

Brazil – Turkey Relations

Felipe Flores Pinto

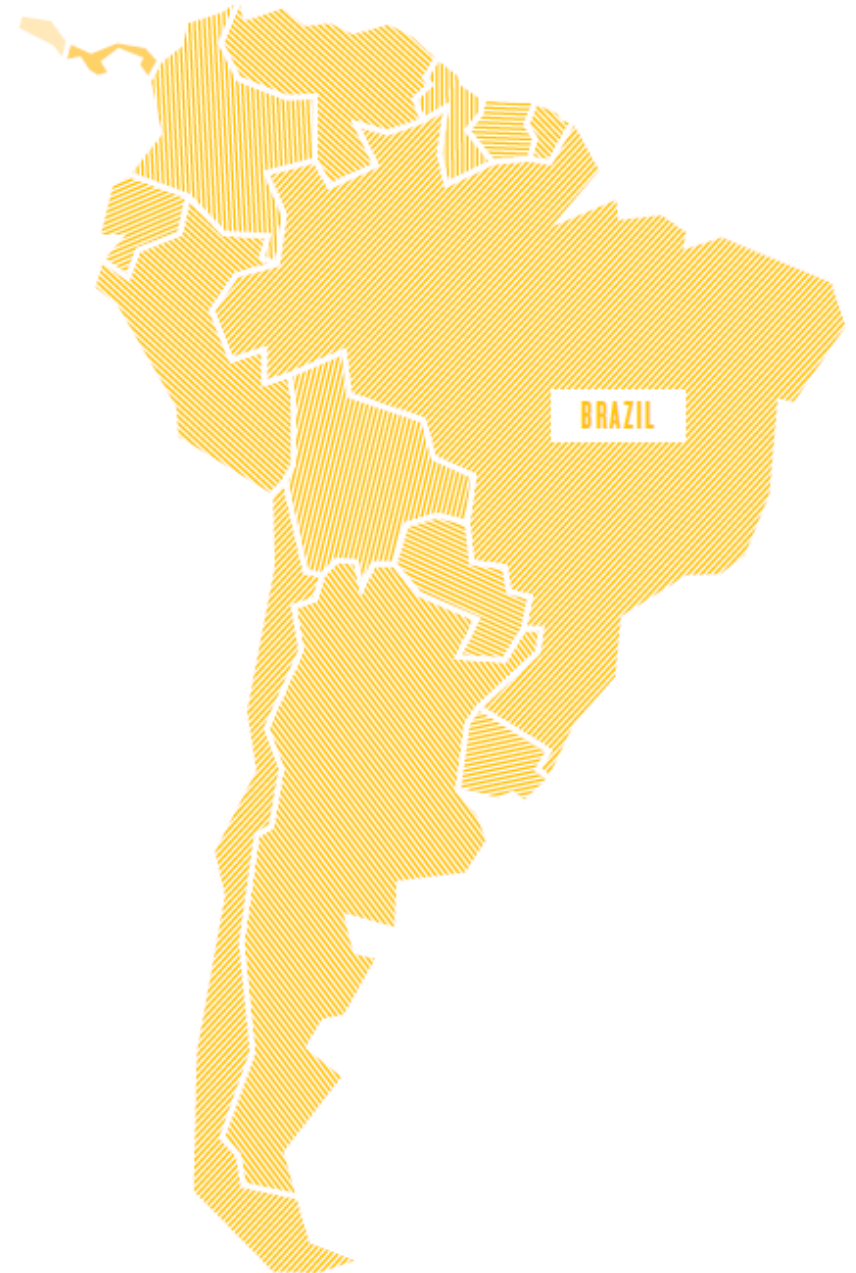
Head of the Trade and Investment Section

