

OXFORD ECONOMIC FORECASTING

&

OXFORD ANALYTICA

BRAZIL: A FIVE-YEAR OUTLOOK

A Multi-Client Proposal

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I. INTRODUCTION

Oxford Economic Forecasting and *Oxford Analytica* propose to undertake a joint study examining the political and economic outlook for Brazil within a five-year time frame. The study will be undertaken on a multi-client basis. It will provide invaluable analysis for policy practitioners and business and industry executives tasked with making informed investment decisions.

II. OBJECTIVE

To provide participating clients with:

- *An assessment of the current political and macroeconomic environment in Brazil.*
- *Scenarios for the evolution of the political and economic environment over the next five years.*

III. STRUCTURE AND CONTENT

Stage One. The delivery of a written study evaluating the political and economic implications for policymakers and foreign investors interested in Brazil.

The written report will open with an Executive Summary highlighting the key findings of the analysis. The analysis will be divided into three sections:

1. Political and Social Stability
2. Macroeconomic Developments and Prospects
3. Scenarios of the Future for Brazil

Stage Two. A follow-up conference call for participants in the study to discuss and ask questions arising from the written report.

The study will be approximately 50 – 60 pages in length, plus supporting data and forecasts. The details of the study are outlined overleaf.

1. Political and Social Stability

This section of the report will contain an overview of the current political and economic environment in Brazil. Issues to be addressed will include, but not necessarily be limited to:

- Brazilian party politics and implications for President Luiz Inacio Lula da Silva's strategy for change;
- implications of a political crisis resulting from the immediate impact of the recent corruption scandal and the possibility of presidential impeachment, and its effect on the government's reform agenda;
- implications of Brazil's foreign policy priorities, including its efforts to play a leadership role within the region and among developing countries in international fora such as the WTO;
- the attractiveness of Brazil to foreign investors; and
- prospects for the 2006 legislative and presidential elections.

2. Macroeconomic Developments and Prospects

This section will examine the trends and provide a three-to-five-year outlook for Brazil's economy. Issues to be addressed in this section will include, but not necessarily be limited to:

- an overview of recent economic performance in Brazil;
- the macroeconomic outlook, including inflation, interest rates and exchange rate volatility;
- the outlook for debt sustainability;
- prospects for sustainable economic growth;
- the main structural challenges facing the country and the creation of conditions for a revival of infrastructure investment;
- prospects for continued export growth and diversification; and
- in particular, the impact of both demand and competition from China on the Brazilian economy.

3. Scenarios of the Future for Brazil

This section will examine the most likely political and economic scenarios for Brazil and their investment implications, including their approximate probability of occurrence within a five-year timeframe. Issues to be addressed within these scenarios will include, but will not necessarily be limited to:

- long-term prospects and alternative scenarios for economic development and macroeconomic stability; and
- the prospects for political stability in terms of institutions and individuals.

IV. Core Competence

Oxford Economic Forecasting was founded in 1981 to provide independent forecasting and analysis tailored to the needs of business economists and planners. Its services cover both the international economy and the UK, and range from regular reports and business seminars to user-friendly PC-based econometric models. In addition, OEF is able to offer consultancy across a broad range of economic issues, and commands a high degree of professional and technical expertise, both in its own staff in Oxford, Switzerland and the USA, and through its close links with both Oxford University and London Business School.

For over 25 years, *Oxford Analytica* has been providing timely, objective and authoritative analysis of the implications of major global economic, political and public policy developments for leading corporations and governments. *Oxford Analytica* draws upon the judgement of a network of over 1,000 independent analysts and experts from the world's leading universities and research centres. This expertise is made available to clients of *Oxford Analytica* on a daily basis via the on-line **Daily Brief** services and via specifically commissioned **Consultancy and Research**.

V. Proposed Project Team

The proposed project team will consist of international economists from *Oxford Economic Forecasting* and world experts on Brazil's economy and politics drawn from Oxford Analytica's network of contributing specialists and in-house analysts on Latin America,.

The *Oxford Economic Forecasting* team will be led by:

Vanessa Rossi, Director, Oxford Economic Forecasting

Vanessa Rossi is Director of Model Analysis and a specialist in International Economics. She has over twenty years experience in the construction and application of econometric and financial models in the government, university and private sectors. Ms Rossi gained her first degree, with distinction, in mathematics, economics and statistics from Birmingham University (1975) followed by a Masters degree from Warwick University (1976) where she specialised in mathematical economics. She subsequently spent several years as a graduate student and research assistant at Princeton University, USA, funded by Fulbright and Princeton University scholarships.

Ms Rossi returned to *Oxford Economic Forecasting* in 1994, specialising in the Asian and developing economies, with presentations, modelling and consultancy work also including the energy sector (e.g. Kyoto and developing country energy policies), the development of an OECD financial markets valuation model and implementation of detailed banking sector models as part of a risk assessment study on the outlook for the Asian economies. During her previous employment with OEF in the mid-1980s, as Senior Economist, she was responsible for the international model development and forecasts. In 1987 Mrs Rossi left OEF to join Swiss Bank Corporation London (now UBS), firstly as Chief European Economist and then as Research Director. In the early 1980s, Ms Rossi was employed as an economist with the European Commission in Brussels. Her work there concentrated on the use and development of international models within the context of European policy analysis and forecasting. Ms Rossi is co-author of a book on financial market analysis; she has contributed to publications on the economic impacts of Kyoto and published other articles on economic model analysis.

