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The lure of Brazil

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TIES BETWEEN Brazil and Malaysia have gone beyond token exchanges of goodwill. Formal diplomatic relations between the two countries were established in 1981 but exchanges until recently were too few in number. Today, high profile exchanges between the two nations are common, thanks to globalisation and mutual interests.

Brazilian ambassador to Malaysia Sergio Barcellos Telles says, 'In the past 15 years there was only one visit by a state minister and a state governor. No agreements were signed on either side. But in the last year and a half, we exchanged several reciprocal visits, including some at the highest levels of government.'

And there is plenty of common ground to cover. Malaysia and Brazil, a member of the four-nation South American Common Market (Mercusol) with a combined population of 200 million, belong to the G-15, the group of developing industrial economies that share similar views on issues ranging from the proposed restructuring of the United Nations to Third World debt. Sergio Telles says Brazil could use the Malaysian network with Asian countries through mutually profitable joint ventures since Malaysia knows the region well.

Entrepreneurial progress rests heavily on the level of official contacts between the two countries which was given a boost when Prime Minister Datuk Seri Dr Mahathir Mohamad visited Brazil in 1995, followed by Brazilian President Fernando Henrique Cardoso's visit to Malaysia in December the same year.

However, more needs to be done. Brazil, with a population of 164 million, is now Malaysia's largest trading partner in South America. Trade between the two countries doubled from US\$ 351 million in 1992 to US\$ 700 million in 1995. This is small compared with Malaysia's traditional export destinations as Britain, the United States or even newer markets such as China.

The large Brazilian consumer market looks promising for Malaysian products - provided local exporters can find their niche. However, it would not be easy especially since Brazil's manufacturing industries are well-developed and technologically advanced.

Trade was in favour of Malaysia last year. Malaysia exported electronics goods to Brazil and imported mostly iron and steel from the largest country in South America. Iron and steel make up about 50 per cent of all Brazilian exports to Malaysia. Brazil also exports heavy vehicles such as Mercedes Benz trucks to Malaysia.

Brazil has much to offer in technical expertise. Apart from satellite and automobile technologies, there are some 400 hydro-electric power plants in Brazil, with 14 more under construction and 80 others to be built in the next decade.

The Odebrecht group, a diversified Brazilian conglomerate, is one of the main contractors for the RM12 billion hydro-electric dam in Bakun, Sarawak. The conglomerate employs 32,000 people and its gross consolidated revenue in 1995 was US\$ 3.8 billion. Companhia Brasileira de Projetos e Obras (CBPO), a member of the Odebrecht group, built Brazil's giant Itaipu dam with 12,600 MW of installed capacity. It is the world's highest dam, at 196 metres.

Sergio Telles says, 'In 1973, the media was against the project. They said that the government was irresponsible, demand for energy would not be

possible. But sometimes people talk about things vaguely without studying the problem first. Nowadays it is unthinkable to think about Brazilian development without Thaipu - 40 per cent of the industrial park in Sao Paulo uses energy from the dam.'

Institutes from both countries are defining other possible areas for cooperation, including industrial technology, microelectronics and rubber research.

Brazil is in the midst of an anti-inflationary drive, two years after the president initiated what was to become the nation's master plan to restructure the economy, the Real Plan. The Brazilian government's Real Plan brought inflation down from three digits to about 27 per cent last year. Official estimates indicate inflation will fall below 10 per cent this year. Meanwhile, the process of liberalisation of the economy and privatisation continues.

The government offers tax holidays in certain less-developed areas. Special federal programmes reward investments in the poorer north and northeast Amazon regions. Officials estimate that Brazil must invest US\$ 71.7 billion in the next five years to complete infrastructure-related projects, which means it must mobilise US\$ 14.3 billion to US\$ 17.9 billion in resources a year. However, the 1995 federal budget has allocated about US\$ 7.3 billion. This suggests that there is a need to attract between US\$ 35 billion and US\$ 42 billion of private sector finance to meet the annual requirement of US\$ 7 billion to US\$ 11 billion. A host of projects are to be privatised over the next few years such as ports, railroads, gas pipeline construction, natural gas distribution, small hydroelectric projects, waterways, highways, international bridges, cargo terminals, airports and tourism and business parks. Sergio Telles says opportunities in the telecommunications sector are abundant at the moment.

In November 1995, a group of 30 businessmen accompanying Primary Industries Minister Datuk Seri Dr Lim Keng Yaik on a visit to Brazil explored the possibilities of palm oil and timber cultivation. They have identified four million hectares for the plantations.

Berjaya Group directors have recently established some business contacts in Brazil, bought land and a warehouse. They are about to start work on their project.

During the Brazilian president's visit to Malaysia, air agreements were signed to have direct flights between the two countries.

Though coffee is a world-famous Brazilian produce and the Lambada is a craze, Malaysian entrepreneurs' awareness of Brazil is low. There may be plenty of opportunities for businessmen but many still see Brazil as a very far away place.

The cultural gap too is a contributing factor for the lack of awareness. Brazil, unlike Commonwealth countries, has no historical ties with Malaysia. Among others, its language and culture are different.

However, the gap appears to be narrowing. Since its independence the former Portuguese colony has welcomed immigrants from the four corners of the globe. Sergio Telles says, 'We have arts, music and literature from the Africans, there are six million Arabs, a million Japanese, Jews, Italians, German, Swedish, French descendents ... it's a mixed country.' 'There is much potential to be realised. Rather than talking in the abstract, we invite Malaysian businessmen and entrepreneurs to check out the possibilities for themselves.'