

**TRANSCRIPT OF STATEMENTS BY  
LUIZ INACIO LULA DA SILVA,  
PRESIDENT OF BRAZIL,  
TO THE HIGH-LEVEL MEETING FOR FOREIGN INVESTORS**

Geneva, 29 January 2004

Thank you, Ambassador Rubens Ricupero. First of all, I'd like to greet my colleagues, the Brazilian ministers sitting here with me: Ambassador Celso Amorim, Minister of Foreign Relations; my colleague Antonio Palocci, Minister of Finance; Luiz Fernando Furlan, Minister of Industry, Development and Trade; Guido Mantega, Minister of Planning, Budget and Management; Agnelo Santos Queiroz Filho, Minister of Sports, who tomorrow will be visiting the Olympic Committee to convince them to take the 2012 Olympics to Brazil; and Walfrido Mares Guia, Minister of Tourism. Two Brazilian state governors, and representatives of several major industry federations, are here as well. I would also like to greet the businessmen who have responded to our invitation and who, on a not very good day for being out, have come to meet with us in Geneva. It took me 10 hours on what would normally be an eight-hour trip, because of strong winds. I want to greet the ambassadors and businesswomen who are here as well, participating in this event.

I have come to Geneva to speak to you about Brazil, its economy and the opportunities it offers to foreign investors. Brazil today is a country with solid democratic institutions, as well as a stable and diversified economy. The confidence placed in me has allowed me to bring together creative forces of Brazilian society to face the macroeconomic imbalance that I inherited. My government has the conditions needed to overcome obstacles to economic and social development in the country. We have the parliamentary base that we need to carry out in permanent harmony with society an important range of necessary reforms for the balance of public accounts for recovering investments. The most important reforms are those that will guarantee prolonged and sustained cycle and economic and social development. In the last century our economy had growth rates amongst the highest in the world. That growth, however, produced a concentration of income and did not cover its own financing. It generated sharp fiscal imbalances, inflation alternating between expansions and recessions.

My friends, ladies and gentlemen:

Approval by the National Congress of the tax and social security reforms will allow for greater social justice and guarantee the funds for the balance of our public accounts. It will also allow for the feasibility of our social security system as a whole., reducing the tax burden on the productive sector as well. The Government and all Brazilians have taken part in the sacrifice for us in 2003 to put Brazil back on the track of sustainable development.

The country now can offer businessmen and workers better conditions for producing and for increasing their standards of living. Our disposition of paying the social debt that we have to the poor sector of Brazilian society will allow for greater social and political stability without which there will be no long-lasting economic stability. Most of the problems we face today arise from the actions of an elite that ran the State for the benefit of few. They were unable to carry out reforms. They were even irresponsible. They compromised the fiscal health of the State. They aggravated all social imbalances. To overcome that we have set out to adjust the operations of public administration through a redefinition of priorities – redistributing public

resources to where they are most needed, and cutting back on unproductive spending. We have adopted the policies needed to preserve the security of business activities.

In recent decades the imbalance between government revenue and spending led to macroeconomic and tax uncertainties, increasing the risk premiums and reducing private investment. As a result the country's growth was mediocre – well below its potential. We decided to face the challenge of structural adjustment of public finance. To recover the confidence of investors in Brazil's economy and to once again achieve a cycle of economic development with social justice, there was a major improvement of the profile of public debt in 2003. The consolidation of public debt shows stabilization with a tendency towards decreasing. The economic policy we adopted led to a recovery of foreign confidence. The accommodation of the exchange rates, major drops in nominal and real interest rates, monetary policies have drastically reduced inflationary expectations. The vulnerability of our economy to global turbulence has diminished. In one year the Brazil risk fell from 2,400 to 400 points. Despite the adjustment in public accounts and the maintenance of still-high levels of interest rates, the GDP even so did grow a little bit in 2003. This year it will be growing between 3-4 per cent. That actually is what the economists say, because if it depends on my personal efforts we will grow more than that.

This is still not all that we desire, but it is a beginning, with a consistent framework of macroeconomic stability and fiscal discipline. In foreign trade, the mobilization of our business sector and the actions of the Government to expand access to many different markets in 2003 led to the largest trade surplus in the history of Brazil – almost 20 billion dollars. The growth of exports was extremely significant, as exports grew over 20 per cent last year. I'm certain that in 2004 we will continue to aggressively exploit the potential for Brazilian exports. The first results of 2004 have already confirmed this tendency. For the future, we will have improved access by Brazilian products to major markets.

Ladies and gentlemen:

I have mentioned the need to build a new economic shift or geography for trade. This is not just a rhetorical flourish. Without undervaluing our historical relations with the developed world, we are convinced that there is tremendous potential for our regional relations and relations with other emerging economies. Major international investors, in addition to the attractions of the Brazilian domestic market, should also look for these other realities. MERCOSUR is consolidating and expanding to cover all of South America. At the same time we are covering new areas, such as services, investments and government procurement. We are also working this year to conclude the MERCOSUR European Agreement. At the same time we have signed an agreement between MERCOSUR and India. Our negotiations with South Africa are also advancing. Understandings with the FTAA are moving well after the ministerial meeting in Miami, moving towards a realistic and flexible agreement. Our rapprochement with Arab nations initiated by my trip to the Middle East will gain greater strength after the meeting we will be holding in Brazil this year. And finally, we reiterate our commitment to the Doha Round, whose results should benefit developing countries by eliminating barriers and subsidies that distort free trade.

