

**OPPORTUNITIES, PITFALLS AND TENDENCIES IN TRADE AND INVESTMENTS
BETWEEN BRAZIL AND THE NETHERLANDS AND INFLUENCES ON
NEIGHBORING COUNTRIES**

Poultry and Egg Summit Latin America 2016 – Buenos Aires – October 26-27

Hans Mulder
Managing Director – Dutch Brazilian Chamber of Commerce

About Dutcham:

The Dutch Brazilian Chamber of Commerce is a non-profit Association in accordance to Brazilian laws, founded in 1952, with the objective to promote and assist trade and investments between Brazil and the Netherlands, committed to the concept of open and competitive market economies, respecting social and environmental sustainability.

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About myself:

- ***London School of Foreign Trade – Morley College***
- ***Living in Brazil since 1987 (Buying agent for Dutch industry)***
- ***MD for Dutcham since 1990***
- ***Managing Parter of Staffing Serviços & Assessoria Ltda since 1998***
- ***Attorney-in-Fact for several Dutch Multinationals in Brazil***

Trade and Investments between
Brazil and The Netherlands:

- ***Myth Maurício de Nassau...***



Trade and Investments
between Brazil and
The Netherlands:

- **Compare size**
- **Netherlands:**
GDP US\$ 763 B
World economy #17
Income per Capita
US\$ 43.603
- **Brazil:**
GDP US\$ 1.535 B
World economy #9
Income per Capita
US\$ 8.670



Trade and Investments between Brazil and The Netherlands:

- ***Distortions and misinterpretations of statistics about trade:***

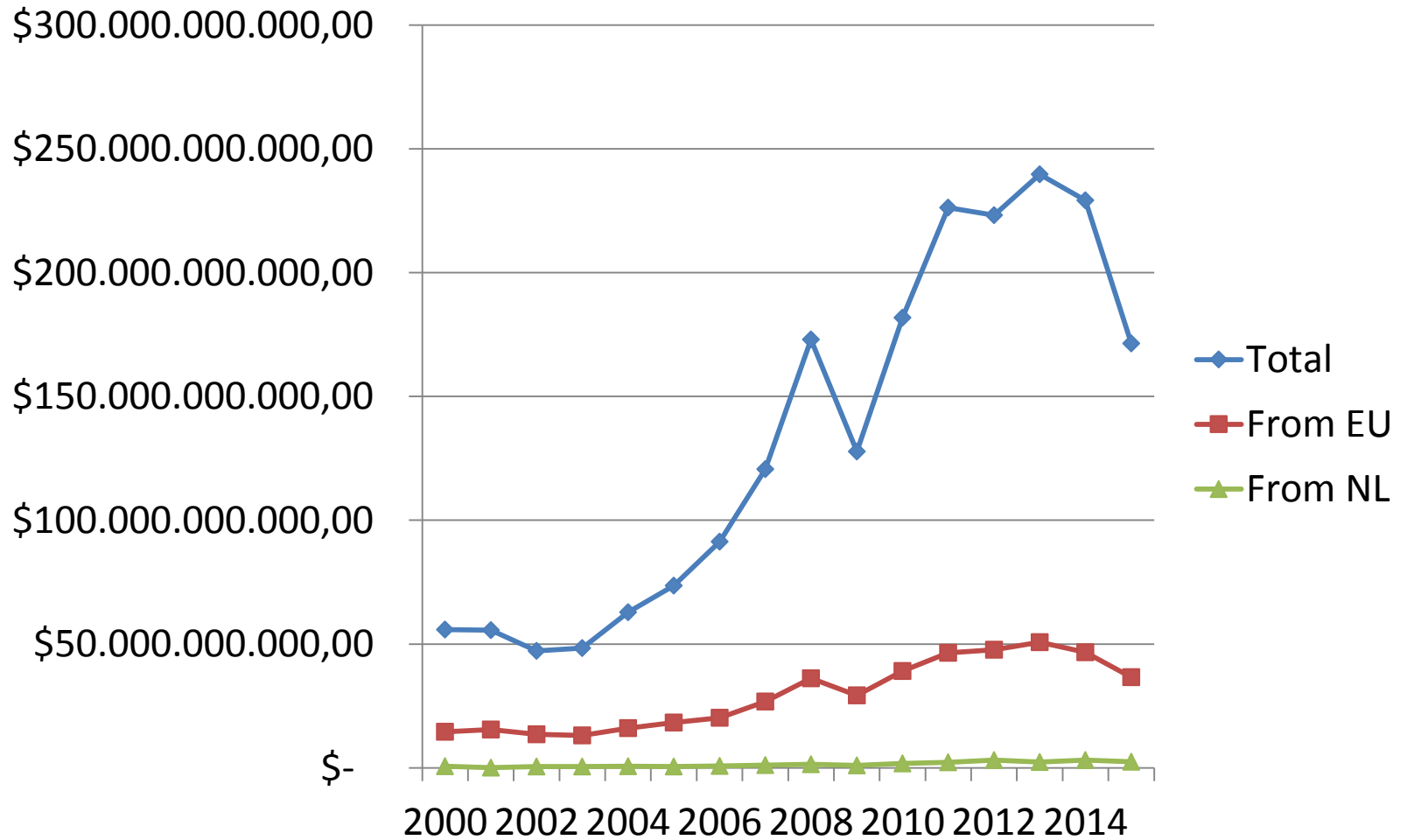
Export destinations read source of payment.

