

# Brazil seeks to expand trade ties

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THE recent signing of the agreement for construction of the 520-MW Kapanda dam dramatises Brazil's current drive to replace Portugal as Angola's major trading partner. Its ambitions in this direction could, however, be constrained by its own economic problems and, in particular, by limits on the availability of credit to finance Brazilian exports.

Official figures for the first six months of 1984 show Brazilian exports of \$49.6 million, compared with \$21.6 million in the same period of 1983. This is still down on the peak year of 1981, when bilateral trade totalled \$262.9 million, but the Kapanda deal — which gives Brazil some \$600 million worth of work on the \$900 million project — means that future figures are likely to show a considerable further improvement (AED 23:11:84).

The renewed determination of Luanda and Brasilia to expand economic links is underlined by the spate of trade missions crossing the Atlantic during the year, including a late-September visit by a Brazilian business mission to Luanda, a mid-November Angolan transport mission to Brazil, and the third session of the joint commission which began in Brasilia on 22 November. All have produced, or are expected to produce, agreements for the supply of goods and services and aid for development schemes in Angola.

Observers see one of the main reasons behind this turnaround as Angola's deteriorating relations with its main bilateral trading partner, Portugal. Brazil has made it clear for some time that it would like to take Lisbon's place in the trading relations of the Portuguese-speaking African states in general — and Angola in particular. With Portugal, despite Angolan complaints, still giving a platform to Uniao Nacional para Independencia Total de Angola (UNITA) rebels, Luanda also now appears to be thinking along similar lines. On 22 November, Angolan Energy & Oil Minister Pedro Castro van Dunem said Angola wished to substitute Brazil for Portugal in economic co-operation because "today there is a lot of misunderstanding on the part of Portugal." He was speaking at the opening ceremony in Luanda of a week-long exhibition about Brazil's northeast province of Bahia, sponsored by the civil contractor

for the Kapanda dam, Costrutora Norberto Odebrecht.

Among the companies to benefit from the upsurge in trade contacts is Companhia de Pesquisa de Recursos Minerais (CPRM), the state-owned geological exploration company, which will research and identify gold reserves on the Lombige river. Another state-owned firm, electricity holding company Eletrobras, is to rehabilitate Luanda's electricity supply system.

Volvo do Brasil Motores & Veiculos and Saab-Scania do Brasil both announced major truck supply contracts after the transport mission's visit, which also included discussions with bus chassis manufacturers Marcopolo and Volkswagen do Brasil. Volvo do Brasil is to supply 591 heavy-duty 40-ton trucks, worth \$24 million, together with training and technical support. About 100 trucks are due to be shipped before the end of the year, the remainder by August 1985.

The Saab-Scania order, for 261 trucks, is in addition to one announced at the beginning of November for 92 heavy-duty vehicles worth \$7 million. The earlier order and the Volvo contract are both to be financed by Cacex, the foreign trade department of state-controlled commercial bank Banco do Brasil.

Scania officials say lack of export credits is likely to be a barrier to implementation of the company's latest contract. It is this restricted availability of credit facilities that has been one of the main reasons for the slowdown in Brazilian exports to Angola over the past few years and it may also prevent future expansion on the scale both countries appear to want. Scania, together with the Angolan delegation to the joint commission, were expected to press for a larger export credit quota for Angola. The credit availability for 1984 is about \$43 million, with general credit lines of \$50 million each fixed for 1985 and 1986 by Cacex. If no increase in this year's quota can be agreed, Scania will push for an advance from the 1985-86 allocations to implement its contract, the officials say.

Cacex has also agreed to provide a \$280 million line of credit for supply of goods and services for the Kapanda dam contract, and is reported to be considering a \$50 million credit line for

telecommunications equipment.

Another handicap for trade expansion has been the level of Angolan exports to Brazil. These only became significant in 1980 and immediately peaked at \$155.9 million the following year, when there was a surplus in Angola's favour. Since then Angolan exports have declined steadily — falling to \$64.2 million in the first half of 1984 from \$130.8 million in the same period of 1983 — as Brazil's purchases of Angolan oil remained static at 10,000 barrels a day. But Petrobras Internacional's (Braspetro's) December 1983 agreement to buy \$650 million worth of Angolan oil not only paved the way for the Kapanda contract — which is being financed by oil sales — but should also help improve the overall trade balance.

Braspetro is also heavily involved in Angola's oil exploration and development efforts through its 17.5 per cent holding in block two, operated by the US' Texaco, and its 35 per cent stake in block four, where it is also involved with Belgium's Petrofina and state oil company Sociedade Nacional de Combustiveis de Angola (Sonangol) in a joint venture operating company (AED 26:10:84; 27:4:84). With Odebrecht and Brazilian oil equipment manufacturer Ultratec Engenharia, Braspetro has also submitted a proposal to Sonangol for construction of an oil production platform, director Carlos Cupolollo told AED.

Other Brazilian firms, such as state telecommunications organisation Empresa Brasileira de Telecomunicacoes (Embratel), publisher Editora Atica, supermarket chain Pao de Acucar and trading companies Panafrica Importacao & Exportacao and Cotia Comercio Exportacao Importadora, have long-established links with Angola. All are looking forward to the day when "Angola will have peace to work," Editora Atica commercial director Vander Soares says. "It's not only going to be a great market but also a great tourist centre for Brazilians." To be ready for that day: "The Brazilian businessman needs to invest in Angola and create structures of permanence," says Adalberto Camargo, Panafrica director and secretary-general of the Africa-Brazilian Chamber of Commerce.

Investment proposals made during the September mission to Angola included projects in the building, industry, geology and mining sectors. These and other projects, including rehabilitation of Angola's domestic telephone network, were expected to be followed up during the joint commission meeting.

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