Consulate General of Brazil in Istanbul

May 10th 2019

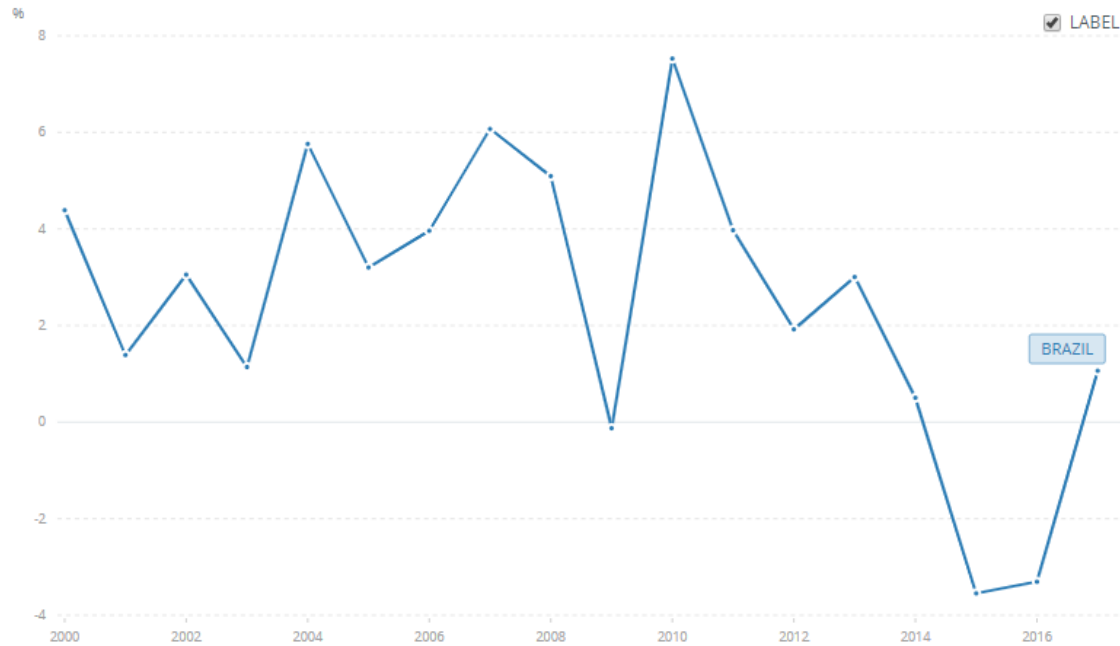
Country Facts

- ✓ Area: 8.5 million Km² (5th largest country)
- ✓ Population: 209.3 million (5th biggest population)
- ✓ Head of the State: President Jair Messias Bolsonaro (since January 1st 2019)
- ✓ Presidentialist Republic, 147 million eligible voters
- ✓ Present Constitution in force since 5/10/1988, inspired by European welfare state experience
- ✓ Official language: Portuguese
- ✓ Currency: Real



Economic Activity

GDP Growth (annual %)



- GDP growth: -3.3% (2016) 1.1% (2017), 1.1% (2018)
- GDP growth projection for 2019: 2.0%
- GDP (2018): 1.96 trillion USD / 6.8 trillion Reais