So: - The French company Alstom selling trains to Brazil via its Dutch holding company reads Dutch exports, even if the equipment never passed by The Netherlands

- A German company buying shoes in Brazil and the container enters the EU in Rotterdam does NOT read Dutch import

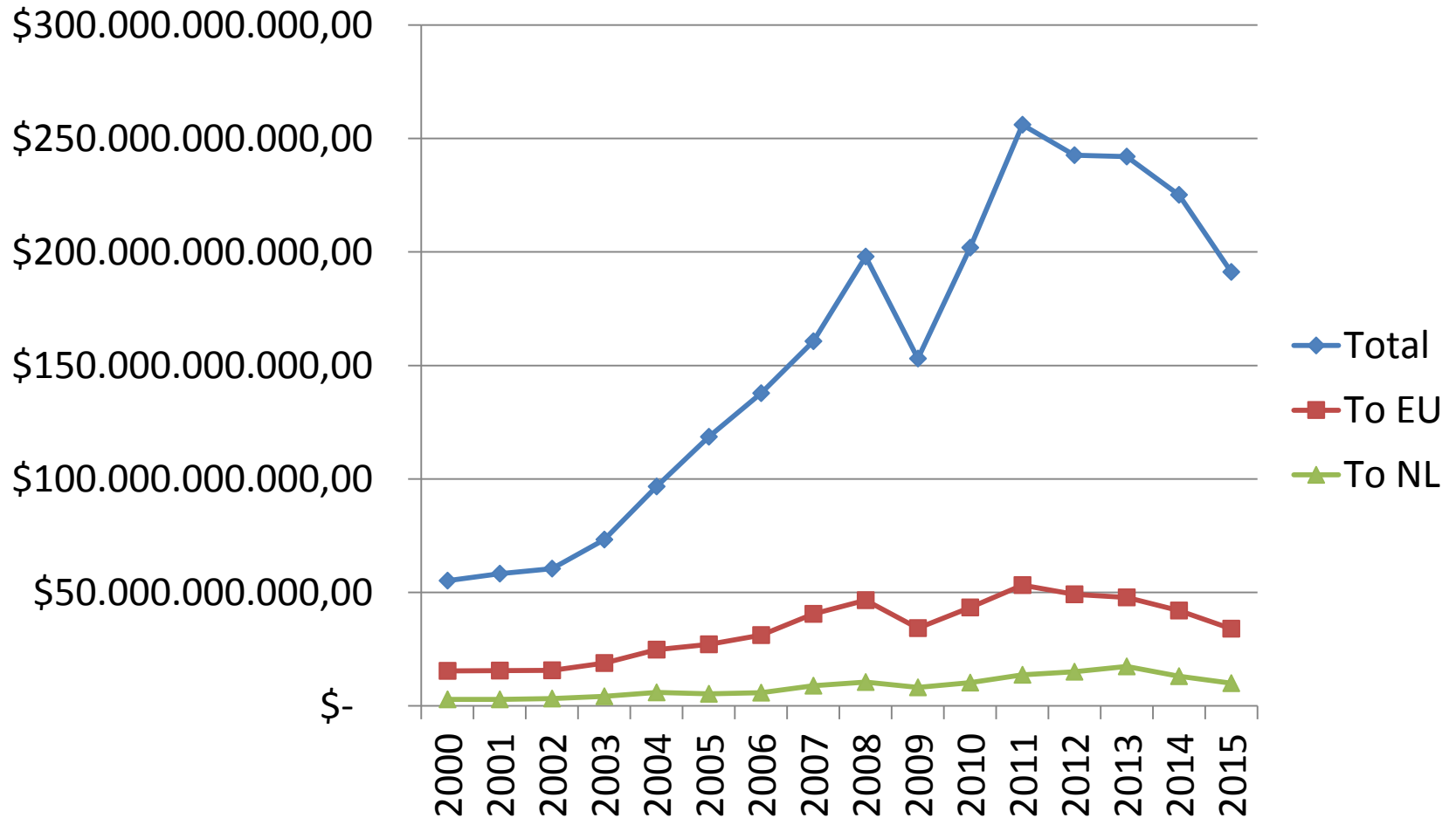
Brazilian Imports 2000 – 2015

(2015: Total: US\$ 171 Billion, whereof US\$ 2 Billion from The Netherlands)



Brazilian Exports 2000 – 2015

(2015: Total: US\$ 191 Billion, whereof US\$ 10 Billion to The Netherlands)



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- ***Distortions and misinterpretations of statistics about investments:***

Direct Foreign Investments read investors registered at the Brazilian Central Bank.

So: - Local generic growth of a company like Philips (in Brazil since 1924) is NOT included

- DAF Trucks building a factory in Brazil with funds from its North American mother company Paccar is USA investment, not Dutch.

Trade and Investments between Brazil and The Netherlands:

Dutch total Foreign Direct Investment in the world at year-end 2014 (stock)

US\$ 1.074.000.000.000. (over one trillion in American English)

Dutch FDI in Brazil at year-end 2014 (stock)

US\$ 13.944.000.000. (nearly fourteen billion in American English)

Brazilian total Foreign Direct Investment in the world at year-end 2014 (stock)

US\$ 181.000.000.000. (One hundred eighty one billion in American English)

Brazilian FDI in The Netherlands at year-end 2014 (stock)

US\$ 295.000.000. (Two hundred and ninety-five million in American English)

