

Ricardo Balthazar

Valor Econômico S/A

Octavio M.R. de Barros

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Osanan Lima Barros Filho

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Ambassador Choo Chiau Beng

Ministry of Foreign Affairs Singapore

Erik Berg

ING Financial Markets

Marcelo Bernal

HSBC Securities (USA), Inc.

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Central Bank of Brazil

Anjan Bhattacharya

Karshan Technology Solutions Pte Ltd.

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Chen Soon Bin

Government of Singapore Investment Corporation Pte Ltd.

Sueli Cristina Bonaparte

Brazilian-American Chamber of Commerce, Inc.

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Latin Trade





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Banco Mercantil do Brasil

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Itaú BBA

Andre Brandão

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Agência Estado - O Estado de São Paulo

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Banco Itaú BBA

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**Luiz Henrique de Fortuna
Carneiro**

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ST Asset Management Ltd.

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Agencia EFE

Chang Tou Chen

HSBC, Global Investment Banking

Julia Chen

Itaú Asia

Chan Wai Cheng

Bunge Agribusiness Singapore Pte. Ltd.

Joanna Cheng

ING Asia Private Bank

Pius Chong

HSBC, Global Capital Markets

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Chua Beng Choong

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YCH Group Pte Ltd.

Jeanne Chow

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Association of Singapore

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Keppel Shipyard

Joyce Chua

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WestLB AG New York Branch

Alicia Armijos de Vizcaino
Consulate of Ecuador in Singapore

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Itaú Securities Inc.

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UBS Investment Bank

Christian Digemose
Houlihan Lokey Howard & Zukin

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M. Safra & Co.

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Federico Fiorentini
HSBC Holdings PLC

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CVM- Brazilian Securities and Exchange
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S/A

Ricardo Gabler
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Banco Espírito Santo S.A.

Chew Soon Gek
ING Asia Private Bank

Birger Gezelius
Nordea Bank

Quah Wee Ghee

Government of Singapore Investment Corporation

Eric Boyer de la Giroday

ING Wholesale Banking

Luciana de Araujo Goes

Banco Votorantim S.A.

Christine Goh

HSBC Holdings PLC

Fernando Antonio Gomes

Central Bank of Brazil

Heloisa Granzotto

Itaú Securities, Inc.

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Reuters America LLC

Guilherme Guarani

Banco Mercantil do Brasil

Horst Guenther

Bunge Agribusiness Singapore Pte Ltd.

Rui Guerra

Banco Espírito Santo

Miguel Guiomar

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Jaffa Comfeed International Pte Ltd.

Renato T. de Guzman

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Tamasek Holdings

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ING Bank NV, Singapore Branch

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Sidley Austin LLP

Reinaldo Hossepian Salles Lima

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Marta Ikeda

Perdigão Asia PTE Ltd.

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Amicorp Singapore Pte. Ltd.

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fax: 212-751-7692/8929
sueli@brazilcham.com



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www.brazilcham.com

Brazilian-American Chamber of Commerce, Inc.

509 Madison Avenue, Suite 304

New York, New York 10022 USA

Tel (212) 751-4691 Fax (212) 751-7692

info@brazilcham.com