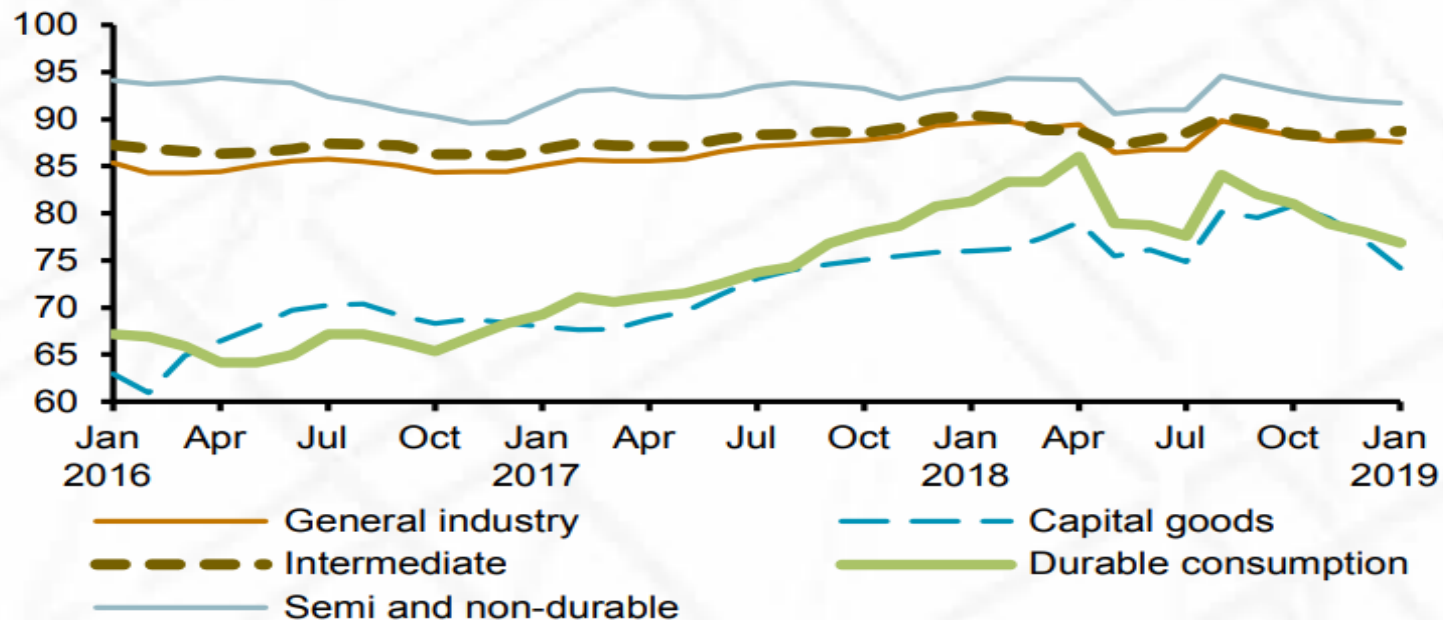


Industrial Production

Figure 1.10 – Industrial production^{1/}

3MMA

2012 = 100



Source: IBGE

^{1/} Seasonally adjusted data.

- Industrial production grew 1.1% in 2018.
- The behavior of industrial activity remains oscillating, still not showing an effective recovery trajectory. The recent loss of business confidence suggests some degree of uncertainty as to the dynamism of the recovery in the sector, although there are signs of a reversal of the decline in confidence.

Brazilian Economy – Current Status

- ✓ Signals compatible with gradual recovery (slower than desired) of the Brazilian economy;
- ✓ Inflation rates running at low or comfortable levels. Inflation expectations for the following years are below 4%, remains below Central Bank inflation target;
- ✓ International investors aversion to risk represents a challenge to emerging economies.

Brazil – Turkey Relations



- ✓ The year of 2018 celebrated 160 years of the signature of the Treaty of Friendship and Commerce between the Empire of Brazil and the Ottoman Empire, which marks the beginning of the formal diplomatic relationship between Brazil and Turkey.
- ✓ Turkey is a country deeply admired by Brazilians. In addition to its rich history, it has shown admirable economic, technological, educational, artistic and social growth in the recent years. Turkey has been showing generosity to immigrants and is playing important role in world affairs.

Brazil – Turkey

Agreements in force

- Diplomatic relations started in 1858 (Treaty of Friendship and Commerce)
 - 2009 First official visit of a Brazilian Head of State to Turkey (Lula da Silva)
 - 2011 President Dilma Rousseff visited Turkey and
 - 2010 and 2012 Prime Minister Recep Tayyip Erdoğan to Brazil
- 2001: Agreement on visa exemption for ordinary passports
- 2010: Bilateral Strategic Partnership
- 2012: Agreement between Brazil and Turkey to avoid double taxation and prevent fiscal evasion with respect to taxes on income
- Cooperation agreements in several areas as agriculture, defense and tourism.

