Doing Business in Brazil: 2009

Country Commercial Guide for U.S. Companies

Return to table of contents

Chapter 1: Doing Business in Brazil

Market Overview

Return to top

The Federal Republic of Brazil is the largest country and economy in South America, with approximately 189 million inhabitants. With a total area that is just slightly smaller than the continental U.S., Brazil shares borders with every South American country except Chile and Ecuador. Brazil enjoys a growing middle class, increasing internal demand for goods and services, and while being affected by the global economic downturn, seems to be at least somewhat protected from the dramatic economic downturns experienced by many other countries.

Brazil’s GNP (purchasing power parity) reached a historical US$ 1.665 trillion in 2008, and per capita nominal GDP grew 5.1% to R$ 15,240, or roughly US$ 6,750. During the past decade, the country has maintained sound macroeconomic policies to control inflation without sacrificing economic growth. This kept the inflation rate to 5.8% in 2008, and unemployment at 7.89%, an overall decrease as formal jobs have replaced informal employment. Interest rates, though high compared to rest of the world, are near their historical low of the last decade at the Central Bank rate of 11.25% (March 2009).

In 2008, the bilateral trade relationship between Brazil and the U.S. hit record levels, reaching US$ 53 billion, with U.S. exports at US$ 25.6 billion, and imports from Brazil at US$ 27.4 billion. Other main trading partners are China, Argentina, and Germany. Strong global demand for commodities, along with prudent fiscal policies and a burgeoning middle class, helped fuel Brazil’s economic growth. On April 30, 2008 Brazil earned Standard & Poor’s Investment Grade credit rating.

Since the onset of the global financial crisis in September 2008, Brazil's currency and its stock market (Bovespa) have significantly lost value, having fallen by 41% in 2008. Brazil also incurred a current account deficit in 2008 as world demand and prices for commodities dropped in the second half of 2008. As of February 2009, the Brazilian Central Bank lowered ’09 growth expectations to 1.5%. In comparison, overall economic growth world-wide for 2009 is projected to be 0.5%. The Government of Brazil has reacted to the crisis by injecting liquidity into the market, using reserves to shore up the local currency (Real) and pledging to continue investing in its Growth Acceleration Program (PAC) for infrastructure (which has been slightly reduced to US$ 280 billion).

Additional resources:

1. CIA World Fact book
https://www.cia.gov/library/publications/the-world-factbook/geos/br.html
2. Doing Business in Brazil
http://www.doingbusiness.org

Market Challenges Return to top

Brazil's market challenges include uneven income distribution, poor public education, consistently high unemployment rates, a commodity-driven economy, significant imbalance of market concentration and a large informal economy that hinders tax collection and economic growth.

These factors create a complex business environment, with substantial obstacles for U.S. exporters. Doing business in Brazil requires intimate knowledge of the local environment, including both the explicit as well as implicit costs of doing business (referred to as "Custo Brasil"). Such costs are often related to distribution, government procedures, employee benefits, environmental laws, and uneven application of standards for tax calculation. Logistics are a particular challenge, given the fragmented nature of distribution channels.

Besides facing tariff barriers, U.S. companies will find a complex Customs system, and an overloaded and ineffective legal system for enforcing IPR and commercial law. Heavy tax burdens increase consumer prices up to 200%, while bureaucratic procedures and onerous product licensing/ regulatory requirements also pose a considerable hindrance.

Market Opportunities Return to top

Promising areas for U.S. exports and investment include: Agricultural Equipment; Agriculture; Aircraft and Parts; Airports; Computer Software; E-Commerce; Highways; Insurance; Iron and Steel; IT Hardware; Medical Equipment; Mining; Oil and Gas; Pharmaceuticals; Pollution Equipment; Ports; Railroads; Safety & Equipment; Telecommunications & Tourism.

Though the government is a large part of the Brazilian economy, it is often difficult for U.S. businesses to take advantage of public sector opportunities. Even though Brazil's public procurement laws are some of the strongest in the world, their successful implementation is constrained by a lack of full transparency, bureaucracy, and stringent prerequisites that seem to favor domestic firms.

Certain sectors have and may continue to experience high growth, such as the Brazilian automotive market which had a 14.5% growth rate in 2008, with sales of a record 2.82 million vehicles (although the automotive sector experienced a slowdown in the 4th quarter of 2008). In oil, important large offshore finds in late 2007 have resulted in potential new opportunities for U.S. petroleum and petroleum equipment firms. Brazil's agricultural sector is well diversified and the country is a world leader in producing sugarcane, coffee, soybeans, and orange juice. Brazil also has a diversified industrial sector as well, with many opportunities for both large and small U.S. businesses. Industrial capacity is currently at 86%.

Market Entry Strategy

Return to top

Brazil’s business culture is largely based upon personal relationships. Companies will need a strong presence and must invest time in developing relationships in Brazil. It is recommended that U.S. companies visit Brazil to meet one-on-one with potential partners. One of the best ways to enter the Brazilian market is by attending a local trade show or using the U.S. Commercial Service’s Gold Key Service. The U.S. Commercial Service can provide business counseling or organize meetings with potential buyers through a GKS or during a trade show.

It is essential that a U.S. business entering the market work through a qualified agent or distributor. Some firms establish an office or joint venture in Brazil. Further discussion of these alternatives can be found in the “Marketing Products & Services” chapter. It is extremely difficult for U.S. companies to get involved in public sector procurement without a local Brazilian partner.

Return to table of contents

Return to table of contents

Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

http://www.state.gov/r/pa/ei/bgn/35640.htm

Return to table of contents

Return to table of contents

Chapter 3: Selling U.S. Products and Services

Using an Agent or Distributor

Return to top

Although some companies import directly from foreign manufacturers without local representation, in most cases the presence of a local agent or distributor can be very helpful. As in other countries, the selection of an agent requires careful consideration. Because of regional economic disparities, varying states of infrastructure, and a host of other issues, it is often difficult to find one distributor that has complete national coverage.

Lawyers recommend that exporters and representatives have a written agreement to help exporters limit liability for product defects, protect a trademark, better ensure payments, and define warranty terms. Clauses related to exclusivity and performance targets may be included within the agreement.

The U.S. Commercial Service strongly suggests that U.S. companies consult with a Brazilian law firm before signing any agreement to avoid future legal problems.

Establishing an Office

Return to top

Either setting up a company in Brazil or acquiring an existing entity is an investment option for Brazil. Setting up new companies is relatively complex, although the Ministry of Development has signaled a desire to simplify the process. According to the Ministry, turnaround time has been reduced significantly in the past years. Acquisitions of existing companies are monitored by the Central Bank. Corporations ("sociedades anonimas") and limited liability companies ("limitadas") are relatively easy to form. Local law requires that foreign capital be registered with the Central Bank - failure to do so may cause serious foreign exchange, capital repatriation, or profit remittance problems. More information for potential investors can be found in our Investment Climate section (Chapter 6), or through Brazil's Ministry of Foreign Affairs Trade Promotion Department (www.braziltradenet.gov.br).

Franchising

Return to top

Franchises account for approximately 25% of gross revenue in the retail sector. Local Brazilian franchises dominate the market (90%); however, foreign groups, particularly from the U.S., are making headway.

To take advantage of Brazil's growing market, U.S. franchisers should localize their products or services, invest in market research, and test market receptivity through pilots.

Brazil's Franchising Law states that franchisers or their master-franchisees should provide all potential franchisees with a Franchise Offering Circular (Circular de Oferta de Franquia). This must contain basic information about the financial health of the franchiser, as well as information on any pending legal disputes.

In 2007, The Brazilian franchise sector grew by 15.6 percent - about 10 percent more than the national GDP. Total sector revenue was about R$ 46 billion. There are an estimated 1,200 franchising chains and 65,000 franchising units, making the Brazilian franchising market the 6th largest in the world (in number of units) and the 4th largest (in number of franchise chains). The number of chains grew from 1,013 in 2006 to 1,197 (+18.2%). The ABF (Brazilian Association of Franchising) projects sector growth of 12 percent in 2008, once again outpacing the GDP.

The best performing franchising sectors in 2007, in terms of revenue growth, were personal accessories and footwear (24.4%), other retail business and services (24.2%), and IT services (20.4%). A full discussion of the Franchising sector can be found in the "Best Prospects" section of this guide (www.focusbrazil.org.br/ccg).

Direct Marketing

Return to top

According to Acton International, a U.S. based international direct marketing services provider, the Brazilian consumer receives an estimated 9.3 pieces of direct mail every month. Their research has shown that 74% of Brazilian consumers prefer receiving direct mail. With a growing middle class and expendable income, direct marketing is an effective option to include in a company's marketing communications strategy for Brazil.

Brazil continues to lead Latin America in direct marketing activities due to its reliable postal service, large consumer base, and growing economy. The Brazilian Association of Direct Marketing (ABEMD, http://www.abemd.com.br/English/Default.aspx) is a self-regulated, not-for-profit entity representing the direct marketing sector. Its web site provides important information regarding code of conduct, legislation compliance, direct marketing service providers, etc.

Joint Ventures/Licensing

Return to top

Joint ventures are very common in Brazil, particularly as a way for foreign firms to compete for government contracts or in heavily regulated sectors, such as telecom and energy. Usually joint ventures are established through "sociedades anônimas" or "limitadas," which are similar to corporations and limited partnerships respectively. Licensing agreements are also common in Brazil. Use of a competent local attorney in structuring such an arrangement is advised. All licensing and technical assistance agreements, including trademark licenses, must be registered with the Brazilian Industrial Property Institute (INPI, www.inpi.gov.br)

Selling to the Government

Return to top

The Federal Government is Brazil's biggest buyer of goods and services. In 2007, the Federal Government spent over 25 billion reais (1 USD was about 1.9 reais at the time) with nearly 50,000 public tenders for the acquisition of goods and services. Despite the numbers, winning contracts with the Brazilian Government is challenging. Potential exporters may find themselves at a disadvantage without a significant in-country presence and the patience and financial resources to respond to legal challenges and bureaucratic delays.

Brazilian Government procurement policies apply to purchases by government entities and parastatal companies. Government procurement regulations contained in Law 8666 of August 1993 established an open competitive process for major government procurements. Under this law, price is to be the overriding factor in selecting suppliers. Tenders are open for international competition, either through direct bidding, consortia or imports. However, many of the larger tenders (e.g. military purchases) could become unilateral single source procurement decisions due to exception justifications written into the procurement laws like national interest, security priority, or existence of unique technical specifications. In case of an eventual bid tie, nationally owned companies have preference over foreign competition. More recent measures are focused on modernizing the tender process; last year approximately 74% of the bids were made electronically.

Law 8666 establishes general norms for tenders and administrative contracts (for goods and services) to be followed at the Federal, State, and Municipal level, by entities directly and indirectly administered by the Federal Government, special funds, public enterprises, and public-private companies. Brazil is not a signatory of the WTO multilateral Agreement on Government Procurement (GPA), and therefore does not necessarily use the same procedures as other signatories.

Government procurement of telecommunications and information technology equipment is exempt from the above requirements. Special requirements were established in 1993 and 1994 allowing locally manufactured telecommunications and IT products to receive preferential treatment in government procurement, and to be eligible for tax and other fiscal benefits based on local content and other requirements.

It is often difficult for foreign companies to operate in Brazil's public sector unless they are associated with a local firm. To be considered Brazilian, a firm must have a majority of Brazilian capital participation and decision-making authority, or operational control. A

Brazilian State enterprise is permitted to subcontract services to a foreign firm if domestic expertise is unavailable; a foreign firm may only bid to provide technical services when there are no qualified Brazilian firms.

In the case of international tenders to supply goods and services for government projects, successful bidders are required to have local representation -- i.e., legal presence in Brazil. Since the open period for bidding is often as short as one month, it is advisable to have a resident partner in Brazil.

The inclusion of local purchases of Brazilian goods and services, or significant subcontract association with a Brazilian firm, may improve a bid's chance for success. Similarly, a financing proposal that includes credit for the purchase of local goods and services for the project will be more attractive. Advanced descriptions of US suppliers' capabilities can prove influential in winning a contract, even when they are provided before the exact terms of an investment plan are defined or the project's specifications are completed. Such a proposal should include financing, engineering, and equipment presentations.

Distribution and Sales Channels Return to top

All of the customary import channels exist in Brazil: agents, distributors, import houses, trading companies, subsidiaries and branches of foreign firms, among others. Brazilian importers generally do not maintain inventory of capital equipment, spare parts, or raw materials, partly because of high import and storage costs. Recently, because of the creation of additional bonded warehouses, industries that rely heavily on imported components and parts are maintaining larger inventories in these warehouses.

Selling Factors/Techniques Return to top

Price and payment terms are extremely important sales factors. Generally, U.S. goods are perceived as high quality; however, depending on quality as the primary competitive advantage may be risky as the opening of the Brazilian market in the early 1990s brought greater foreign and domestic competition. To be competitive, U.S. companies should adapt their products to local technical requirements and culture. Competing with an ever increasing amount of Chinese imports can be difficult because of their lower price – thus, emphasizing product quality, customer service, and warranty terms is key for U.S. companies.

Electronic Commerce Return to top

Brazil, as Latin America's most advanced Internet and e-commerce market, offers additional marketing and business opportunities. Brazil is the ninth largest Internet market in the world and the first in Latin America. According to the Brazilian Chamber of Electronic Commerce (www.Camara-e.net), virtual commerce yielded over R$ 14 billion in 2008 with estimated growth for 2009 over 45%. Per the International Telecommunications Union (ITU), the number of Internet users has grown rapidly totaling over 33 million today. Market penetration increased from 14.1% to 22.8% during the same period, leaving plenty of room for growth in light of Brazil's continued economic expansion, lowered taxes on personal computers, and the government's pledge to extend Internet access to all its citizens. For further details, please refer to the U.S. Commercial Service Industry Sector Analysis for Brazil - http://buyusainfo.net/docs/x_7259343.pdf

Trade Promotion and Advertising

Return to top

With its well-established and diversified industrial sector, Brazil has a variety of specialized publications that can provide excellent advertising outlets. With a growing consumer base, TV advertising can also be an important marketing channel.

