

A renewed and closer partnership

By **FERNANDO DAMATA PIMENTEL**

MINISTER FOR DEVELOPMENT, INDUSTRY AND TRADE, BRAZIL



FERNANDO DAMATA PIMENTEL

is an economics graduate of the Pontifical Catholic University of Minas Gerais. He was a co-founder of the Brazilian Workers' Party. He served as Secretary of Finance and then Secretary of Government, Planning and General Coordination, in the city government of Belo Horizonte, the State Capital of Minas Gerais. He then became Deputy Mayor, and was Mayor of the city from 2005-08. He was appointed Minister of Development, Industry and Foreign Trade in 2011.

In the last two and a half years the United Kingdom has announced investments in Brazil totalling US\$52.5 billion (bn). A large part of that – US\$32 bn – is heading for the petroleum and gas industry. Between 2004 (when total intended investments started to be calculated by the Ministry of Development, Industry and Trade) and 2011 the total was US\$78.2 bn, making the UK the second biggest European investor in Brazil, behind only Spain (US\$79.7 bn).

The numbers reveal a growing European interest in the business opportunities that have been emerging in Brazil. But the UK's involvement stands out, its investment promises having leaped from a little more than US\$1 bn in 2004 to US\$45 bn in 2011. This involvement is nothing new: our partnership in the oil sector dates back to the very beginnings of the industry in Brazil, in the middle of the last century.

The UK has long exerted influence over the transformations Brazil has undergone – take, for example, the transfer of the Portuguese royal family to Rio de Janeiro at the beginning of the 18th century, or the decisive action that later led to the abolition of slavery in Brazil. This enduring relationship, usually driven by British economic interests arising in the wake of the industrial revolution, became more balanced over the course of the 20th century.



Shell's floating production, storage and offloading vessel 'Espírito Santo' at the Parque das Conchas field in Brazil

In 1901 we worked together in deciding the border between Brazil and British Guyana (now Guyana). The following year, the axis of Brazil's foreign policy started to turn from London towards Washington. A hundred years later Brazil and the UK have a strategic partnership marked by economic, educational and techno-scientific cooperation agreements. It is on the basis of these substantial advances that today we discuss the potential course of our bilateral relations over the century to come. From a political, social and economic perspective, Brazil is no longer the country that first embarked on what would become its 300-year partnership with Britain.

Since its re-democratisation in the 1980s, Brazil has established and consolidated a democratic and institutional model that has facilitated economic stabilisation and the achievement of an enviable fiscal balance. This process, begun in the 1990s, has over the last ten years allowed 30 million people (almost half the total population of the UK) to achieve a standard of living that makes them a part of the Brazilian consumer market for the first time.

The purchasing power of Brazilian citizens has risen on the basis of our control of inflation, the increase in our international reserves, and the economic growth associated with vigorous actions for the redistribution of wealth. We are still far away from the UK's GDP per capita of more than US\$40,000, and yet we have an expanding consumer market that is increasingly attractive given the current European economic situation and its worldwide repercussions. Also, the growing need for investment in infrastructure in order to sustain Brazil's economic growth has created countless business opportunities – and indeed has helped spur the aforementioned increase in British investment. But it is not enough. The fact remains that Brazil offers opportunities greater than the present level of our trade with the UK suggests.

In 2008 Brazil was responsible for the purchase of 0.5 per cent of the UK's total exports; the UK, for its part, bought 0.7 per cent of Brazil's. Total bilateral trade went from US\$3.1 bn in 2002 to US\$8.5 bn in 2011: such an increase, almost 200 per cent, might appear impressive, and yet in 2011 the UK actually slipped down two places in the ranking of Brazil's export markets, as did Brazil in the ranking of the UK's foreign markets.

British interest in the forthcoming exploration of our

large offshore oil deposits can take our bilateral trade to another level. Also, Brazil's new policies in the areas of industry, technology and trade have been encouraging domestic and foreign investment in infrastructure and in research and development.

Brazil faces a colossal challenge – indeed, one that matches the proportions of the country itself – and yet we can observe the examples set by countries that have succeeded in reaching a higher level of development. They provide two important lessons: first, that the history of every country is moulded by the hands of its own people – there is no single development model that must be followed by all; and second, that scientific and technological expertise plays a central role.

The history of ancient civilisations, both eastern and western, demonstrates the social and economic power of accumulated knowledge – power that was amplified immensely with the rise of manufacturing as the motor of material production. The turn of the millennium marked the beginning of the third century in which human civilisation has been shaped by mechanical production, and the four technological revolutions that followed – to which Britain made a fundamental contribution – each expanded the knowledge on the basis of which the production system operated.

So-called embedded systems, in which a computer is completely encapsulated within or dedicated to the device or system that it controls, represents the highest expression of this process. Through mechatronics it is possible to optimise production by reducing size, resource inputs and costs. The next revolution will have an impact as great as that of the printing press and will take place in three dimensions within the production process itself, making it possible to

achieve productivity gains that will change forever the parameters according to which increased returns were a function of increased scale and scope.

Paradoxically, these innovations in manufacturing could be accelerated by the depth and extent of the current world economic crisis. The search for a new growth cycle sustained by increased productivity, now within the context of environmental concerns, could provide the path out of the crisis and towards renewed economic expansion. As in previous systemic crises in the world economy, creative destruction reinvigorates some and destroys others. In the last crisis of this kind, the great depression of 1929, Brazil came out in better shape than at the start.

Brazil's current industrial policy is a response to this great challenge of how to increase productivity. With a manufacturing base and a network of advanced service industries, and a science and technology sector of significant scale and density, our main weapon in the face of intensified competition and the rise in the value of our currency lies in exploiting the conquests of our recent past, our stability, and our renewed investment and growth. The potential is significant.

A large and expanding market, public purchasing power, huge energy resources, a young workforce, and entrepreneurial capacity constitute formidable institutional, physical and social assets. To put them in motion at the required speed, our efforts towards innovation will provide decisive leverage in pushing our industry forward into the future.

In all these processes we are ready and willing to absorb knowledge and to share it with our partners. Brazil includes the United Kingdom among those partners and we want to make our partnership closer. **■**

**British
interest in the
forthcoming
exploration
of our large
offshore oil
deposits can
take our
bilateral
trade to
another level**



The 'Porto Digital' in Recife, north-east Brazil, is an area dedicated to information technology with more than 90 companies and 3,000 high tech jobs