Ladies and gentlemen:

Greater access to overseas markets will attract more productive investments into Brazil. This year we expect to increase the almost-11 billion dollars in FDI that Brazil received in 2003.

Overseas private resources, taken with those of Brazilian business, will be fundamental to recovering economic growth for the generation of jobs and increasing workers' income. Brazil has a tremendous potential and many opportunities for investors. It has abundant natural resources, a well-trained and professional working class, a broad infrastructure which we will still improve, it has solid and well-regulated institutions that are permanently controlled by society and public opinion. The Government is structured, with political and popular support, and willing to listen and to solve problems. In addition, Brazil is a country that has been at peace for over 100 years with its neighbours, and is deepening and intensifying friendly relations within our region and beyond. It's a country with a humanistic and universal vocation, willing to take on increasing responsibilities in promoting world stability.

I have given great attention to the integration of South America. As a government priority we have taken on the construction of major infrastructure projects in our region. More than just a large group of paths of integration, it will be a channel for development, bringing economic progress to areas that have been left out of the benefits of modern society. It will also create a more competitive integration of the entire region into the global economy. We are developing mechanisms to attract investments for infrastructure projects including the public/private partnerships that very soon will be transformed into law.

My friends, ladies and gentlemen:

After my first year in government I can say that I'm extremely optimistic with the direction we have given Brazil. We are aware that we need to do much more. The country needs once again to grow at higher rates, allowing for a substantial increase in levels of employment and reduction in poverty rates. We will continue to work for better rates of social development for a society that is less marked by inequities and exclusion. On our continent we have learned that there will be no real economic stability if there is no political and social democracy. Today the most important programme of social protection that our history has ever seen is under way. From October 27 to December 27 we included 3.6 million people who are covered by the Family Stipends Programme. By the end of my government we intend to reach 11 million families – that means almost 50 million Brazilians who today are in need. But we need much more than that. It is fundamental that we create opportunities and economic options for all of our population. Foreign investments, which have been the driving forces of our economy, can give a major drive to our development.

We are willing and open to discuss projects and proposals with the international and Brazilian business communities to facilitate investment in Brazil in a climate of harmony and respect for the laws and values of our society.

I would like to conclude my remarks by saying to the business sectors here that the first year of my government achieved what appeared to be impossible to many who saw Brazil from afar. It's not just any day that you carry out tax reform or social security reform. In seven months we were able to approve both those reforms, even though the party that elected me had only 100 members of Congress. We not only presented the bills of law but we also had all the work for political coordination among the 27 State Governors, involving all the political parties so that we could reach an understanding by all parties that these reforms – tax and social security – were not just in the interest of the federal Government, but in the interest of the kind of modernization Brazil needed to move into the 21<sup>st</sup> century as a more modern and competitive country. At the same time we established international policies for which we need your support, for although we have privileged relations with the EU and with the United

States we want to enhance that even more. These are the two most important markets for our country.

Our policy has also sought emerging markets with similarities to Brazil – countries with gigantic populations, much larger than Brazil's, and who have in recent years displayed signs of sustained growth that are important, especially if we look at China and India. That is why in the first year of my government, instead of sitting back in my chair in Brazil and complaining about the legacy I inherited and the economic situation, together with all these reforms I decided to travel around the world to open up new spaces for us to do more business. That's what we call the new "trade geography" of the world. At the same time we are fighting at the WTO for greater flexibility for products where we have more competitive potential. We have also consolidated MERCOSUR, which is a much stronger reality than it was a few years ago. It's not just a trade interest but above all the political confidence amongst the countries of MERSOCUR and South America as a whole. The first time a Brazilian President ever visited the Middle East was back in the times of the Empire of Brazil – in 1876. We went back to the Arab world because it is possible and important to achieve investments in infrastructure in Brazil, and for Brazil also to be able to put its products into the Arab markets. In the same way we have preferential policies with India, China and Russia, because these are countries that have similarities – the need for growth, the need for economic growth to generate enough wealth to do social justice.

So the Brazilian Government is not just doing its part – we are also challenging the Brazilian business sector and overseas business investors in Brazil for us not to sit back but to go out and start working, because in the globalized world the planet is getting smaller, and nobody will make any concessions for nothing. I am certain that the fact that we have street urchins, that we have many social problems in our country, that we have so many illiterate people – these are not factors that will motivate investors to put a cent into Brazil. What will really motivate investment in Brazil is what we can offer in terms of infrastructure, markets and labour that is extremely highly skilled. We have a major domestic market and can expand the world of trade for those who are producing in Brazil.

With that certainty and expectation I conclude my remarks by saying that I began the year 2003 by going to the World Social Forum in Porto Alegre. They said I could not go to the Social Forum because I was also going to Davos, and I would be boo'ed in both places. But I went to Porto Alegre and Davos, and was received in an extraordinary fashion. Now I just went to India – a country that as you know has over a billion inhabitants, whose growth is exceptional, but with social problems that are also exceptional. I left India and I've come to Geneva, in the heart of the so-called developed world, to say to you the same thing that I say wherever I go: that Brazil, given the nature of its people and my government's seriousness in the way we see the need for development of Brazil, is and should be a major centre for investments that you intend to make for the growth of your own companies.

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