The top ad categories by expenditure are Trade & Commerce, Consumer Services, Culture, Leisure, Sports & Tourism, Media, and Public & Social Services.

The most popular magazine in Brazil, with a circulation of over one million copies, is the weekly Veja, published by the Abril Publishing Company (www.uol.com.br/veja). The largest daily circulation newspaper is Folha de São Paulo, published by the Folha Group, with a circulation of 400,000 on Sundays and a daily circulation of 317,000 from Monday through Saturday (www.uol.com.br/fsp).

Participating in trade fairs is another important marketing tool. The city of São Paulo hosts around 300 trade fairs per year, and other cities host significant shows as well, e.g. Oil and Gas (Rio de Janeiro) and Mining (Belo Horizonte). These events attract many visitors and exhibitors from Brazil and foreign countries. USCS Brazil participates in many of these events and can help you attend and arrange meetings with potential agents, distributors, lawyers, and customers.

Pricing

Return to top

Payment terms are extremely important in Brazil because of the country's high interest rates – it is not unusual for a company to select a supplier with higher prices but better terms.

In Brazil, all import-related costs are generally high because of import duties and taxes – thus some U.S. companies implement efficient logistics systems and lower profit margins. In some cases costs are so high that a simple calculation may indicate that your margins will not allow you to compete with a local product.

Sales Service/Customer Support

Return to top

The "Consumer Protection Law" of 1992 requires customer support and after-sales servicing. In the case of imported products, the importer or the distributor is responsible for such services. Thus, U.S. manufacturers should appoint agents or distributors that are qualified to provide such services.

Protecting Your Intellectual Property

Return to top

Introduction

Several general principles are important for effective management of intellectual property rights in Brazil. First, it is important to have an overall strategy to protect IPR. Second, IPR is protected differently in Brazil than in the U.S. Third, rights must be registered and enforced in Brazil, under local laws. Companies may wish to seek advice from local attorneys or IP consultants. The U.S. Commercial Service can provide a list of local lawyers upon request.

It is vital that companies understand that intellectual property is primarily a private right and that the U.S. government generally cannot enforce rights for private individuals. In Brazil it is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. While the U.S. Government is willing to assist, there is little it can do if the rights' holders have not taken these fundamental steps necessary to secure and enforce their IPR in a timely fashion. Moreover, in many countries, rights' holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been abrogated due to doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should USG advice be seen as a substitute for the obligation of a rights' holder to promptly pursue its case.

It is always advisable to conduct due diligence on partners. Keep the interests of your partner in mind and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IPR rights. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in Brazil require constant attention. Work with legal counsel familiar with Brazilian laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small- and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IPR and stop counterfeiting. There are a number of these organizations, both Brazil **and** U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)
- National Institute of Industrial Property (INPI - Brazil)

IPR Resources

A wealth of information on protecting IPR is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at www.StopFakes.gov.
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the U.S. Patent and Trademark Office (USPTO) at: **1-800-786-9199**.
- For more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**.
- For U.S. small- and medium-size companies, the Department of Commerce offers an "SME IPR Advisory Program" available through the American Bar Association that provides one hour of free IPR legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and Thailand. For details and to register, visit: http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: www.StopFakes.gov This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IPR-infringing products) and allows you to register for Webinars on protecting IPR.
- The U.S. Department of Commerce has positioned IP attachés in key markets around the world. You can get contact information for the IP attaché who covers Brazil at: dorian.mazurkevich@mail.doc.gov

IPR Climate in Brazil

Brazil ratified the Agreement on Trade-Related Aspects of Intellectual Property Rights - TRIPS - which grants the effectiveness of intellectual property rights in the country. Brazilian law regarding intellectual property is relatively new, from 1996, thus it incorporates international standards. The most relevant organ of the matter in Brazil is the National Institute of Industrial Property - INPI - which has been an active participant on international forums seeking to amplify the concept of intellectual property and be up to date with the international community. This posture reflects on Brazil's significant improvement on copyright enforcement, according to USTR Special 301 report regarding intellectual property protection. INPI is also taking measures to increase patent processing capacity by hiring specialists, raising salaries and modernizing equipment. Brazil has ratified the World Intellectual Property Organization Treaties on Copyright, Performances and Phonograms. More information about Intellectual Property in Brazil can be found at **Brazil IPR Toolkit located at** http://www.stopfakes.gov**.**

Due Diligence

Return to top

In Brazil, the USCS can provide US companies with lists of well-known and respected credit rating companies and law firms who can conduct credit checks on potential customers or provide important legal advice. Additionally, the USCS Brazil offers US companies detailed background information, including visits to the target company, through its International Company Profile (ICP). For information on this product, please go to our Guide to Services at www.buyusa.gov/brazil.

Local Professional Services

Return to top

For references to local services providers, please contact one of our five offices in Brazil. The US Commercial Service's offices are located in Belo Horizonte, Brasilia, Rio de Janeiro, São Paulo (headquarters) and Recife. For contact information, please visit http://www.focusbrazil.org.br/siteUSA/index.htm.

Web Resources

Return to top

- Ministry of Foreign Affairs Commercial Promotion:
  www.braziltradenet.gov.br
- Brazilian National Institute for Intellectual Property:
  http://www.inpi.gov.br.
- Intellectual Property Protection:
  www.StopFakes.gov.
- American Bar Association:
  http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html
- U.S.Commercial Service – Brazil:
  www.buyusa.gov/brazil
  http://www.focusbrazil.org.br/siteUSA/index.htm
- Brazilian Association of Direct Marketing:
  http://www.abemd.com.br/English/Default.aspx
- Brazilian Franchising Association:
  http://www.portaldofranchising.com.br

Return to table of contents

Return to table of contents

Chapter 4: Leading Sectors for U.S. Export and Investment

- Agricultural Sectors

Commercial Sectors

- Aerospace: Aircraft and Parts/ Airports
- Electrical Power Systems
- Environmental
- Franchising
- ICT
- Insurance
- Medical Equipment
- Mining
- Oil and Gas
- Pharmaceuticals
- Safety and Security
- Transportation (Ports / Railways)
- Travel and Tourism

Agricultural Sectors

Return to top

In 2007, according to Anfavea (Brazilian Automotive Vehicles Manufacturers Association), sales of agricultural machinery increased 36.2% in Brazil, in comparison with the previous year, and reached 39.7 thousand units. Brazil produced 65 thousand agricultural machineries in 2007, 29% more than in 2006.

Agricultural Machinery Market in Brazil

	2006 (US$ million)	2007 (US$ million)	2008 est. (US$ million)
Total Market	3,359	5,233	5,490
Local Production	4,376	6,175	6,580
Total Exports	2,041	2,579	2,620
Total Imports	1,024	1,637	1,530

Note: Figures include tillers, wheel tractors, crawler tractors, combines, loaders and backhoes.
Source: ANFAVEA USD=2.35 Reais

A large portion of the agricultural machineries manufactured in Brazil was for exports. In 2007, exports of agricultural machinery, including tillers, wheel tractors, crawler tractors, combines, loaders and backhoes reached 25,900 units, an 18.8% increase. The State of Rio Grande do Sul is the leader in production of agricultural machinery in Brazil, with 54.8% of the market, followed by São Paulo (28%), Paraná (15.5%) and Minas Gerais (2.7%).

Brazil has most of the international agricultural machinery producers manufacturing locally and exporting agricultural machinery to other South American countries. Companies include Agco, Agrale, Caterpillar, John Deere, Komatsu, Valtra, and CNH (Case, Fiat Allis and New Holland). Total installed production capacity in Brazil is 86,000 machines per year.

Top U.S. export prospects in this sector include sophisticated, state-of-the-art machinery with higher efficiency levels, including the following equipment: post-harvest machinery like field refrigeration units/storage for tropical fruits, fruit, grain, seed and vegetable cleaning, and sorting and grading machinery; GPS and precision agriculture devices; and poultry equipment.

Brazilian Agribusiness Sector

Brazil is a major producer of a variety of agricultural commodities and is the world's largest producer of coffee, sugarcane and oranges. It is also the world's second largest producer of soybeans, cattle meat, poultry, tobacco leaves, bananas and Brazil nuts, and the third largest producer of corn, pineapples, pepper and cashew nuts.

Brazil is one of the few countries still capable of increasing its planted area. In fact, Brazil has more unused commercially viable agricultural land than any other country in the world.

Its strength in the agricultural sector means there is growing demand for agricultural equipment that improves the quality and yield of crops and reduces costs. Moreover, since farms are generally large, Brazil is ideally suited to incorporate a wide range of American agricultural machinery and technology.

Brazilian farmers enjoy a comparative advantage in many agricultural segments, particularly the grain, fruit, fiber, and animal protein sectors. This advantage is due to a temperate climate with plenty of light, the world's largest surface and ground fresh water reserves, excellent quality and diversity of soils and diverse agro-ecological systems.

The year of 2007 was marked by the rehabilitation of the Brazilian agribusiness sector, which experienced many problems in 2005 and 2006. The Brazilian agribusiness sector grew 5% in 2007, more than three times the results of 2006, when the expansion was only 1.5%. It was the best result in the past three years and reflects a grain production record of 133 million tons, an increase in local food consumption and the growth in exports and prices of agricultural commodities. Among the agribusiness sector highlights for 2007 was the production of sugarcane by-products, especially ethanol, which grew 6.4%.

Sector forecasts for 2008 are also optimistic since local farmers are currently highly capitalized; commodity prices, such as meat, soybean and corn remain high; and new crop records are expected for 2008. A higher use of field technology was also registered in 2007, exemplified by the good results presented by the production of agricultural machinery and equipment (41% increase in comparison to 2006) and insecticides and herbicides (22.6%). However, as the financial crisis unfolds, exports and prices have been falling.

Food and Agricultural Product Export to Brazil

Since the mid-1990's, Brazilian consumers have developed a taste for imported food. Although the country is one of the most important commodity producers in the world and is self-sufficient in food, the opening of the economy exposed local companies to international competition and encouraged consumers to trade up. Traditionally, the top three suppliers of consumer-oriented food products to Brazil are Mercosul member countries, Europe, and the United States.

The United States has maintained this third position with an average market share of about 7 percent of food imports. Mercosul member countries and Europe together account for a 70 percent share. These two blocks present stiff competition for U.S. exporters, because Mercosul countries benefit from tax-free agreements and lower transportation costs, while Europe enjoys instant recognition and a reputation for excellence in the production of high-end foods. Nonetheless, U.S. sales of processed foods reached US$ 120.6 million in 2008, as Brazilian demand for food imports, especially high-end products, continued to grow. With the recent economic slowdown, these imports are expected to decline. Considering that Europe is the direct competitor of the United States, U.S. exporters may find new opportunities to enter the market as local importers look for alternatives to European products in order to reduce costs and reduce exposure to the Euro.

Resources

Return to top

- For more information about export opportunities in this sector contact US Commercial Service Industry Specialist Igly Serafim at: Igly.Serafim@mail.doc.gov
- For more Market Research: www.export.gov/marketresearch.html
- With offices in Brasilia, São Paulo, Rio de Janeiro, Belo Horizonte & Recife, the US Commercial Service Brazil (www.buyusa.gov/brazil) helps US exporters enter Brazil's market through research, matchmaking and advocacy. To the best of our knowledge the information in this report is accurate - however readers should conduct their own due diligence before entering into business ventures.
- U.S. Agricultural Trade Office (ATO)
  U.S. Consulate General
  Rua Henri Dunant, 700
  04709-110 Sao Paulo – SP
  Tel: (55 11) 5186-7400
  Fax: (55 11) 5186-7499
  E-mail: atosaopaulo@usda.gov, atobrazil@usdabrazil.org.br

  Office of Agricultural Affairs (OAA)
  U.S. Embassy
  Av. das Nacoes, quadra 801, lote 3
  70403-900 Brasilia - DF
  Tel: (55 61) 3312-7000
  Fax: (55 61) 3312-7659
  E-mail: agbrasilia@usda.gov

Return to table of contents

Return to table of contents

Aerospace (Aircraft and Parts / Airports)

Aircraft and Parts

Overview

Return to top

Brazil is a World Leader

According to the Ministry of Development, Industry and Trade, from January to August 2008, Brazil imported around US$ 1.6 billion in aircraft, parts and components, with approximately 40 percent originating in the U.S. According the National Agency of Civil Aviation (ANAC), 2009 growth rate is expected to be lower at 4% due to the current global financial crisis.

FOB US$ (million)	2008	2009**
Market Size	2,544	2,650
Local Production	780	980
Imports (Global)	1,565*	1,761
Imports from US	880	1,174

**Assumes exchange rate of 2.35 BRL/USD*
***The above statistics are unofficial estimates.*
** Date from January – August 2008.*
Source: MDIC – Ministry of Development, Industry & Trade / EMBRAER/ Brazilian Association of Aerospace Industry/ Brazilian Aerospace Directory.
Source: MDIC – Ministry of Development, Industry & Trade / EMBRAER/ Brazilian Association of Aerospace Industry/ Brazilian Aerospace Directory.

Best Prospects/Services

Return to top

Embraer projects that world air traffic demands should increase 5% per year from 2009 to 2028, with China presenting the highest growth. Embraer foresees a global demand of 6,750 jets with 30 – 120 seats in the next 20 years, translating to US$220 billion dollars in aircraft sales. Brazil will continue to import aircraft parts and components.

The Helicopter market is booming and the future is promising. The manufacturers' main challenge is to reduce delivery time. According to the National Agency of Civil Aviation (ANAC), Brazil currently has 1,194 helicopters, with 85 percent of the fleet concentrated in the states of Sao Paulo, Rio de Janeiro and Minas Gerais. The fleet is divided between 85 percent turbine helicopters and 15 percent piston. Main players are Helibras of the Eurocopter group, Bell Helicopter, and Sikorsky.