Dr Pablo Astorga, Senior Economist, Oxford Economic Forecasting

Dr Astorga has been a Senior Economist at *Oxford Economic Forecasting* since 2001, having under his responsibility the analysis and forecast of the Latin American economies. During recent years he has been working on issues of productivity and living standards across Latin America and the creation of an economic history database for Latin America (OxLAD). Regarding qualifications, Pablo has a D.Phil. in Economics and an M.Sc. in Development Economics from the University of Oxford. Before joining OEF he was a research fellow at St. Antony's College, University of Oxford, where he worked on issues related to developing countries. During his D. Phil thesis he researched on the economic effects of presidential elections.

The *Oxford Analytica* Brazil contributors for this project would include:

Dr Laurence Whitehead, Region Head Latin America, *Oxford Analytica*

Currently Fellow in Politics at Nuffield College, University of Oxford. Dr Whitehead specialises in the political economy of Latin America. Editor of the *Journal of Latin American Studies*. Recent publications have been concerned with international aspects of democratisation and interconnections between economic liberalisation and political opening. Member of the Latin America team at the *Oxford Analytica International Conference* and regular contributor to the *Oxford Analytica Daily Brief*.

Dr Jill Hedges, Senior Editor Latin America, *Oxford Analytica*

Current post since 2001. Former Editorial Manager of Esmerk Argentina, specialising in monitoring political, macroeconomic and business news in Argentina. Forthcoming publications address human rights in Latin America and the political history of Argentina since 1943. Holds a Ph.D. in Latin American Studies, University of Liverpool, focussing on regional politics and economies in Argentina.

Dr Mahrukh Doctor, Contributor, *Oxford Analytica*

Currently Lecturer in Politics and International Relations at the University of Reading. Holds a Ph.D. from the University of Oxford and a Masters from the Johns Hopkins University (SAIS), Washington DC and Bologna. Formerly Research Fellow in International Political Economy, Centre for Brazilian Studies, University of Oxford. She has also taught International Political Economy at Birkbeck College, University of London, and was an economist at the World Bank focussing on energy and industry operations in Brazil.

Professor Carlos Pio, Contributor, *Oxford Analytica*

Currently Professor of International Political Economy in the Department of International Relations, Universidade de Brasília, Brazil. Professor Pio obtained his Ph.D. in Political Science from the Rio de Janeiro Social Science Institute-IUPERJ, in 2001. He was a Fulbright Visiting-Scholar at the University of California-Berkeley from 1996 to 1998 and currently heads the Brasília chapter of the Fulbright Alumni Association. He is a member of the Brazilian Political Science Association (ABCP) and of the Latin American Studies Association (LASA). Professor Pio is the author of *Relações Internacionais: Economia Política e Globalização* (Brasília: IBRI & FUNAG/MRE, 2002) and has also published numerous articles in the Brazilian press addressing issues related to the electoral process and the political economy of economic policies in Brazil.

Antonio Alvarez, Project Manager, *Oxford Analytica*

M.Phil. in Economics (2002), St Cross College, University of Oxford, specialising in development economics and industrial organisation. B.A. in Economics (1999) from ITAM, Mexico. Previously Head of the Macroeconomic Analysis Department, Ministry of Finance (SHCP), Mexico. Analyst and writer in projects related to market regulation and industrial competition, economic policy and international financial standards. Regular contributor to the *Oxford Analytica* Daily Brief. Interests include the political economy of Latin America, the energy sector, and econometrics.

VI. Further Particulars

Timing Subject to return of the 'Acceptance Agreement', the completed project will be delivered to the client by **end of February 2006**.

The follow-up conference call will take place within two weeks after project delivery. It will no longer be available after that time.

Structure The project will be as outlined in Section III: Structure and Content.

Fee The fee for the study will be **4,750 pounds sterling**. The fee is payable upon commissioning. Clients wishing to buy this study may chose to be invoiced in foreign currency, as follows:

8,600 US dollars

7,000 Euro

**Intellectual
Property**

The content of the written study and related materials, such as recording and transcripts of the follow-up conference call, will be the sole property of *Oxford Economic Forecasting* and *Oxford Analytica Ltd.* All participating clients will be licensed to use this content for internal purposes only. It may not be distributed or sold by any participating client to any third party.

VII. Acceptance Agreement

The proposal made by *Oxford Economic Forecasting* and *Oxford Analytica* entitled '**Brazil: A Five-Year Outlook**' and dated January 6, 2005 is accepted. The project is hereby commissioned at **4,750 pounds sterling** payable upon commissioning.

I prefer to be invoiced in (please tick):

US dollars
Euro

Signed on behalf of:

Signature:

Name (in block letters):

Position:

Date:

Please fax your signed acceptance to **Oxford Economic Forecasting** on +44 (0) 1865 268906.