Brazil – Turkey

Joint Commission on Trade, Economic and Industrial Cooperation



- ✓ Brazil-Turkey Joint Commission on Trade, Economic and Industrial Cooperation
- ✓ Established in 1995 by the Trade, Economic and Industrial Cooperation Agreement signed between Turkey and Brazil.
 - ✓ 1st meeting Brasilia Apr 10th, 1995
 - ✓ 2nd meeting Ankara Jan 04th, 2010
- ✓ Dialog reflects friendly relations and spirit of enhanced cooperation and partnership between the 2 countries and their wish to strengthen and further develop bilateral economic and commercial relations on the basis of mutual benefit.
- ✓ The meetings include several issues of mutual interest, such as bilateral trade relations and agreements, cooperation in investments, energy, services, transportation, tourism, science, technical cooperation, among others.

Brazil – Turkey Investments



Turkish Investments in Brazil

- ✓ Kordsa Brasil
- ✓ Aktas do Brasil
- ✓ Yılmaz Makine Güney Amerika
- ✓ Berfin Comércio de Alimentos
- ✓ Portre Confecções
- ✓ Merya Stone
- ✓ Zıver Brazil

Kordsa Brasil (Camaçari, Brazil)



Kordsa Brasil (Camaçari, Brazil)

- ▶ Parent company is the largest world manufacturer of tire reinforcement components
- ▶ Highly intensive in technology manufacturing (new materials, composites, nanotechnology)
- ▶ Certified with ISO 14001:2015
- ▶ Consistently evaluated as one of the best working places in Brazil

Brazil – Turkey Investments



Brazilian Investments in Turkey

- ✓ Votorantim (USD 600 million)
- ✓ Cutrale - Anadolu Etap (USD 100 million)
- ✓ Banvit – BRF (USD 915 million)
- ✓ Hayes Kemmerz Jantas (Maxion)
- ✓ Klimasan (Metalfrio) (USD 120 million)

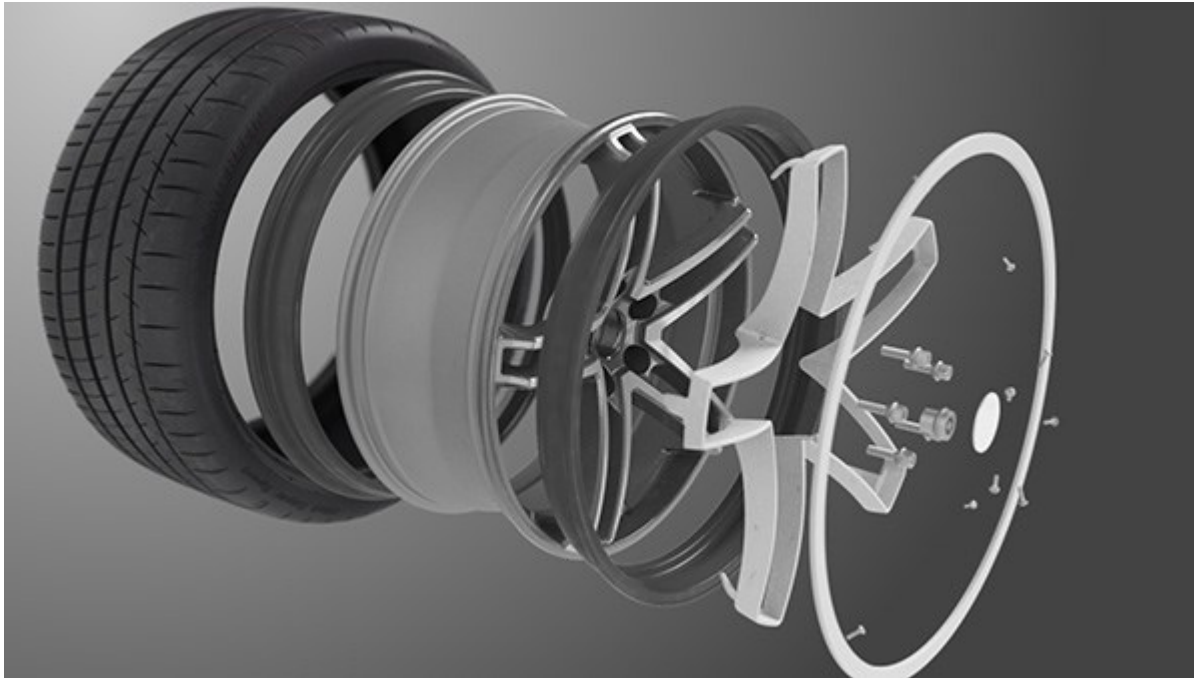
Maxion Jantaş (Manisa, Turkey)