In the Defense sector, the Defense Minister Nelson Jobim recently published the new Defense National Plan, which foresees investments for all Armed Forces. The Brazilian Air Force has already opened the competition for the acquisition of 36 fighter jets. The Brazilian Navy foresees the construction and acquisition of 50 patrol vessels.

In the maintenance sector, Brazil has one of the largest maintenance markets in the world with annual expenditures of US$ 2 billion. In the military maintenance segment, in addition to the *Centro Logistico da Aeronautica* located in Sao Paulo, which is responsible for the acquisition of parts and components for the Brazilian Air Force, the Brazilian Aeronautic Commission in Washington, DC issues periodic requests for quotes to acquire parts and components. U.S. companies interested in supplying the Brazilian Air Force should establish a local representative in Brazil, and register themselves with the Brazilian Aeronautic Commission in Washington, DC. Note: due to the competitive nature of the market, firms providing the most attractive financing arrangements are generally more competitive.

Embraer: US$ 21.6 Billion in Firm Orders in 2008

EMBRAER has designed, developed, manufactured, sold and provided after-sales support to the global aircraft market for 37 years. In 2008, Embraer delivered 204 aircraft in the commercial, executive, defense and government aviation segments. For 2009, the company estimates delivery of 270 aircraft and invest around of US$ 450 million. The United States is also Embraer's largest customer, accounting for 60 percent of the purchases. Embraer has developed "risk sharing" partnerships with key suppliers, including GE Engine Company, Honeywell, Hamilton Sundstrand, C&D, and BF Goodrich.

Opportunities

Return to top

As Brazil's market continues to expand, imports of aircraft, parts and components will increase, representing good business opportunities for U.S. suppliers. The products expected to have the most potential are: helicopters, parts and components for helicopters, avionics and systems, aircraft control systems and aircraft accessories.

Resources

Return to top

- For more information please contact Industry Specialist Daniele Andrews: daniele.andrews@mail.doc.gov, genard.burity@mail.doc.gov, maria.konno@mail.doc.gov
- For more market research reports please visit: www.export.gov/mrktresearch.html
- Embraer:www.embraer.com.br
- Ministry of Defense: www.defesa.gov.br
- Brazilian Aeronautic Committee in Washington: www.cabw.org
- CTA - Aerospace Technical Center: www.cta.br
- AIAB - Associação das Indústrias Aerospaciais do Brasil: www.aiab.org.br
- Ministry of Development, Industry and Trade Commerce www.mdic.gov.br
- ANAC - National Agency of Civil Aviation www.anac.gov.br

Airports

Overview
Return to top

The Brazilian government is about to announce major changes for the Brazilian airport sector as it prepares for the privatization of two main airports in Brazil: International Airport of Galeão located in Rio de Janeiro and Viracopos Airport located in Campinas, State of São Paulo.

There are several national and international companies interested in the airport privatization such as Construtora Camargo Correa, Contrutora Norbet Odebrecht, OHL, and others. The Brazilian National Development Bank (BNDES) is currently analyzing the privatization model for both airports and hopes to have conditions to release the public tender for Viracopos and Galeão in the first semester of 2009.

INFRAERO is responsible for designing, building, operating and managing 67 airports and 81 navigation support stations, all of which have air traffic control, telecommunications services, and flight protection systems and services. INFRAERO is headquartered in Brasília and has seven regional business centers located in Belém, Brasilia, Manaus, Porto Alegre, Recife, Rio de Janeiro, and São Paulo. According to INFRAERO's president, Brig. Cleonilson Nicásio, in 2009 INFRAERO should continue its investments to modernize its airports. Because Brazil will host the World cup in 2014, investments in the airport sector are a priority.

Best Prospects/Services
Return to top

Acceleration Growth Program for the Airport Sector

The Acceleration Growth Program (PAC) for the airport sector foresees investments of US$ 3 billion until 2012. PAC concentrates investments on 20 airports and four cargo terminals in Brazil.

Mid West region: The International Airport in Brasilia should receive investments around US$ 170 million to build a new terminal and tarmac. The Airports in Goiania and in Mato Grosso will receive resources to increase the passenger terminal capacity.

North Region: The Airports in the North region should receive investments around US$ 45 million. Infraero will increase the passenger terminal capacity at the airport of Boa Vista and the airport of Macapá.

Northeast Region: The airports in the Northeast region will receive investments around US$80 million. Infraero will build a new airport in São Gonçalo do Amarante, Natal. For the airport in Fortaleza, Infraero will build a cargo terminal and control tower. The airport in Recife will receive four new passenger bridges.

Southeast Region: Infraero will build a new cargo terminal at the airport in Vitória and expand its passenger terminal capacity. The International Airport Tom Jobim in Rio de

Janeiro will receive US$ 280 million investment to modernize the passenger terminal and the tarmac.

Guarulhos International Airport: It includes construction of a third passenger terminal, as well as extension of the tarmac and equipment purchases. The project has excellent opportunities for US suppliers of airport security and ground support equipment such as access controls, non-intrusive drug and explosive detectors, metal detectors, mobile boarding bridges, baggage handling equipment, and products and technologies that lessen environmental impact. The project was suspended last year and should be reopened in 2009.

South Region: The airport in the south region will receive investments around US$ 250 million. The airport in Curitiba is modernizing the tarmac area, the runway and the taxiway. The estimated US$ 147 million Florianopólis International Airport project that includes construction of a new passenger terminal has been delayed due to several problems during the public tender process. The government expects to reinitiate the project in 2009.

Opportunities

Return to top

US companies primarily compete with Finnish, French, German and Canadian companies. The most competitive firms generally provide the most attractive financing arrangements. The best prospects for US suppliers are: flight protection systems, passenger bridges; equipment for drug and explosive detectors; baggage X-rays; radar systems; and baggage handling equipment. As most first-order procurement is through Brazil's formal bidding process, International companies must have a local Brazilian representative.

Resources

Return to top

- For more information please contact Industry Specialist Daniele Andrews: daniele.andrews@mail.doc.gov
- For more market research, please visit: www.export.gov/mrktresearch.html
- INFRAERO: www.infraero.gov.br
- ANAC - National Agency of Civil Aviation www.anac.gov.br

With offices in Brasilia, São Paulo, Rio de Janeiro, Belo Horizonte and Recife, the US Commercial Service Brazil (www.buyusa.gov/brazil) helps US exporters enter Brazil's market through research, matchmaking and advocacy. To the best of our knowledge the information in this report is accurate: however, readers should conduct their own due diligence before entering into business ventures.

Return to table of contents

Electrical Power Systems

Overview
Return to top

Brazil ranks 10th among the largest world power operators. Brazil's electricity generation is largely in federal and state hands. The state-owned power company Eletrobras controls over 40% of installed generation capacity. State-owned energy companies control approximately 35%, while the remaining 25% has been privatized. Brazil has 2,030 operational power projects with 102,949 MW of installed capacity (excluding imports). Hydroelectricity, including imports, accounts for 77.1 of the total, as shown in the table below:

Operating units							
Type		**Installed Capacity**		**%**	**Total**		**%**
		Qty of Plants	**(kW)**		**Qty of Plants**	**(kW)**	
Hydro		770	77,545,025	69.79	770	77,545,025	69.79
Gas	Natural	89	10,598,502	9.54	120	11,842,985	10.66
	Processed	31	1,244,483	1.12			
Oil	Diesel oil	759	3,645,755	3.28	779	4,910,949	4.42
	Residual oil	20	1,265,194	1.14			
Biomass	Sugar cane bagasse	263	3,605,918	3.25	321	4,786,955	4.31
	Black liquor	13	848,638	0.76			
	Wood	31	260,317	0.23			
	Biogas	8	41,874	0.04			
	Rice Rind	6	30,208	0.03			
Nuclear		2	2,007,000	1.81	2	2,007,000	1.81
Mineral Coal	Mineral Coal	8	1,455,104	1.31	8	1,455,104	1.31
Wind		30	398,280	0.36	30	398,280	0.36
Imports	Paraguay		5,650,000	5.46		8,170,000	7.35
	Argentina		2,250,000	2.17			
	Venezuela		200,000	0.19			
	Uruguay		70,000	0.07			
	Total	**2,030**	**111,116.298**	**100**	**2,030**	**111,116,298**	**100**

Source: ANEEL (Brazil's power regulator) – February 5, 2009

Considering a yearly GDP growth of 5%, by 2017 Brazil's electricity consumption should increase from 412.6 (terawatt-hour)TWh (2007) to 706.4 TWh, while the country's installed capacity is expected to reach 143,086 MW. The recent global economic crisis, however, may affect these estimates.

The contribution of hydroelectricity should be reduced to 75.9%, while natural gas power plants may increase from 10.7% to 12%, and nuclear generation may reach 4 to 5%, if all of the eight planned plants or more come online.

Brazil has a total of 81 small hydropower plants (e.g. up to 30 MW) and another 159 under permit process. There are 21 hydro power plants above 30 MW under construction and 14 projects under permit process. As to thermal power plants, ANEEL's data bank shows 23 projects under construction including natural gas, coal, and biomass plants (e.g. sugar cane bagasse). About 85 thermal power plants are listed as planned projects.

The 2009 estimate for Brazil's power equipment market is US$8.47 billion of which US$630 million is imported globally with US$ 90 million coming from the United States. These figures are partially based on the Brazilian Electrical and Electronics Industry Association (ABINEE)'s statistics. Other power related trade associations do not release their local industry's production figures. Likewise, the power companies' associations do not publish their members' consolidated equipment imports. Hence, the market sizes noted below are likely to be underestimated due to lack of sufficient data.

US$ (million)	**2007 est***	**2008 est***	**2009 est***
Market Size	5,499	7,911	8,294
Local Production	5,762	7,941	8,338
Exports	643	660	660
Imports (Global)	379	612	616
Imports from US	48.6	87.4	88

Exchange: R$ 2.35 = US$ 1.00

Recent ABINEE's studies anticipate that Brazil's GTD (power generation, transmission, and distribution) segments will grow between 5 and 7% in 2009 as a result of the Brazilian government's growth acceleration program ("PAC"). More significant orders are expected to come from the Madeira hydropower complex and biomass cogeneration plants of Brazil's sugarcane sector. New natural gas fields (e.g. Mexilhão) that will come online in 2009 are also expected to result in new thermal power plants in large industrial centers of Brazil. Orders in the power transmission segment should be connected to new transmission lines (e.g. Tucuruí-Manaus and the long line linking Porto Velho-Araraquara).

The 2008-2017 Power Expansion Plan, published by government-owned BPower Research Company (EPE), calls for US$65 billion investment during this period to bring an additional 34,620 MW to Brazil's power generation capacity. Eletrobras estimates having invested US$ 3.2 billion in 2008.. For 2009, Eletrobras plans to invest US$ 3.8 billion, and power generation will account for the bulk (US$3 billion) of its investments.

Best Prospects and opportunities

Return to top

In the power generation subsector, in addition to the sale of equipment such as large power transformers, rectifiers, converters, inverters, electrical controls, heat recovery steam generators, power generation sets, heat exchangers, gas and steam turbines and parts, opportunities also exist in investing in power generation plants through power auctions.

The Brazilian Power Regulator ANEEL held two power generation auctions in 2006 and four in 2007. Adding to the December 2005 auction, a total of 13,477 MW of power have been contracted for delivery from 2008 to 2012. The December 2007 Santo Antonio power plant auction alone will call for investments of about US$4.5 billion. This 3,150 MW project was the first phase of the Madeira River Complex auction. Its second phase, for the 3,300 MW Jirau hydro plant, was held in May 2008. Investments to build this plant will be close to US$ 5 billion. Brazil's national economic and social development bank (BNDES) is providing significant financing for these projects.

Additional power auctions were held in 2008, including one specifically for biomass plants which resulted in 2,379.4 MW contracted for delivery in 2009 and 2010, and two others that will call for 6,642 MW in 34 power plants by 2013. Future planned power auctions for 2009 include one for wind power plants and the giant 11,100 MW Belo Monte hydro plant in the north region. Auction dates have not been released yet.

Public-private partnerships are expected to be the best means of market access for new-to-market US power companies.

Renewable Energy

A new ANEEL resolution, in effect since January 2008, allows consumers with a power demand of 500KW or higher to buy power from renewable sources in the non-regulated market. Incentives for these consumers include 50% discount in the power distribution tariff. This measure may expand the demand for renewable power plants.

Aside from hydro power plants, Brazil's renewable plants include biomass and wind, as noted above in the table of operating units. Business opportunities in this subsector include the supply of equipment (e.g. wind power aero generators and parts, electronic controls) and participation as project sponsors.

Brazil currently has 20 wind power plants under construction and another 28 pending construction. The Brazilian government envisions wind power playing a greater (although still modest) role in Brazil's future energy matrix.

Solar energy through photovoltaic technology (PV) is a competitive alternative to grid extension but is limited to remote areas of the country and in social interest applications. On the other hand, the use of solar water heaters in Brazil has increased rapidly in the last few years, with nearly 140 Brazilian manufacturers producing these products for residences, hotels, hospitals, and swimming pools. Estimates indicate that 5% to 10% of non-electrified domiciles could be supplied with PV systems, but technology is considered costly and maintenance services complex.

Transmission

Currently, Brazil has 88,939 km of power transmission lines, and about 60 million power consumers. Like the power generation subsector, business opportunities in the transmission segment include bidding for new transmission line concessions through annual auctions. The most recent one was from the hydroelectric complex of Rio Madeira, held on November 26, 2008. The transmission lines that will connect Madeira to the integrated power grid will be 2,375 km- long.

Brazil's transmission industry will need to invest approximately US$1.3billion in 2009-13 to build 2,500km of transmission lines and 22 substations included in the government power transmission plan.

Best equipment sales prospects include: electrical switches to open circuits, circuit breakers, capacitor banks, relays, and electrical protection panels.

Distribution

Recent studies released by the Acende Brasil Institute suggest that the power distribution segment will call for US$1.2 billion in annual investments over the next decade.

