

RUSSIAN-BRAZILIAN BUSINESS RELATIONSHIPS. THE FUTURE PROSPECT AND ISSUES OF THE DAY

In 2003, economists at the Goldman Sachs Research Institute introduced the idea of the BRIC – an acronym that refers collectively to Brazil, Russia, India and China. The economists at Goldman Sachs believed that these emerging markets, if properly managed, could dominate the world economy.

The Russian President Vladimir Putin began his official visit to Brazil on November, 22, 2004 in Brasilia. This was the first visit by a Russian head of the state to Brazil in the history of relations between countries. The Double Taxation Prevention Convention was signed between the Brazilian National Bank for Social and Economic Development, Vnesheconombank and Vneshtorgbank, during the Russian-Brazil Talks. The commercial agreements that were reached give Brazilian entrepreneurs good conditions for developing cooperation with their Russian colleagues in order to diversify our relations.

On the eve of the Russian-Brazilian November summit Russia's Prime Minister Mikhail Fradkov opened the third session of the Russian-Brazilian Top Commission for Cooperation in October. According to the premier, the alliance should be tasked with Implementation of long-term hi-tech projects. The Russian premier noted that another promising cooperation area for Russia and Brazil could lie in investment cooperation, in the sphere of agriculture, light and food industry.

Ahead of the Fradkov visit, vice president José Alencar participated in the II High-Level Brazil-Russia Commission in Moscow at the head of a mission of 58 business leaders. The objective of the commission was analogous, expanding bilateral trade relations. Brazil expected to triple its modest share of the Russian market within three to four years. The first step to reaching that goal was a trade show ("Brazil-Russia Fashion") that took place in Moscow between September 24 and 28, featuring Brazilian footwear, clothing, cosmetic products, perfumes and jewelry, besides cachaça, coffee and fruit juices. Products from 34 Brazilian companies were on display in the T-Modul Pavillion, a space traditionally used for important fashion events in Moscow. The exposition, Moda Brasil-Russia, was organized by the Export Promotion Agency. Brazilian entertainers have also performed at the event. As part of the exhibition, the organizers offered to bring Russian journalists to Brazil to see the country and its products.

The entrepreneurs from Brazilian Footwear Industry Association (Abicalçados) have their sights set on Eastern Europe, beginning with Russia, which already imports the equivalent of US\$ 6 million per year. One of the advantages mentioned by Heitor Klein, Executive Director of the Abicalçados, who participated in the Brazil-Russia Fashion show, is competitive prices. The problem, according to the entrepreneur, is the matter of logistics, since geographical and cultural distances make it difficult to sell directly to retailers.

But the main trouble between Russia and Brazil is that they don't know each other. Brazil's federal government also wants the Russians to become better acquainted with Brazil. And so, Vice-President José Alencar participated, 13 October 2004, in the inauguration of a seminar attended by approximately 100 Brazilian and Russian entrepreneurs in Saint Petersburg, Russia. According to Alencar, the Brazilian government has an interest in cooperation agreements in the energy sector and Petrobras has encouraged Russian companies to bid for contracts to exploit petroleum in Brazil. The Brazilians also want to sell fruit and bank software to the Russians. In Saint Petersburg, the naval sector is one of the areas of interest to Brazil. Russians and Brazilians agreed on one thing: Business between the two countries must be diversified.

Russia is willing to supply Brazil with military equipment and establish mutual cooperation in the sphere of weapons manufacturing. Also Russian Federal Agency for Industry is lobbying contacts

with Brazilian Air Force. The Embraer (Brazilian Aviation Company) wants to produce airplanes in Russia, and Russia wants to reach an agreement on space with Brazil.

The priority today was to expand Russian export, increasing the share of high-tech export products. Another priority area is diversification of trade and economic and scientific and technical contacts. We have ample perspectives of diversification of our relations with the emphasis on cooperation in advanced technology spheres, including space exploration, energy industry, and nuclear power industry in particular. Russia has expanded their trading and economic relations, for example, the increasing partnerships in the energy area, where Russia supplies equipment for hydroelectric enterprises in Brazil. In February 2006, Russian energy giant Gazprom signed an agreement on hydrocarbon cooperation to operate in others countries with Brazilian oil company, Petrobras. Gazprom has also shown interest in joining a transcontinental gas pipeline project set to go through Brazil, Argentina and Venezuela.

As for industrial development, the Russian groups TMK and Commetpron invested US\$ 1.8 billion in the first phase of the construction of a flat steel metallurgy plant, in the industrial and port complex of Suape, in the metropolitan region of Recife in 2006. Russian automaker GAZ Group would start producing medium-sized buses with Brazilian bus manufacturer Marcopolo in November 2007. The plant, in which \$3 million has been invested, will have annual production capacity of 1,000 vehicles and will be located in Pavlovo, in the Nizhny Novgorod Region. The production of buses at the plant under the 'Real' brand will reach over 100 by the end of the year.

Russia is the Brazil's 14th biggest trade partner. Brazilian products with a good chance of acceptance in Russia, besides those mentioned above, are: beef, pork and poultry, cheeses, bananas and oranges, soybean oil, cacao and chocolate, tobacco, pharmaceuticals, tires, sanitary napkins, textiles, washing machines, telephone and telegraph equipment, and automobiles. In the accumulated result for the year, Russia remains the first largest destination for Brazilian raw meat exports. Therefore it is no wonder, that Sadia, one of the world's leading producers of chilled and frozen foods, inaugurated its first fabric out of Brazil, in Kaliningrad in the end of this year. And of course, for the Brazilian Tourist Board, the Russian outgoing market has become a priority. A delegation from Samara region headed by its governor K. A. Titov visited Brazil in October 2006. Titov with the governor of the state Santa Catharina Luis da Silveira discussed the construction of a coffee factory in the Samara region with the attraction of Brazilian technology.

Brazil is Russia's second largest trading and economic partner in the Western Hemisphere, after the United States. Brazil is currently Russia's biggest trade partner in Latin America. Trade between the two countries has more than doubled in the last three years, hitting a record volume of US\$ 3.63 billion in 2005. Russian-Brazilian business relations had in recent years acquired positive dynamics and a high level of trust. And we have promising perspectives for the development and improvement of our economic cooperation.