Trade and Investments between Brazil and The Netherlands:

- ***Distortions and misinterpretations of statistics about trade:***
- ***Distortions and misinterpretations of statistics about investments:***

Conclusions:

- 1) Statistics, albeit full of distortions, better reflect the actual commercial relationships than the logistic flow of goods, as often believed.**
- 2) The Dutch economy is very dependent on other countries, whereas the Brazilian economy is not.**

Trade and Investments between Brazil and The Netherlands:

Time-line of the roller coaster:		
Situation:	Period:	Consequences:
Economy largely dependent on agricultural production and exports of commodities	Pré-1974	Modest industrial development and many imports of cheaper outdated products or machinery for local production

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	2000	Further development of local industry
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Lula administration – focus on social development	2002 and onwards	Better income distribution triggers industrial production, albeit not internationally competitive

ECONOMIC GROWTH VS. SOCIAL DEVELOPMENTS

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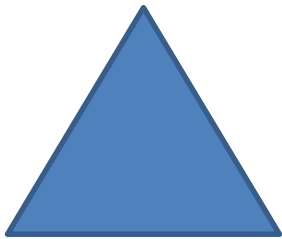
ECONOMIC GROWTH VS. SOCIAL DEVELOPMENTS

- Brazilian development 2002 – 2014 based on the improvement of income distribution rather than GNP growth:
40 million people relieved from absolute poverty > New Unilever factories > Dutch suppliers of machinery > More transport demand > new DAF truck factory > DAF Truck suppliers > and so on