The “Light for All” rural electrification program is one of this sub sector’s most important programs launched in 2004. Over the last few years, US$4 billion has been invested with 3.2 million installed poles, 480,356 transformers, 257,000 km of high tension distribution lines, and 60,000 km of low tension lines. The goal is to bring electricity to all rural communities (12 million people) by 2010. In addition to this program, power distributors will continue to invest in power distribution system upgrades to make their companies more competitive, meet Brazil’s regulations concerning client satisfaction, and reduce technical and commercial losses. Additionally, Brazilian legislation mandates that power distributors invest 0.5% of their annual net revenues in energy efficiency and R&D programs. From 1998 to 2007, they invested about US$600 million in these programs.

Best prospects in this subsector include lightning arresters, relays, insulated electric conductors, surge suppressors, and innovative technologies to reduce technical and commercial losses.

US Participation in this Sector

US investment in Brazil’s energy sector is concentrated in power distribution and generation as a result of the country’s privatization process in 1996. US companies such as El Paso, Duke, AES, and Ashmore Energy International (AEI) compete with Spanish (Iberdrola, Abengoa), French (EDF, Suez) and Portuguese (EDP) companies. US companies Earth Tech and MDU Resources operate in the power transmission segment. The strongest competition for US GTD equipment suppliers are locally established multinationals (mostly European and Japanese). US companies should note that the federal and state-owned companies that largely control this sector often follow “buy local” policies.

Resources Return to top

- For more information please contact Industry Specialist Regina Cunha at: regina.cunha@mail.doc.gov
- Please visit our Energy Industry Web page https://www2.focusbrazil.org.br/siteUSA/index.aspx?link=industry/energy/index.html
- Eletrobras: www.eletrobras.com.br
- EPE (Empresa de Pesquisas Energéticas): http://www.epe.gov.br/leiloes/Paginas/default.aspx?CategoriaID=21
- Ministry of Mines and Energy (MME): www.mme.gov.br
- National Electrical Energy Agency: www.aneel.gov.br
- With offices in Brasilia, São Paulo, Rio de Janeiro, Recife and Belo Horizonte, the US Commercial Service Brazil, www.buyusa.gov/brazil helps US exporters enter Brazil's market through research, matchmaking and advocacy. To the best of our knowledge the information in this report is accurate - however readers should conduct their own due diligence before entering into business ventures.

Return to table of contents

Return to table of contents

Environmental

Overview

Return to top

Environmental experts estimate that Brazil's environmental technologies market (including equipment, engineering / consulting services and instrumentation associated with pollution control and cleanup projects) is valued at roughly US$ 4.9 billion, of which US$ 2.3 billion is related to the water and wastewater sub-sector (water and sewage US$ 2 billion, industrial investments about US$ 300 million); solid waste management at US$ 2.5 billion (US$ 500 million private investments) and air pollution control at US$ 400 million.

Environmental Technology Market in Brazil:

Sub-sector	Market Size 2007 (US$ millions)	% Growth next 5 years
Water /Wastewater	2,251	15%
- water utilities	1,957	
- industrial sector	2,93	
Solid Waste Management	2,446	15%
- urban cleaning and public waste management	1,957	
- private sector investments	4,895	
Air Pollution Control	391	20%
Environmental Technology Market	4,795	17%

Source: All figures were estimated by market analysts.
Exchange: R$ 2.35 = US$ 1.00

Water and Waste Water

Recent events had a positive impact in the sanitation sector and increased investments in the business. Law 11455 of January 2007 established the regulations, defined the national policy for the sector, enabled states and municipalities to make their sanitation plans, to create consortiums and establish private-public partnerships. A Federal Government social program, known as the *Economic Acceleration Program* (PAC), attracted R$40 billion (US$18.4 billion) to the sanitation sector from 2007 to 2010, using funds from the federal government, state, municipal and private investors.

The PAC's investment priorities are as follows in US$ billions:

Integrated sanitation services in slums – 1.84 billion
Water, Sewage, Waste disposal and rainwater management in mid and large cities – 1.84 billion
Water, Sewage, Waste disposal and rainwater management in cities of up to 50,000 inhabitants – 1.84 billion

Loans to States, Municipalities and water and wastewater utilities – 5.5 billion
Loans to private service providers and market operations – 3.7 billion

Air Pollution Control
The need to comply with the existing legislation on pollution emissions, the reutilization of raw materials and adoption of environmentally friendly policies, determine investments in air pollution control equipment and services. Industry experts estimate that this market is to increase by about 20% per year. In addition to the industrial market, the increased number of CDM projects in sanitary landfills in Brazil, is also creating a demand for gas emission monitoring technologies.

Solid Waste
Although urban cleaning and public waste management services are under the responsibility of municipalities, some major private sector companies participate through contracts or long-term concessions. In addition, there are several Brazilian manufacturers of solid waste treatment equipment. There are also a number of companies, several of them international firms, in the business of hazardous waste treatment. All of these companies visit solid waste expositions in the United States.

Figures from the Brazilian Association of Urban Cleaning and Hazardous Waste Collection and Treatment Companies (ABRELPE), indicate that the sector generates annual revenues of R$ 5 billion (US$ 2.17 billion), has a fleet of 9,600 compactor trucks and invest R$ 300 million (US$ 130 million) in compactor trucks / year. Investments in sanitary and hazardous waste landfills are expanding significantly, as 90% of Brazil's 5,562 municipalities lack sanitary landfills for waste disposal.

Although smaller than the public sector, the private sector is an important market for pollution control technologies. Some of the driving forces affecting this market are stricter environmental legislation, pressure from communities and clients, the introduction of environmental management practices by a growing number of industries and increased number of industries with ISO 14001 certificates. The ISO 14001 certificate requires continuing improvement in production processes and adoption of pollution prevention measures. Industries in Brazil demand technologies for water reuse, solid waste treatment, recycling, CDM for greenhouse gases, etc.

Opportunities Return to top

U.S. companies generally export products such as soil/water contamination treatment equipment and services; healthcare waste treatment technologies; laboratory instruments; odor control products, recycling technologies, etc.

Resources Return to top

- For more information about export opportunities in this sector contact US Commercial Service Industry Specialist Teresa Wagner at: Teresa.Wagner@mail.doc.gov

- For access to further Market Research, please go to www.export.gov/marketresearch

- With offices in Brasilia, São Paulo, Rio de Janeiro, Recife and Belo Horizonte, the US Commercial Service Brazil (www.buyusa.gov/brazil) helps US exporters enter Brazil's market through research, matchmaking and advocacy. To the best of our knowledge the information in this report is accurate - however readers should conduct their own due diligence before entering into business ventures.

Return to table of contents

Return to table of contents

Franchising

Overview
Return to top

Franchises account for approximately 25% of gross revenue in the retail sector. Local Brazilian franchises dominate the market (90%); however, foreign groups, particularly from the U.S., are making headway.

To take advantage of Brazil's growing market, U.S. franchisers should localize their products or services, invest in market research, and test market receptivity through pilots.

Brazil's Franchising Law states that franchisers or their master-franchisees should provide all potential franchisees with a Franchise Offering Circular (Circular de Oferta de Franquia). This must contain basic information about the financial health of the franchiser, as well as information on any pending legal disputes.

U.S. franchisors should pay special attention to the various legal aspects of franchising in Brazil to avoid future disputes with local partners/franchisees. Serious problems and failures of franchise operations have occurred for various reasons, including a lack of knowledge of the market, lack of planning, poor choice of franchisee, and macroeconomic trends. These cases have resulted in financial loses for U.S. and Brazilian companies; a negative impact on brands, both in Brazil and internationally; as well as a negative image for U.S. franchisors entering this market.

An important aspect of Brazil that U.S. franchisors need to be aware of is Brazil's judiciary system. Based on Roman law, this system naturally provides many options for appeal in all stages of the legal process. In addition, the slowness of the already overloaded Brazilian courts can cause significant delays in the decision on a case. Litigants can take advantage of the situation by not paying franchise fees while they keep the business running and the brand is degraded.

Best Prospects/Services
Return to top

Personal accessories and shoes make up the best performing franchise sector in 2007 with a total revenue increase of 24.4%. The franchises in the business and services segment had a 24.2% increase over the previous year. According to the Brazilian Franchise Association the recovery of internal consumption as well as the entrance of traditional companies into the franchise system explains those increases. In terms of the number of chains/brands operating through franchising, the increase in 2007 was of 18.2%.

Another franchise sector that showed large growth figures was Information Technology with 20.4% increase. According to local sources, this is a consequence of the continuous modernization of various industrial segments, the decrease in the price of PCs, popularization of digital cameras, tax reduction for certain products, and the expansion of cellular telephony. In addition, recent anti-piracy actions from the government and society have reduced the gray market for computers, software, and other IT devices and thereby strengthened and matured the retail market. Brazil is the fourth largest PC market in the world outranked only by the United States, China and Japan.

Opportunities

Return to top

In 2007, the Brazilian franchise sector grew by 15.6 percent - about 10 percent more than the national GDP. Total sector revenue was about R$ 46 billion. There are an estimated 1,200 franchising chains and 65,000 franchising units, ranking the Brazilian franchising market as the 6th largest in the world (in number of units) and the 4th largest (in number of franchise chains). The number of chains grew from 1,013 in 2006 to 1,197 (+18.2%). The ABF (Brazilian Association of Franchising) projects sector growth of 12% in 2008, once again outpacing the GDP.

The best performing franchising sectors in 2007, in terms of revenue growth, were personal accessories and footwear (24.4%), other retail business and services (24.2%), and IT services (20.4%).

Resources

Return to top

- ABF – Associação Brasileira de Franchising (Brazilian Association of Franchising)

www.abf.com.br

For More Information, the U.S. Commercial Service in São Paulo, Brazil can be contacted via e-mail at: Paulo.Rodrigues@mail.doc.gov; Phone: 5511-5186-7186; Fax: 5511-5186-7410; or visit our website: www.focusbrazil.org.br

Return to table of contents

Return to table of contents

ICT (Computer Hardware / Computer Software / Telecom Equip and Services)

Computer Hardware

Overview

Return to top

Information Technology: One of Brazil's Growth Sectors

In Brazil, there is a positive outlook in this sector.. Some of the factors that support the growth of the IT industry in Brazil are a stable economy, strong local currency and availability of loans, though recent financial crisis has taken its toll but to a lesser extent. In 2008, Brazil invested US$ 24 billion in information technology, which counts for 2% of Brazil's GDP. Of this amount, US$ 12.5 billion was invested in computer hardware, US$ 8.5 billion in IT Services and US$ 3 billion in computer software.

US$ (million)	2006	2007	2008 (est.)
Market Size	12,517	13,378	14,850
Local Production	11,591	11,932	12,970
Exports	384	316	292
Imports (Global)	1,310	1,762	2,171
Imports from US	218	284	326

Source: Abinee – Brazilian Association of Electro-electronic products
Exchange Rate US$1 = R$ 2.35

According to IDC (International Data Corporation) government is the second largest market in size and investments in information technology. IDC estimates that the global market will spend US$ 161 billion in 2008 and will continue to invest an estimated 6.6% per year until 2011.

These figures reflect a very positive scenario for Brazil. Among all BRIC countries (Brazil, Russia, India, and China), Brazil positions itself in second place only behind China in terms of investments in information technology, says IDC. It is also estimated that investments in IT in Brazil will be larger than the country's GDP growth (estimated by federal government at a 1.5% for 2009).

In 2008, 18% of Brazil's electric-electronic exports went to the United States. Although this was a nine percent reduction from 2007, the United States is still Brazil's second largest export market, after ALADI (Latin America Free Trade Agreement) countries. According to ABINEE, imports of IT products are expected to grow and are estimated to reach a 23% increase compared to 2007.

PC and Notebook Sales Increase Rapidly

Based on a research prepared by IDC, Brazil is considered the 5th largest PC (personal computer) market in the world, which represents 47.3% of the Latin America market. In 2007 there were 10.7 million computers sold in Brazil, while the figures for the leading markets were: USA (64 million), China (36 million), Japan (13 million) and United Kingdom (11.2 million). It is expected that Brazil will reach third place in this ranking by 2010.

Sales of 10.7 million units of PCs in Brazil in 2007 – desktops and laptops – represent a growth of 38% compared to 2006. Laptops alone presented an extraordinary growth of 153% in 2007, reaching a total of 1.5 million units sold.

Best Prospects/Services and Opportunities Return to top

Prospects for 2009 are positive, despite the economic crisis that is currently affecting the global economy. The Brazilian Electric-Electronic Association believes that the industry will continue on its growth path and will reach a positive result of 7% increase compared to the estimated country's GDP growth for 2009.

The main reasons for growth in Brazil's IT hardware segment are economic stability, lower dollar values and tax exemption on computer sales through the "Lei do Bem". Though this law targeted PCs and notebooks, with increased computer sales comes increased demand for printers.

According to industry forecasts, 2009 should continue be the "Year of the Notebook", as mobile computer sales will continue to grow. According to estimates by retail experts, within two months of the launch of the lower-priced notebooks, prices could drop even lower because of increased sales volume for computer components.

Sales of corporate network servers in Brazil should increase this year. Falling prices of the machines, the renewal of the established base and the computerization of small and medium-sized companies are among the factors contributing to the expansion.

Brazil will continue to import computer hardware and peripherals as local production cannot keep pace with demand, while PC manufacturers may not be able to meet demand because of some processor shortages.

Gray Market

According to IDC, the sales growth demonstrated in Brazil in the last few years follow a worldwide trend of increased sales of legal products. The so-called "gray market" was reduced from 50.8% to 46.4% in 2007. This figure was not smaller due to the increase of notebook sales, some of which were considered "counterfeited".

The computer software segment is also affected by the illegal market. According to BSA – Business Software Alliance, there was a one-percent reduction in the software piracy index in Brazil, reaching 59% (US$ 1.617billion). From the 108 countries that were part of this study, the usage of pirate software was reduced in 64 and increased in 11 countries. The result is considered positive for Brazil as the country was able to reduce this figure for two consecutive years, reducing 5% in total.

A recent study shows that a 10% reduction in pirated software in Brazil could generate a stronger IT market reaching 11,500 new jobs, US$ 2.9 billion in revenues for the local industry and an additional US$ 389 million in taxes.