Maxion Jantaş (Manisa, Turkey)

- ▶ Parent company is the largest world manufacturer of automotive wheels
- ▶ Highly intensive in technology manufacturing (product design, alloy technologies)
- ▶ Parent company developed the ACORUS flexible wheel, in association with Michelin

Maxion-Michelin ACORUS technology



Brazil – Turkey Trade



USD Million				
Year	2015	2016	2017	2018
Turkish Imports from Brazil	1,793	1,787	2,545	3,257
Turkish Exports to Brazil	458	334	385	489
Commercial Exchange	2,252	2,122	2,930	3,747

- ✓ The trade volume increased 115% from 2008 to 2018, and 27.9% between 2017 and 2018

Brazil – Turkey

Trade



Main Turkish Imports from Brazil (2018)

Product	USD Million
Live animals	617
Iron and steel	616
Oil seeds	547
Metallic ores	324
Wood and paper products	234
Cotton,cotton yarn and cotton textiles	169
Coffee, tea, mate and spices	164
Machineries and mechanical appliances	129
Tobacco	111
Pharmaceutical products	77

Brazil – Turkey

Trade



Main Turkish Exports to Brazil (2018)

Product	USD Million
Chemicals	63
Parts of vehicles	62
Machineries and mechanical appliances	49
Iron and steel	42
Edible fruits and nuts	39
Textile fibers	24
Tanning and dyeing extracts	21
Salt, sulphur, earths and stones, plastering materials, lime and cement	21
Plastics	16
Glass and glassware	13

Obstacles to bilateral trade



- ✓ The “Clash of Customs Unions” between Mercosur and European Union
- ✓ High consumption taxes, red tape and customs bureaucracy in Brazil
- ✓ Sanitary and phytosanitary barriers in Turkey
- ✓ Divergence in regulation and standards between Mercosur and European Union

The “Clash of Customs Unions”

- ✓ Brazil and Turkey are, respectively, members of Mercosur and European Union customs unions.
- ✓ Mercosur and European Union apply different sets of common external tariffs extra regional trade partners.
- ✓ Specific preferential trade agreement between Mercosur and Turkey is required in order to eliminate or mitigate customs tariffs.



Why invest in Brazil?

- ✓ USD 2 trillion Gross Domestic Product
- ✓ Yearly average investment inflows: USD 70 billion FDI, USD 10 billion portfolio equities (2008-2017)
- ✓ USD 9.500 GDP per capita (2017)
- ✓ Workforce (15-65 years) equivalent to 64% of total population
- ✓ Relatively cheap energy and raw materials cost
- ✓ USD 383 billion international reserves
- ✓ Major gateway to Latin America
- ✓ 200 million consumer market (250 million, Mercosur included)
- ✓ Agreement with Turkey to avoid double taxation in force
- ✓ In terms of capital account balance, Brazil is traditionally a liquid “importer” of external savings (3% of GDP in 2018)
- ✓ Brazil has recently appointed its first Foreign Investment Onbudsman

Partnership and Investment Programme - PPI

- ▶ Devised under President Michel Temer's Administration (2016) with the purpose of overhauling ailing tracts of Brazilian infrastructure and improve economic environment for domestic investment and FDI
- ▶ PPI and its Secretariat are under the direct authority of the Presidential Office and work as liaison between Government agencies and investors
- ▶ Coordinates and supervises concession tenders and auctions of large scale infrastructure projects
- ▶ So far, companies from 47 different countries have already been granted with concessions in the framework of PPI
- ▶ 124 concluded projects of 193 qualified, USD 253 billion in contracted investments, USD 46 billion in collected concessionaire fees

Teşekkür ederim

Thank you

Obrigado

Consulate General of Brazil in Istanbul

Tel: +90 212 252-0013

Email: secom.istambul@itamaraty.gov.br