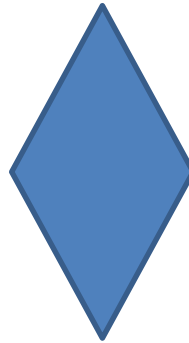
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Income distribution:

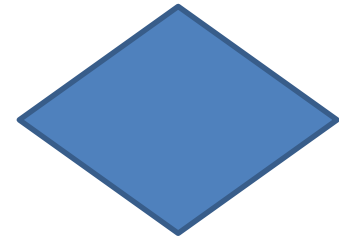
As we imagine:



Brazilian reality before:



Brazilian reality after:



GNP = Economic Growth = Surface total
Social Development = Shape and constitution of society

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 - Ongoing investigations via popular pressure
- Ongoing investigations via independent Federal Police
- Ongoing investigations via new tools and instruments

POLITICAL CRISES VS. ECONOMIC CRISIS

- Negative:
 - i) Political instability damages both economic growth and social development
 - ii) Situation likely to continue until next federal elections

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- Positive:

- i) Corruption fighting will go on
- ii) Federal elections will take place in 2018
- iii) Many investments are postponed, not canceled
- iv) Quick recovery of development is possible after new political stability
- v) Good investment opportunities

SCENARIOS AND CONSEQUENCES

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Conservative – Liberal leadership focusing on macro-economic developments:

Less money for social programs
Less money for culture, education, and public healthcare
Fiscal austerity for all citizens
Privatizations
Incentives for exports

Leadership focusing on social development:

Continuity of social programs
Growing access to public education, culture, and public healthcare
Fiscal relief for smaller contributors
Protection of state owned companies
Incentives for local market development

SCENARIOS AND CONSEQUENCES

Conservative – Liberal leadership focusing on macro-economic developments:

Leadership focusing on social development:

Non tariff barriers against imports

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Corruption fighting (through public pressure and new instruments)

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SCENARIOS AND CONSEQUENCES

Conservative – Liberal leadership focusing on macro-economic developments:

Less BNDES finance = less need for local production or assembly

Little growth for consumption related demand

Privatizations may bring investment opportunities and relief in bureaucracy in tender procedures

Less corruption = less unfair competition

Leadership focusing on social development:

Continuing BNDES finance = continuing need for local production or assembly

Continuation of growth related demand

Continuing tender procedures for state owned companies

Less corruption = less unfair competition

**PRESUMABLE IN ALL SCENARIOS 1:
NON-TARIFF BARRIERS REMAIN**

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- Licenses (ex. Radar-Siscomex)
- Inspections (ex. Anvisa – Mapa)
- Technical specification and approbation (Inmetro)
 - (in-) operational custom services
 - And so on

DEALING WITH NON-TARIFF BARRIERS

- Import via large existing importer
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 - Feel relatively protected if you do!

**PRESUMABLE IN ALL SCENARIOS 2:
CORRUPTION FIGHTING AND TIGHTER COMPLIANCE RULES**

- A) Triggered by public acclaim
- B) Reinforced by independence of Federal Police
- C) Made possible by several instruments

**PRESUMABLE IN ALL SCENARIOS 2:
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 - “Bacenjud” system

THE NETHERLANDS WITHIN THE EUROPEAN UNION:

- Tax regime for holding structures under questioning
 - Remaining advantages as port of entry:
 - i) Geographical position
 - ii) Hinterland connections
 - iii) Multilingual population
 - iv) Logistic and Financial Service Supply
 - v) Custom Clearing systems

- On bilateral treaties, decision making shifted from The Hague to Brussels

BRAZIL WITHIN MERCOSUR:

- Mercosur trade block as such overrated by many EU entrepreneurs
- Social, economical and political developments often compared too quickly
 - Access to markets as Colombia and Chile felt as easier
- Attempts to export and assembly in one country for another leading to disappointments
- Florida continues being alternative for central representative offices
- Ongoing recommendation by Dutcham is individual attention to Mercosur member states



For more information about and / or assistance regarding trade and investments between Brazil and The Netherlands, be welcome to contact me via

hans@dutcham.com.br

THANK YOU VERY MUCH!