Computer Software

Overview

Return to top

Brazilian Software Market			
US$ (million)	2006	2007	2008 est*
Market Size	9,010	10,224	11,553
Local Production	5,063	5,585	6,311
Exports	223	245	217
Imports (Global)	3,946	4,393	4,964
Imports from United States	2,829	2,904	3,276
(*) Trade / Industry Source - 2008 Estimated Exchange rate value US$ 1 = R$ 2.35			

Software sales in Latin America are expected to increase by 11.5% this year. Given the forecast for steady growth of the Brazilian economy over the next several years, Brazilian IT spending should increase at a healthy pace. The demand for telecommunications software is expected to grow as a result of the convergence of data, voice, and conventional and mobile telecommunications. The most significant topic in this sector is the increase of data communications in cellular telecommunications, which is expected to continue growing for the next few years.

Best Prospects/Services

Return to top

There is a new trend for acquisitions in Brazil to merge IT, infrastructure, network and telecommunications. The unanimous opinion shared by analysts is that the trend shows a movement towards consolidation and convergence of technologies.
Within the software segment, 36.2% of the market represents purchases of enterprise applications such as CRM, ERP or SCM solutions while systems infrastructure solutions, such as platforms for administering and running software assets, contribute 35.2%.

E-commerce is gradually becoming part of the daily routine of Brazilians as companies overcome the initial lack of trust that usually accompanies new business concepts. The sector's growth prospects for 2009 are 40%, with a sales volume of US$ 5.5 billion. With an eye on such forecasts, E-commerce companies in Brazil have made investments to finance their expansion while adopting measures to lessen capital costs.

The "Business to Business" (B2B) segment is still small in Brazil and is only concentrated among a few large companies. Although a large number of Brazilian and multinational companies made significant investments to develop e-business platforms, more time is needed for this segment to take hold in Brazil.

Opportunities

Return to top

Recently, city, state and federal government procurement offices in Brazil have been debating a possible preference for "open-source" software (known as *Software Livre* in Brazil). Several bills have been introduced in the Brazilian Congress requiring federal agencies to acquire and use free, unrestricted open-source systems. Some state and local governments in Brazil have either enacted or are debating laws that call for open-source systems.

For medium-sized enterprises in Brazil, the two largest drivers of this year's growth in Brazil's software market are the increasing use of enterprise applications, and the systems infrastructure software segment. Data security and data backup or recovery will be investment priorities in the upcoming months. IT security is also a priority for companies in Brazil, concerned with protecting themselves against hackers and viruses. With increasing network and Internet-based connectivity, combined with frequent electronic attacks from viruses and worms, Brazilian firms are realizing their vulnerability and have begun systematically implementing IT security measures.

Telecommunications Equipment & Services

Overview

Return to top

With roughly 35% of the region's revenues, Brazil remains Latin America's largest telecom market. Net revenue from telecom equipment including services was near US$62 billion in 2008 and the market estimates this to reach US$74 billion in 2012. Sector revenues are split among fixed carriers (32%), mobile carriers (34%), manufactured products (16%) and services (18%). Motorola, Nokia, Nortel and Cisco have manufacturing facilities in Brazil, giving the country one of the region's best telecom infrastructures.

Strong competition is expected to continue in the coming years, highlighting the need to enhance the existing network. The third generation technology (3G) was launched in 2008 and telecommunication companies need to strengthen their organization and expand their networks to prepare for future competition.

Telecom equipment suppliers in Brazil expect total revenues to reach US$9.6 billion in 2008, or 21% above 2007's estimated sales of US$7.8 billion. Opportunities for U.S. suppliers exist in the areas of 2G-network maintenance, 3G-network services and applications, broadband internet infrastructure, application software, and wireless communication networks. Trends continue to be toward convergence, i.e., adding telecommunications services, to maximize the benefits derived from investments and efficient operations.

Telecommunications Market Equipment			
US$ (million)	**2006**	**2007**	**2008 (est.)**
Market Size	7,124	7,431	8,991
Local Production	5,968	5,541	5,851
Exports	2,916	2,332	2,530
Imports (Global)	1,156	1,890	3,140
Imports from US	557	669	962

Source: Abinee – Brazilian Association of Electro-electronic products
Exchange Rate US$1 = R$ 2.35

Imports from the United States increased in 2008 by 66% thanks to the favorable exchange rate. Some of the items most imported include semiconductors, telecommunications and informatics components. For 2009 a decrease in imports is expected due to the devaluation of the Brazilian real - 32% in late 2008.

Fast-changing technology, competitive prices, and the emergence of capital-rich players have all contributed to an increase in competition within Brazil's telecommunications market. The number of fixed line subscriptions decreased significantly. However, the number of mobile phone users experienced significant growth, from 120 million in 2007 to 151 million in 2008, a market penetration of 78%. This number ranks Brazil in fifth place in terms of cellular phone users, just behind of China, United States, India and Russia.

Between 1998 and 2008 the Brazilian telecommunications sector invested more than US$ 70 million to expand, modernize, and increase the quality of services provided. In 2008 the investments made by the fixed telecommunications carriers and Pay TV service providers accounted for approximately US$ 7 million and another US$ 10 million is expected to be invested by the private sector in the coming years.

Best Prospects/Services

Return to top

Cellular Phone Services: The mobile phone market is dominated by GSM-based technologies. Telecom operators recognize the need to broaden their offerings in order to win the loyalty of new customers, retain existing users, and benefit from the market potential of non-voice services. Price cutting and value-added services including: faster data transmission, enhanced multimedia capabilities and improved Short Message Services (SMS) are the most critical strategies for luring customers.

Satellites: After years of stagnation, the satellite market grew between 5 to 8% in 2008. The demand for this service is still growing especially in the video segment. Telefonica Group uses satellite technology to provide Direct to Home (DTH) services. New compression technologies will force the reduction of prices for this type of services and as a result of that, regional broadcasters are planning to change the current microwave distribution infrastructure for satellite solution. There are good prospects for trunking services for regions where there is no optical fiber, distant learning, corporate TV (with media and sales points), and municipalities that are interested in building its own Internet network.

Broadband: Broadband closed 2008 with approximately 10 million subscribers, a 25% increase to previous year. Such increase is due to the offer of triple play services - telephony, broadband and Pay TV in the same package. All the largest telecom carriers operating in country already offer this alternative. The competitive structure has been changing due to telecommunications convergence. Carriers are looking for opportunities to expand their business by bundling voice, data, and video, in order to address the triple-play demand and protect the voice market from VoIP and Pay TV operators' approach. Several carriers are keen on establishing partnerships or even acquire other companies to offer triple-play services.

Pay TV Market: The Brazilian market for Pay TV generated US$ 3.4 billion by late 2008 with approximately 6.1 million subscribers. This market is expected to grow at least 15% in the next year mainly because of the increase of the broadband penetration in country.

Internet access, VoIP (Voice over the Internet Protocol), Triple-Play Services (combination of voice, video and data), and Wi-Max (wireless networking specification used for long-haul and backhaul connections), are bringing a new flow of investments and contribute for the expansion of this market over the next few years.

The fixed telephony operators are starting to launch IPTV Services but there are still some regulations issues for the provision of such services. Current regulation does not allow fixed telephony operators to offer TV broadcasting. Best prospects for US suppliers include all type of solutions to improve the broadband market via cable modem, home networking platforms, IP telephones, IPTV software and video-on-demand services, among others.

Auction of 3.5 GHz WiMAX bands still on hold: Brazil's telecommunications regulatory agency, ANATEL, is planning to auction the 3.5 GHz frequency band in July 2009. After public consultations the agency is still evaluating the best model to auction this frequency in order to increase competition between players and minimize the prices of services to final customers. The main issue is whether fixed line operators can take part in the auction in regions where they already provide telephony services.

Opportunities

Return to top

Best Prospects for US firms are in Wireless, IPTV, Broadband services

Brazil's wireless industry trends towards convergence, i.e., adding a range of telecom services to a single medium to maximize benefit and efficiency. Despite the economic downturn Motorola, Nokia, Samsung, Sony-Ericsson, Siemens, and LG intend to increase cell phone production to meet growing domestic and regional demand, and even export to North America. High Definition Television was launched in December 2007. TV broadcasters will be looking for products/services to provide interactivity and mobility.

Resources Return to top

IC&T contacts

For more information contact Industry Specialists as follows:

- Computer Hardware – Patricia Marega – patricia.marega@mail.doc.gov
- Computer Software – Genard Burity – genard.burity@mail.doc.gov
- Telecommunications – Ebe Raso – ebe.raso@mail.doc.gov

- IPR-related issues – Dorian Mazurkevich, Regional Intellectual Property Attaché (Latin America) (dorian.mazurkevich@mail.doc.gov)

For additional market researches visit: http://export.gov/mrktresearch/index.asp

Resources used to compose the IC&T Best Prospects:

- ABINEE: www.abinee.org.br
- Business Software Alliance: www.bsa.org
- Anuário Brasileiro de Serviços e Infra-Estrutura de TI/2008
- ANATEL: www.anatel.gov.br

Return to table of contents

Return to table of contents

Insurance

Overview

Return to top

In 2007, the Brazilian insurance market reached US$ 47 billion, approximately 3.7% of Brazil's GDP, and almost half of South America's insurance market. The Brazilian insurance industry has grown for six years at higher rates than GDP, doubling since 1994, with life and health insurance showing the greatest growth. The market's potential continues to attract foreign companies - in 1994, Brazilian companies controlled 95% of the market – but today, foreign companies have 40% market share (US insurers 21%).

US$ (million)	2007	2008 est*	2009 est*
Market Size	36,085	41,959	49,098
Foreign Insurer Participation	14,385	16,785	19,631
US Insurer Participation	7,607	8,725	10,212

Figures are based on an exchange rate of R$ 2.35/US$ 1.00
**2008/2009 figures are unofficial estimates from trade sources*

Regulatory Environment

Brazil's government regulates private insurers through:

The National Council of Private Insurance (CNSP): CNSP sets insurance policy guidelines and rules, regulating insurer creation, organization, and activity. CNSP establishes guidelines for insurance contracts, reinsurance rules and sets general accounting and statistical standards. CNSP is comprised of representatives from the Ministries of Finance, Justice, and Planning; the Office of the Superintendent of Private Insurance, IRB (the state owned reinsurer), Brazil's Central Bank, and four private insurers.

Superintendent of Insurance (SUSEP): SUSEP is an independent agency subject to the Ministry of Finance. SUSEP monitors the insurance and private pension market through a solvency index; establishes and monitors operational risk limits; supervises technical reserves; regulates open pension funds; and regulates insurance brokers.

IRB-Brasil Resseguros SA: IRB is a 51% state-owned company.

New Regulatory Agency: Creation a new insurance sector regulatory agency, similar to those in Canada, Japan and Scandinavia, is being studied. The new agency would combine SUSEP, CVM (Brazil's SEC) and part of the Finance Ministry that oversees pension fund administration.

Best Products/Services

Return to top

Property & Casualty Insurance Brazil's property and casualty insurance market is dominated by auto insurance, a segment that continues to be one of the best opportunities for U.S. insurers operating in or seeking to enter Brazil. In 2002 Brazil had one car for every 8.8 inhabitants, and some insurers predict that by 2009 the ratio will be one car for every four Brazilians. Brazilians still do not purchase much homeowner's insurance, but once interest rates drop to single digits and homes can be purchased on credit (which requires homeowner's insurance) more opportunities should arise.

Pension Insurance

Brazil's pension system is composed of public social security, administered by the National Social Security Institute (INSS) and private plans. Though the government recently reformed the public system it still runs a deficit.

The private system consists of funds that are open and closed to the public. Open funds are available to the public and operate as an insurance product, i.e., clients contribute to the plan through premiums, and are paid an annuity when they retire. Insurance firms and banks' insurance subsidiaries are the principal open fund providers.

Two funds similar to 401(K) plans are also available. The Individual Programmed Retirement Fund (Fundo de Aposentadoria Programada Individual) is a long-term individual savings and retirement fund, operated by financial institutions, that allows small and medium-sized companies to supplement employee social security plans. The Tax-Free Benefits Generation Plan (Plano Gerador de Benefícios Livres) is offered by insurance companies and is popular because of its tax incentives.

Life Insurance

Though Brazil ranks 35th in the life insurance sector worldwide, life insurance products are becoming more sophisticated and have been the fastest growth area for insurers. Group term insurance has traditionally dominated the Brazilian life market, but 1998 saw the first permanent life insurance products (endowments and whole life).

According to the Brazilian Superintendent of Private Insurance (SUSEP), Brazil's life insurance sector's net written premiums were estimated to be US$ 15.8 billion in 2007, or 33% of the market.

Health Insurance

Although a country with 180 million inhabitants, Brazil has a rather small medical insurance market. 74% of the population receives health care through the public health system. Only 3% of the population is enrolled in insured plans, versus self-insured, medical groups, cooperatives or Health Maintenance Organizations (HMOs).

Reinsurance

Reinsurance in Brazil is currently a market of around US$ 1.3 billion, or about 1% of the world's reinsurance market.

The Brazilian Reinsurance Institute (IRB) was founded in 1939, and acted as a monopoly for over 60 years. In 1996, the Congress passed a law to open this market to competition. As of 1997, the IRB – now IRB Re Brasil, is owned 51% by the Brazilian government. The 49% remaining shares are owned by insurers, which include Bradesco Seguros (21.3%) and Unibanco Seguros (around 19% - note that Unibanco had, until the end of 2008, a joint-venture with the U.S. insurer AIG).

All of these steps were taken to complete IRB's privatization, but in July 2000, some Brazilian congressmen stopped the privatization, stating that a "specific legislation on reinsurance should be created". By that time, about 25 foreign companies had established branches in Brazil to strengthen their bids for the IRB's auction. Following the acts of Congress, most of them decided to leave the Brazilian market.

On January 15, 2007, Vice-President José de Alencar, who was acting President at the time, signed into law the proposal to open the reinsurance market. Complementary Law 126 was published on January 16, 2007 at the "Official Gazette;" and the opening process was concluded on April 2008.

Market Trends - Reinsurance

In comparison to 2000, reinsurance premium income in Brazil grew 415%. According to the Brazilian Federation of Insurers (FENASEG) and Standard & Poor's, Brazil ranks as 59th in reinsurance premiums, with an income of US$ 2 billion in 2007 (data for 2008 not yet confirmed as of February 2009).

Year	2000	2007
Net written premiums – Reinsurance	US$ 485 million	US$ 2.0 billion

Opportunities

Return to top

Market sources estimate that the insurance sector in Brazil will not be affected much by the global financial crisis in 2009. Sectors that could be impacted are: engineering risk insurance (since the construction rate may be reduced), group life insurance (considering a possible reduction on employment level) and car insurance.

SUSEP has pointed to potential business opportunities in niches in the Brazilian insurance market. For example, in the energy sector, some power utilities in Brazil are planning to adopt a new type of insurance to cover items such as excessive power loads, with policies that guarantee compensation in the event of power blackouts or other problems. This kind of policy has been used in the United States (note the case of California), but is virtually unavailable in Brazil.

Pension reform also offers opportunities: according to trade industry analysts, projections for 2009 are for a 51% sales increase, based on "VGBL" plans (similar to the U.S. *401(k)* plan), functioning as an alternative to social security.

Retail banks will market insurance policies to more of their clients.

Other niches are in civil liabilities; personal property; reinsurance; extended warranty insurance; micro-insurance and rural activities (aka "crop insurance"), covering climate variations.

In Reinsurance, opportunities include:

- Partnerships with the IRB
- Partnerships with a Brazilian reinsurance broker
- Opening a representative office in Brazil

There are also good opportunities for:

- Law firms
- Service providers
- Actuarial expertise
- Software companies
- Warranty
- Large risk segment
- Marine – platforms, cargo ships, etc.
- Aerospace

How to Enter Into the Brazilian Insurance Market

U.S. companies wanting to enter Brazil's insurance market are advised to open a subsidiary, enter into a joint venture, acquire a local company, or partner with a local company. Under current legislation, insurance companies must be incorporated, submit an application to SUSEP requesting permission to operate as an insurance company, and if approved, only engage in insurance activities.

To set up a new insurer, investors must first make a minimum investment of about US$5 million in an insurance company. Although the legislation is vague, it appears that foreign firms cannot manage general agents without first capitalizing the company. Foreign insurers may set up a representative office in Brazil, though the representative office cannot issue policies. Legislation now allows foreign insurance companies to hold all the equity/voting stock of a Brazilian insurance company. Currently, Aetna, AIG, Chubb, Cigna, Hartford, Liberty Mutual, MetLife, Mony, Prudential, and the insurance brokers AON and Marsh/McLennan (also active in reinsurance) are in Brazil.

In reinsurance, of the nine foreign reinsurers present in Brazil, three are U.S. companies:

- American International Underwriters (AIG Group)
- Transamerica Reinsurance
- Transatlantic Reinsurance

Following U.S. reinsurance brokers are active in Brazil.

- Acordia (Wells Fargo) – in partnership with the Brazilian broker Assurê
- Arthur Gallagher
- Guy Carpenter
- McGriff, Seibels & Williams
- MexBrit (Mexico/USA)
- Nausch, Hogan & Murray Inc. (NHM)

- Swiss Re (though a Switzerland-based group, this branch is based in Armonk, NY)

Resources Return to top

- For more information please contact Industry Specialist Patrick Levy at: patrick.levy@mail.doc.gov
- For more market research: http://export.gov/mrktresearch/index.asp
- Brazilian Superintendent of Insurance: www.susep.gov.br
- Brazilian Association of Insurers: www.fenaseg.org.br
- IRB: www.irb-brasilre.com.br
- With offices in Brasilia, São Paulo, Rio de Janeiro, Recife and Belo Horizonte, the US Commercial Service Brazil (www.buyusa.gov/brazil) helps US exporters enter Brazil's market through research, matchmaking and advocacy. To the best of our knowledge the information in this report is accurate - however readers should conduct their own due diligence before entering into business ventures.

Return to table of contents

Return to table of contents

Medical Equipment

Overview

Return to top

US$ (million)	2007	2008	2009 (estimated)
Total Market Size	2,878	3,594	4,121
Total Local Production	1,453	1,888	2,260
Total Exports	310	372	445
Total Imports	1,734	2,078	2,317
Imports from the U.S.	693	772	842

Figures are based on an exchange rate of R$ 2.35/US$ 1.00
Source: Secex, Abimed

Brazil is the largest medical equipment market in South America. The total market for medical equipment in Brazil should continue to expand through 2009. Brazil is both a major medical equipment producer and importer. This industry is comprised of a number of related products and services, including:

- Medical equipment and devices.
- Dental equipment and products.
- Radiological and diagnostic imaging equipment.
- Laboratory equipment.

Brazilian medical equipment revenues in 2007 reached an estimated US$ 4.1 billion, which represents an increase of 30% from the previous year. The United States accounts for approximately 40% of the import market, with U.S. sales mainly going through local agents, distributors and importers who sell to hospitals and clinics. The market for electro medicine equipment is around US$ 200 million, which represents 50% of total sales in Latin America.

There are few high-quality Brazilian manufacturers of advanced medical products so Brazil's reliance on imports should continue for some time. Local buyers view US and other foreign products (mainly Canadian and European) as having comparable quality and reliability. Thus, financing terms often become the differentiating criteria in making a sale.

Best Products/Services

Return to top

With continued expansion of Brazil's private health care sector, the market should grow. New opportunities for US exporters abound, particularly for:

- Advanced medical equipment
- Disposables
- Diagnostic devices

- Implants and components

Opportunities

Return to top

An interesting trend in Brazil is the growing market for home health care products, which has increased dramatically in recent years. Brazil has an estimated 150 home health care companies compared to approximately 1,440 in the US. In Brazil, these companies are increasingly viewed as ways to cut hospitalization costs while offering better services for patients. Brazilian health insurance companies are responsible for paying 99% of the costs related to home care treatment, and as such, the U.S. Commercial Service sees the market for home health care products growing dramatically during the coming years. Brazil's Regional Nursing Council is currently developing procedures on how to regulate this market, including standards for health professionals.

In addition to the attractive size of the Brazilian medical market, US exporters should consider the opportunities offered by Mercosul, and use Brazil as a "spring board" for export into Argentina, Uruguay and Paraguay. Since compulsory product registration before sale is required for all of Mercosul countries, U.S. exporters should consult a local lawyer/consultant before signing a contract with any agent/distributor.

Resources

Return to top

- Major Trade Show:
  Hospitalar – www.hospitalar.com - The largest medical event in Latin America

- For more information please contact Industry Specialist Jefferson Oliveira at: jefferson.oliveira@mail.doc.gov

- For more market research: http://export.gov/mrktresearch/index.asp

- Key Contacts:
    - Brazilian Ministry of Health: www.saude.gov.br
    - ABIMO - Brazilian Association of Dental, Medical and Hospital Equipment: www.abimo.org.br
    - ABIMED – Brazilian Association of Equipment, Products and medical Supplies Importers: www.abimed.org.br

Return to table of contents

Return to table of contents

Mining

Overview

Return to top

Brazil is the world's fifth largest mineral producer and has one of the world's largest mining equipment markets. The mining sector in Brazil was expanding at very high rates during the last 10 years and breaking nearly all records every year, but since August 2008 a sharp downturn has prevailed in the market. As of February 2009, most analysts say that it is still very unclear how the market will evolve during the next two years. Most analysts expect that it will take at least two to three years for the market to reach the output and price levels of August 2008. A recovery will depend basically on the international demand for raw materials.

The Brazilian mineral potential still has not been fully surveyed, and significant discoveries of mineral deposits are still expected in the future. Most of Brazil's mines are open pit so the underground mining equipment market is relatively small, though more underground mines are expected to open in the next 3 - 7 years.

Brazil's largest installed mining operations are for iron ore, with 2008 output at 409 million metric tons/year (Mt/y), representing nearly 19% of the world's total. Brazil also produces bauxite (26.6 Mt/y in 2008, or 13% of the world's total), gold (55 t/y in 2008), kaolin (2.5 Mt/y), manganese (2.4 Mt/y), niobium (86,000 t/y, with 94% of the world reserves), potassium chloride (KCl) (650,000 t/y), phosphate concentrate (6 Mt/y), zinc (185,000 t/y of metal content) and cement (50 Mt/y in 2008). Brazil's coal production is relatively small and has been stagnant for the last 20 years. The output in 2008 was only 11 Mt/y of steam coal, but is planned to reach 20 Mt by 2013, in order to supply several new local coal power plants.

Brazil is one of the largest importers of metallurgical coal, used basically by its steel manufacturers. It imported 16.1 million metric tons (US$1.75 billion) of metallurgical coal in 2006. The main supplier countries were Australia (35% of the total imported in 2006), U.S.A. (26%), Canada (9%), China (7%) and South Africa (4%). The largest Brazilian mining company Vale has made large investments in coal mining in Australia and in Mozambique in the last three years. It had an output of 4.1 Mt of coal in Australia during 2008 being 68% metallurgical coal and 32% steam coal. In Mozambique, Vale is currently building a mining and railroad complex to start exporting coal in 2011. The total deposits are 2.5 billion metric tons and the total output is planned to reach 40 Mt/year. Vale also bought in 2008 a coal project in Colombia, to start producing 4.8 Mt by 2011.

US$ (million)	**2008***	**2009***	**2010***
Total Market Size	4,414	4,239	4,420
Total Local Production	4,657	4,462	4,657
Total Exports	582	553	582
Total Imports	339	329	339
Imports from the U.S.	116	111	116

** Statistical data are unofficial estimates from trade sources.*

Exchange rate US$1.00 = R$2.35.

Best Products/Services Return to top

VALE: Companhia Vale do Rio Doce: Brazil's largest, and the world's second largest, mining company is Companhia Vale do Rio Doce. The company recently changed its brand name to VALE. Privatized in 1997, VALE is responsible for more than 50% of Brazil's mineral output based on value, and represents an excellent opportunity for US equipment suppliers. VALE produces nearly 90% of Brazil's iron ore; 100% of Brazil's potash, 85% of manganese, 43% of kaolin, 80% of bauxite, and it is also the top player in aluminum, copper, and nickel production. The output of its main minerals in 2008 was 302 million metric tons (Mt) of iron ore, 275 kt nickel, 11.6 Mt of bauxite, 5.0 Mt of alumina, 543 kt of aluminum, 311 kt of copper, 607 kt of potassium chloride, 1.1 Mt of kaolin.

VALE is also the top logistics player in Brazil, especially for ports and railroads, not only for its own use, but also as a supplier of logistics services to other companies. It is the largest Brazilian consumer of electricity. In the last five years, VALE has become very internationally diversified, having bought the Canadian company INCO (the world's largest nickel producer); plus the above mentioned coal projects, and many other projects in Latin America, Africa and Asia. Between 2002 and 2007, VALE was the Brazilian company with the highest increase in share value for investors at the stock exchange. VALE had been breaking its own records every year, and had shown very high rates of growth in practically all its activities in the last ten years, until September 2008. In the last quarter of 2008 however, due to the crisis in the international market, situation changed dramatically in the mining sector and Vale has also been hard hit like most other mining companies. In December 2008 Vale bought Rio Tinto's iron ore assets in Brazil, and potassium assets in Argentina and Canada, for a combined amount of US$ 1.6 billion.

Anglo American has two large iron ore projects in Brazil. It officially announced in December 2008 that it is delaying start up of these operations for one year, to 2010 and 2012. Anglo is also delaying by nearly one year its big nickel project "Barro Alto," expected to start up in 2010 with an output of 36,000 kt/year in ferro-nickel alloys. Besides, AngloGold is the second largest gold producer in Brazil.

ArcelorMittal bought in 2008 a large iron ore project in Brazil, with an output of 3.8 Mt in 2008, being expanded to 10 Mt in 2012.

MMX, a new company that had started three large iron ore projects in Brazil in 2007, has been hard hit by falling prices in the market. Its main project is now on hold and the two others have been sold to Anglo American. Besides, it is developing two iron ore projects for nearly 5 to 10 Mt/year each one, which may also be delayed.

Gold: The total Brazilian output of gold is expected to expand from 51 t/y in 2008 to 100 t/y of gold metal in 2013, according to the Brazilian Ministry of Energy and Mines. The Canadian Kinross Group became Brazil's largest gold producer in 2008, when it started up a new project of US$ 550 million and increased its output of gold metal from 5.4 to 17.2 metric tons o / year. Other large gold producers in Brazil are AngloGold Ashanti, Yamana Gold and Jaguar.

Opportunities

Return to top

Brazil has a very limited market for turnkey machinery, as a number of leading multinationals have manufacturing facilities in Brazil, with some even exporting their products abroad. Among those already in Brazil are Caterpillar, Volvo, Case New Holland, Cummins, Ingersoll Rand, Metso, Atlas Copco, Sandvik, Siemens, Alston, Scania, ABB, 3M, Liebherr and GE. These equipment manufacturers, though, provide excellent opportunities for US parts and components for earth-moving equipment, belt conveyors, crushers and grinding equipment, laboratory instruments, and drill bits and equipment.

The most important trade show of this sector in Brazil is Exposibram, which is held every second year in Belo Horizonte. It is sponsored and organized by the Brazilian Mining Institute IBRAM. The next edition of this show will be on Sep. 21 – 24, 2009 in Belo Horizonte. Participation in it is highly recommended for U.S. manufacturers of mining equipment.

Resources

Return to top

- For more information contact Industry Specialist Mauricio Vasconcelos at mauricio.vasconcelos@mail.doc.gov
- US Commercial Service Market Research Worldwide: http://export.gov/mrktresearch/index.asp
- Ministry of Mines and Energy (MME): www.mme.gov.br
- Brazilian Geological Service: www.cprm.gov.br
- VALE: www.vale.com
- Brazilian Mining Institute (IBRAM): www.ibram.org.br
- Specialized magazines: www.signuseditora.com.br (Magazine “Brazil Mineral”), http://www.minerios.com (Magazine “Minerios”), www.inthemine.com.br (New magazine, started in 2006).
- www.geologo.com.br (professional geologists association)
- www.abimaq.org.br (ABIMAQ - Brazilian Association of Machinery Manufacturers, with online database of manufacturers)
- With offices in Brasilia, São Paulo, Rio de Janeiro, Recife and Belo Horizonte, the US Commercial Service Brazil (www.buyusa.gov/brazil) helps US exporters enter Brazil’s market through research, matchmaking and advocacy. To the best of our knowledge the information in this report is accurate - however readers should conduct their own due diligence before entering into business ventures.
- Trade show: The U.S. Commercial Service has organized U.S. pavilions in the last five editions of the Exposibram show, mentioned above. U.S. companies interested in participating should contact Mauricio.vasconcelos@mail.doc.gov.

Return to table of contents

Return to table of contents

Oil and Gas

Overview

Return to top

Brazil ranks 17th in world in terms of proven oil reserves. It is not part of the Organization of Petroleum Exporting Countries (OPEC). The new large oil and gas discoveries (Tupi and Jupiter) that Petrobras made in late 2007 under the pre-salt layer could turn Brazil into a net oil and gas exporter.

Since state-owned Petrobras' monopoly ended in 1998, over 50 international firms have entered Brazil, with 819 oil blocks awarded during ten oil concession offerings, most recently in December 2008. Petrobras was awarded the majority of these concessions, so most opportunities for US firms are servicing/supplying Petrobras (interested suppliers must register at www.petrobras.com.br - "Suppliers Channel Guide"). The 2009 estimate for Brazil's oil and gas equipment and services market is US$ 40 billion with US$ 10.5 billion in globally sourced imported equipment and US$ 6.3 billion coming from the United States.

US$ (million)	2007 est*	2008 est*	2009 est*
Market Size	2,6772	34,470	39,188
Local Production	19,672	25,211	28,994
Exports	63	63	58
Imports (Global)	7,164	9,322	10,252
Imports from US	4,296	5,593	6,151

Unofficial estimates.
Exchange rate: R$ 2.35 = US$ 1.00

Petrobras´ Importance

Petrobras, Brazil's largest company with net revenues of US$ 85.3 billion is a publicly traded state-owned energy company ranked among the top 15 oil companies in the world. Currently, Petrobras maintains 109 oil production platforms in Brazil.

During 2009 – 2013 timeframe, Petrobras plans to invest US$ 174.4 billion (90% of which is slated for Brazil) to increase production capacity to 3.6 million barrels of oil per day (bpd). The investment breakdown includes:

- E&P (US$ 104.6 bn, US$ 92 bn of which is dedicated to Brazil E&P)
- Downstream (US$ 43.4 bn)
- Gas and energy (US$ 11.8 bn)
- Petrochemicals (US$ 5.6 bn)
- Corporate (US$ 3.2 bn)
- Distribution (US$ 3 bn)
- Biofuels (US$ 2.8 bn)

Petrobras and the U.S. Eximbank (ExIm) have been discussing possible increase in Eximbank's financing of Petrobras' projects and equipment purchases. U.S. companies can find more information on Eximbank supported projects at http://www.exim.gov/.

In 2008 (January - November), Brazil produced 1.9 million bpd of oil of which 1,855 million bpd originated from Petrobras. About 140,000 barrels of oil equivalent (boe) were exported since Brazilian refineries are not capable of processing all of the heavy oil produced in the country. During the same period, Brazil refined about 1.7 million bpd, 133,000 boe of which were light oil imported to mix with Brazil's predominantly heavy oil.

Best Products/Services Return to top

Recent Brazilian Petroleum Institute's estimates show that Brazil has probable reserves of 60 – 80 billion barrels and possible reserves of 20 to 30 billion. Such figures take into account the recent discoveries in Brazil's pre-salt layer (Tupi, Jupiter, and others). According to 2007 OPEC statistics, Brazil's proven crude oil reserves reached 12.2 billion barrels.

Petrobras plans to put 11 new oil platforms in operation in 2009. By 2012 another 22 units will explore for oil in Brazil. In 2009, Petrobras plans to tender six new oil production platforms. Petrobras also plans to add 175 vessels to their fleet, including 122 supply ships and 44 very large crude-oil carriers (VLCCs). The tender for the first 24 supply vessels estimated, at US$ 4.5 billion, is currently in progress.

December 2008 statistics show that Brazil has 90 active onshore and offshore drilling rigs, mostly operated by Petrobras. Opportunities in offshore equipment and services include flexible pipes, oil well completion systems, pumps, valves, drill pipes, and undersea services. Onshore E&P best prospects include progressive cavity and sucker rod pumps, polish rods, tri-cone drill bits, packer systems, flow control equipment, compressors, heat exchangers, plant automation, well stimulation, sand control completions, and others.

Devon, Shell, Petrosynergy, Queiroz Galvão, W. Washington, and others produce oil in Brazil, while El Paso, Chevron, Exxon, Statoil/Andarko, Hess, and Repsol YPF are developing offshore and onshore oil production projects. Combined investment by these and other oil players, other than Petrobras, are expected to exceed US$ 20 billion through 2011.

A breakdown of all oil exploration blocks, as well as development and production fields by companies are available at ANP's web links:

- http://www.anp.gov.br/petro/lista_concessoes.asp
- http://www.anp.gov.br/petro/petroleo.asp
- http://www.anp.gov.br/doc/dados_estatisticos/Blocos_Exp_Sob_Concessao_06_03_09.pdf

Likewise, at the ANP exploration and production database site: http://www.bdep.gov.br/, ANP makes available oil field geological information as well as future seismic campaigns that ANP will contract out.

Every year, E&P investment opportunities are made available internationally through the National Oil and Gas Agency, which organizes oil auctions for concession rights to explore oil fields. U.S. firms mentioned above entered the Brazilian market through this process and have grown steadily ever since.

Downstream Overview

Petrobras' refining capabilities have historically focused on light crude, but offshore production shifts have dramatically increased heavy crude production. Petrobras has reached its heavy crude refining capacity and must now swap heavy crude for light crude abroad. Petrobras has plans to build five refineries in Brazil, one that will also function as a petrochemical unit, and by 2013 they plan to disburse US$ 43.4 billion to the entire refining and supply segments to improve oil product quality, double heavy oil refining capacity, and implement safety and environmental upgrades. Specifically, Petrobras is investing US$ 4.5 billion to produce cleaner 50 ppm diesel. Petrobras is building 12 diesel treatment units to reduce the level of Sulfur. By January 2013, the goal is to produce a more efficient diesel known as S-10 with only 10 ppm of Sulfur. To make the transition to S-10 from S-50, Petrobras will invest US$ 2 billion.

Natural Gas Overview

Natural gas currently accounts for 11% of Brazil's energy matrix. Natural gas production averaged 19.8 million cubic meters per day from January to November 2008 (only about 11.7 million of which were available for consumption. Petrobras consumes the remaining gas at its refineries, re-injects a portion in its own oil wells to increase their production, and flares about two million cubic meters a year.) New fields are currently under development, and ones in the pre-salt layer that are yet to be developed, are expected to significantly increase Brazil's natural gas production thus reducing the need to import gas from Bolivia. From January to November 2008, Brazil imported 10.6 million cubic meters from Bolivia.

Additionally, Petrobras has been investing to reduce natural gas flaring at oil platforms and in two liquefied natural gas (LNG) plants in Brazil. To expand the gas pipeline network, Petrobras will build about 4,000 km of new gas pipelines by 2013 with a US$ 3.8 billion investment.

Opportunities Return to top

Sector Challenges: Tax, Local Content, Regulatory Changes

Petrobras, federal and state governments increasingly favor local firms or firms with significant local content. Because local content in Petrobras' purchases varies from 51% in E&P to 92% downstream, US companies are encouraged to seek local supplier partnerships using the U.S. Commercial Service's Gold Key Service.

The latest available information on Petrobras' 2007 procurement shows that about 75% of Petrobras' direct purchases of goods, equipment, and services, in the amount of US$ 19.4 billion were procured from domestic suppliers.

Local content sentiments have also created tax changes. For example, to attract foreign oil and gas investors, Brazil's government created a special federal tax exemption regime (Repetro) in 1999 (scheduled until 2020). Although domestic suppliers were also eligible, foreign suppliers benefited the most because they were also exempt from state sales tax (ICMS); however, in June 2003 the State of Rio de Janeiro abolished the ICMS exemption for foreign oil and gas equipment suppliers. After extensive lobbying from drilling service providers in 2004, the state has allowed ICMS exemptions for oil rig, exploration and drilling equipment suppliers, and extended this benefit to rig and spare part suppliers for oil development projects whose contracts were signed before June 2003.

Possible regulatory changes

Brazil is considering regulatory changes to its oil sector for the purpose of capturing more revenue from the country's significant newfound pre-salt oil reserves. There are two competing proposals under consideration: 1) maintain the current concession model and increase royalties, or 2) nationalize petroleum reserves and use production sharing agreements (PSA) to partner with oil companies to develop them. Both options would yield similar revenues for the government, but political factors will be the driving force behind the decision.

Current concession system and taxation

In the current concession system, foreign companies have rights to the oil in the ground and compensate the government for taking the resources via royalties. Companies that produce oil and gas in Brazil pay a ten percent fixed royalty rate. On top of that, they pay an additional "special participation rate" for large fields ranging between 10-40% of revenue depending on the volume, location, depth and age of the field. State governments levy even more taxes (rates vary by state). In total, Brazil collects between a maximum of 57-62% in oil royalties for large fields. In comparison, in Russia and Kazakhstan the government take is around 70%. Some governments require as much as 80% in royalty fees.

Regardless of the outcome, the global oil industry sees oil exploration in Brazil as a lucrative venture and is eager to get into the pre-salt game; however, many companies fear that they may have to wait two or three years before getting the opportunity to bid on new exploration opportunities since offshore oil lease auctions have been suspended since the pre-salt discoveries were initially confirmed in November 2007.

Resources Return to top

- For more information please contact Industry Specialist Regina Cunha at: regina.cunha@mail.doc.gov
- Please visit our Market Research Library (website listed below) or our Energy Industry Web page https://www2.focusbrazil.org.br/siteUSA/index.aspx?link=industry/energy/index.html for more updates on business opportunities.
- Petrobras: www.petrobras.com.br
- Ministry of Mines and Energy (MME): www.mme.gov.br

- Geological Service of Brazil: www.cprm.gov.br
- ANP – National Petroleum Agency: www.anp.gov.br

With offices in Brasilia, São Paulo, Rio de Janeiro, Recife and Belo Horizonte, the US Commercial Service Brazil (www.buyusa.gov/brazil) helps US exporters enter Brazil's market through research, matchmaking and advocacy. To the best of our knowledge the information in this report is accurate - however readers should conduct their own due diligence before entering into business ventures.

Return to table of contents

Return to table of contents

Pharmaceuticals

Overview

Return to top

US$ (million)	2007	2008	2009 (estimated)
Total Market Size	14,289	16,638	17,617
Total Local Production	10,080	12,331	13,702
Total Exports	729	874	962
Total Imports	3,425	4,110	4,893
Imports from the U.S.	764	518	587

Source: Febrafarma
Figures are based on an exchange rate of R$ 2.35/US$ 1.00

The Brazilian pharmaceutical industry is comprised of 270 companies and is the largest market in Latin America. This represents a total market value of US$ 17 billion in 2008, with an estimated 20% growth. Brazil is also among the five largest pharmaceutical markets in the world in terms of unit sales. According to Brazil's Pharmaceutical Industry Syndicate (SINDUSFARMA), Brazilian pharmaceutical product imports in 2007 approximated US$ 4.2 billion. This reflects a 35% increase over the previous year's level. The U.S. exports account for approximately 20% of Brazilian pharmaceutical imports.

About 80% of pharmaceutical companies operating in Brazil are national, but they are only responsible for a minority of domestic sales. Foreign firms mostly from the United States and Europe, along with their Brazilian subsidiaries, supply 70% of the market, not including direct sales to the Government.

Multinationals operating in Brazil have expressed concerns about the slow to non-existent approval of pharmaceutical patents in the country, with roughly 18,000 pharmaceutical patents currently pending approval. Also, taxes applied to medicines in Brazil are among the highest in the world. The Government collects over US$ 1 billion in taxes from the pharmaceutical sector. The cascading tax method applied on manufactured goods in Brazil affects several industries, and it is one of the most important topics that private industry has raised with the Government. The process aimed at reducing taxes on pharmaceutical production is slow and bureaucratic. According to Government statements, however, taxes applied on pharmaceutical products are expected to decrease in order to make drugs more affordable for the population. However, these decreases are expected more at the state level rather than the federal.

Generic Pharmaceutical Products

U.S. firms seeking to enter the Brazilian market should be aware that the local generic drug market is growing rapidly. Generic drugs first entered the Brazilian market in 1999. Since then, the sector has grown rapidly and is estimated to have accounted for 14.2% of sales in 2007. Nearly all generic production is purchased by state public health care systems as part of the government's program to distribute medicine to the poor. It is estimated that in 2008, the generic market will reach US$ 1 billion in sales represented 20% of total sales.

Best Products/Services

Return to top

The pharmaceutical products that are most imported, in sales, are in the Harmonized System Code 30.04 as "Medicines with Cyclosporine A", "Other Medicines with Heterocyclic Compounds in doses" and "Other Medicines for Therapeutic Use".

Best prospects are for products related to modern life style, such as contraceptive, erectile dysfunction, cholesterol, weight control, diabetes and other medicines for chronic diseases treatment.

Opportunities

Return to top

Brazil's Pharmaceutical market represents an excellent opportunity for US firms for a variety of reasons. The size of the pharmaceutical market is significant, and this market will likely grow as the Government lowers taxes on these products. Tax decreases will not only increase per client sales for current patients, but will bring into the fold those currently forgoing medication because of financial constraints.

Opportunities for U.S. firms to export raw materials to Brazil are abundant. Approximately 85% of the raw materials used in the production of generic drugs in Brazil are imported. In addition, we see major demand for equipment and services associated with the construction of pharmaceutical manufacturing plants, representing another opportunity for US exporters.

Resources

Return to top

- Major Trade Shows:
  - FCE Pharma – www.fcepharma.com.br - The largest technology event in the pharmaceutical industry.
  - Hospitalar – www.hospitalar.com - The largest medical event in Latin America.
- For more information about export opportunities in this sector contact US Commercial Service Industry Specialist Jefferson Oliveira at: jefferson.oliveira@mail.doc.gov.
- US Commercial Service Market Research Worldwide: http://export.gov/mrktresearch/index.asp
- Brazilian Agency for Sanitary Health: www.anvisa.gov.br

Return to table of contents

Return to table of contents

Safety and Security

Overview

Return to top

Brazil has an extensive and well-developed security market that has consistently registered an average annual growth of 15-20% with annual sales of US$ 20 billion. Brazil's preoccupation with personal security has increased the demand for security equipment and services. Brazil's public safety and security market is expected to continue growing in 2008.

The market for electronic security equipment is estimated at US$ 1 billion. According to a study compiled by the Brazilian Association of Electronic Security Companies (http://www.abese.org.br/), the electronic security market has registered average annual growth rates of 11% for several years, and is expected to continue this pace.

Foreign products account for approximately 50% of total market share, with U.S. products representing approximately 50% of these imports. This equates to a market worth roughly US$ 250 million. Major foreign competitors include Israel, Korea, and Japan, each responsible for about 10-15% of the import market share.

Brazilian Safety and Security Market			
US$ (million)	**2007**	**2008**	**2009 est***
Market Size	14,361	16,276	19,148
Local Production	12,446	14,361	1,6276
Exports	-	-	-
Imports (Global)	1,914	1,914	2,872
Imports from United States	957	957	1,436

The above statistics are unofficial estimates. (*) Source IDC - 2009. Estimated Exchange rates are values expressed in U.S. dollars - US$ 1. 00 = R$ 2. 35 (January 2009)

Best Products/Services

Return to top

Best prospects for U.S. companies include access control, CCTVs, alarm systems, surveillance technology, drug and explosive detectors, metal detectors, fire prevention and detection systems, cellular telephone blockers, biometrics, and home security equipment.

Financial institutions are the market's main end-users, spending approximately US$ 1 billion per year in security equipment and services. This is the most sophisticated consumer niche, demanding quality, warranty and after-sales service.

Port and airport security is another high-quality segment which should continue to offer excellent opportunities for U.S. suppliers.

Vehicle surveillance is another market segment that has seen rapid growth over the last few years. According to the press, more than 300,000 cars are stolen in Brazil every year, and in large cities like São Paulo and Rio de Janeiro, car hijackings occur every few hours. Additionally, cargo robberies are a problem. To avoid such losses, transportation companies have invested approximately US$ 1.4 billion in security equipment and personnel.

Small Business and Private Homes

Other promising niches are small businesses and private homes as high crime rates force individual citizens and business owners to increase their security expenditures. These end-users, however, usually buy less expensive and less sophisticated equipment. Specialists estimate that Brazil has around five million homes that should have some type of security device, but only seven percent are equipped with electronic security systems.

Opportunities

Return to top

U.S. manufacturers of security equipment have been operating successfully in Brazil for many years and have approximately 50% of the total market share. The best prospects in the public security sector in 2009 include: helicopters, radios, communication systems, surveillance cameras, protection equipment, bulletproof vests, night vision goggles, helmets, munitions, non-lethal weapons, and handcuffs among others. U.S. companies interested in the public security market in Brazil need to work closely with the federal government and with each state public security secretariat.

Market Entry

To be successful in Brazil, U.S. manufacturers must either establish themselves within the country or have a well-informed local representative. It is also important to have a distributor or system integrator who can offer after sales and maintenance services, replacement parts, and repairs.

Due to the Brazil's size, most distributors and system integrators cover only specific regions. They are usually small to medium-sized companies that lack financial capability to invest heavily in product promotion, technical training, and translation of technical manuals. Therefore, it is often important that the U.S. company provide financial support for some of those activities. U.S. companies that have enjoyed the greatest success in Brazil have worked closely with their agents and distributors, investing heavily in market development, product promotion, and personnel training.

Resources

Return to top

- For more information please contact Industry Specialists: Genard Burity (genard.burity@mail.doc.gov); Marina Konno (marina.konno@mail.doc.gov, Daniele Andrews (mailto:daniele.andrews@mail.doc.gov)
- For more market research: http://export.gov/mrktresearch/index.asp
- With offices in Brasilia, São Paulo, Rio de Janeiro, Recife and Belo Horizonte, the US Commercial Service Brazil (www.buyusa.gov/brazil) helps US exporters enter Brazil's market through research, matchmaking and advocacy. To the best of our knowledge the information in this report is accurate - however readers should conduct their own due diligence before entering into business ventures.
- For IPR-related issues please contact Dorian Mazurkevich, Regional Intellectual Property Attaché (Latin America), at dorian.mazurkevich@mail.doc.gov

Return to table of contents

Return to table of contents

Transportation (Ports/Railways)

Ports

Overview

Return to top

Port Investment Plan

US$ (million)	2008	2009	2010
Market Size	626	554	665
Local Production	338	300	366
Imports (Global)	287	254	305
Imports (USA)	119	105	127

Source: Trade/Industry resources US$ 1 = 2.35 Reais

With a coastline of 8,500 km (5,600 miles), Brazil has a port sector that handles around 700 million tons of goods annually and is responsible for more than 85% of exports. The maritime modal has one of the lowest costs for the transportation of cargoes in Brazil.

The Brazilian port system is made up of 37 public sea and river ports. Of this total, 18 have operations authorized by the state and municipal governments. There are 42 terminals for private use and three port complexes that operate under concession to private enterprise.

The importance of ports efficiency becomes even more relevant with export growth, which has been gaining volume every year until recently.

The private sector is increasingly involved in developing the major ports including investment in equipment necessary for terminal operation. The public sector is responsible for construction and maintenance of port infrastructure, including dredging, land access, environmental and safety infrastructure projects, in addition to supervising the port activities.

Best Products/Services

Return to top

Prospects and Investment Trends in the Industry

According to a report from the Department of Transportation and Logistics of the Brazilian National Economic and Social Development Bank (BNDES) , expected investment in the sector is US$ 1.7 billion covering a set of 25 port projects - 11 of which are in progress and 14 are under evaluation. The disbursements forecasted by BNDES, by the year 2010, reach more than US$ 1.0 billion, and consider an average participation of the Bank in 60% of the required investment as detailed below:

A) Projects in Progress: US$ 456 million. The projects considered "in progress" are those that were officially presented to BNDES by May 2006 and are undergoing approval process, contracted, or are subject to some kind of evaluation or analysis.

B) Projects under evaluation: US$ 1.2 billion. This classification comes from unofficial data from information collected in the press, seminars, and conferences, and also from estimates obtained through information in public domain, and informal consultations.

Public Investments

The latest budget forecast by the Federal Government included a request for public investment in ports of US$ 706 million, with the Federal Government allocating most of the resources over a four-year period. It is also worth noting that in the beginning of 2005, the Federal Government launched a program called The Ports Agenda that provides investment amounting to US$ 328 million in projects to be executed in the 11 largest Brazilian ports. Experts estimate that it would take more than twice that amount just to take care of the more urgent problems. In 2005, the government invested US$ 112 million.

Infrastructure Investment Growth Map Comparing 2003/2006 to 2008/2011

Sectors	Investments US$ (billions)		Growth % Annual	Growth Contribution in Investments	
	Realized 2003-06	Forecast 2008-11		US$ billions	(%)
Infrastructure	73.0	136.3	13.2	63.0	100
Energy	24.0	59.4	19.8	35.3	56.2
Communications	34.0	33.0	-0.8	-1.4	-2.2
Sanitation	8.0	28.2	29.0	20.4	32.3
Railroads	5.0	11.7	16.9	6.4	10.1
Ports	1.7	4.0	18.7	2.3	3.7

Ports: Investment forecast for ports between 2008 and 2011 reaches R$ 6.8 billion (US$ 3 billion), with an average growth rate of 18.7% per year. The PAC - Growth Acceleration Plan - accounts for more than a third of that amount, which is designed primarily for dredging projects, currently considered the main challenge for increasing port efficiency. Second in priority among the projects is the installation of a new container terminal at the Santos port.

Projects Planned and Under Construction.

In the state of Ceará, the port of Pecém is planning on building new terminals to accommodate the construction of an oil refinery and a steel mill. In addition, the port of Mucuripe is developing a project to prepare the port to become a port of entry for tourism. Part of the resources for these projects is already guaranteed.

The two ports are complementary to each other said Minister Pedro Brito and the Federal Government has shown high interest in investing in the State of Ceara port complex. The bidding process for the Mucuripe project was released last September with funding secured by the PAC - Program of Accelerated Growth, amounting to US$ 22 million.

The project includes deepening of the access canal and development of the basin areas, where ships dock and maneuver. The depth of the canal should increase from 10 meters to 14 meters, allowing the traffic of larger vessels and reducing operational costs. The work also includes increasing the port capacity to handle grain. Work at the port of Mucuripe should start in 2009.

As for the port of Pecém, the expansion project should consolidate its position as a bonafide industrial port. The mega-investments made in this region including construction of a refinery and a steel mill, and the creation of an Export Processing Zone, led to large-scale expansion of the port and the construction of new terminals.

Additionally, the railroad Transnordestina will need the port of Pecém's extended infrastructure to load grain from the Brazilian mid-west to ship abroad.

Project costs for these ports are estimated at US$ 1 billion and should take approximately five years to complete.

According to the President of Brazil Ports Erasmo Pitombeira, with the construction of a new natural gas terminal, Pier 1 for bulk cargoes and Pier 3 for containers, the Port of Pecém should expand its present capacity considerably. Most of the investment would be directed towards doubling the number of weighing scales, the construction of additional access gates, purchase of container inspection equipment, expansion of refrigerated warehouses, and construction of new service areas to house activities directly linked to the port.

In the southern part of the country, in the state of Rio Grande do Sul, the Port of Rio Grande should receive investments of approximately US$ 600 million for the construction of at least 10 terminals.

The projects are for building and operating terminals for forestry products, fertilizers, general cargo, and containers with estimated cost of US$ 150 million. Preliminary studies indicate that five years from now, the Port of Rio Grande should handle 1.5 million containers per year - the current terminal, a little smaller than the one in the tender, moves 600 thousand units.

In 2007, the movement of general cargo in the Rio Grande port was 27 million tons. By 2014, this movement should reach 50 million. The State Deputy Secretary for Infrastructure, Adalberto Silveira Neto confirmed the investment program.

The Minister of Ports of the Presidency, Jose Roberto Sierra, announced that the Federal Government will launch an international tender for drafting the National Strategic Plan for Ports. The study is intended to define the national policy for the sector in coming years. The work, which will cost around US$ 13 million, should point out solutions for port development and will involve long term analysis of related legislation, including tariffs and the sector's requirements.

By the end of 2009, the federal government intends to complete the work on deepening the draft of the Port of Rio Grande from 14 to 20 meters and the extension of its piers.

The work is included in the Program of Accelerated Growth (PAC) and should cost around US$ 440 million.

Companies that will build new terminals or expand:

- Bunge (new)
- Bianchini (doubling)
- Transpetro (doubling)
- Copesul (doubling)
- Aracruz (new in North San Jose)

New terminal tenders:

- Forestry products (this year)
- Fertilizer (this year)
- Containers (this year)
- General cargo (in North San Jose)

As of June 2008, the port of Santos, Latin America's largest port, moved 37.3 million tons of cargo – a 10% increase in container movement.

The work financed by PAC should further increase traffic in the Port of Santos, which is still far from having exhausted its installed capacity.

Dredging is a central issue in expanding the port's capacity; it would allow larger vessels to be routed to South America.

In addition to dredging, the port is increasing the number of berths using the services of the operator Santos Brazil. The major operators in the port of Santos are also investing heavily in equipment to increase the number containers handled per hour.

Seven years from now the port of Santos alone would be equipped to handle the equivalent to the sum of all cargo handled today in all container terminals in the country.

The Brazil Port Terminal, a company controlled by the operator of Terminal Europe, has announced an investment of US$ 700 million for the port of Santos. This will be the largest private investment in the port to date.

The project includes building a 300-square-meter area located at the entrance of the port where Brazil Port Terminal will build a container terminal with capacity to handle up to 1.1 million of TEUs plus a liquid bulk terminal with capacity to handle 1.2 million tons annually. Brazil Port Terminal plans to start commercial operation by 2012.

The GOB has not opened tenders for concession of new terminals of public ports since 2001. The last container terminal tender was the Tecon Suape in the State of Pernambuco, purchased by the Philippine group ICTSI.

The Government is striving to change this situation. In 2008, the Special Secretariat for Ports, linked to the Presidency of the Republic, should have on hand a concession plan that will serve as a basis for future port concessions.

Among the new mixed use private terminals for private and third party cargo handling that are currently beyond the planning stage, are projects that have more land to store cargo and construct facilities to produce and export finished products. For example, Superporto Brazil in Peruíbe (SP), headed by businessman Eike Batista, is investing US$ 900 million. The Superporto Brazil will be built in a place where dredging is unnecessary; draft is a major problem for increasing productivity in most Brazilian ports.

A similar model, which avoids dredging, is a container terminal being developed in Santa Catarina by a company headed by the Hamburg Süd group and Battistella, which will require an investment of US$ 350 million.

Also in Santa Catarina, the company Portonave has another container terminal project with expected investment of approximately US$ 423 million.

In Rio de Janeiro, two terminals are under construction: a mixed-use terminal in northern Rio de Janeiro, with investments of US$ 300 million, and another private terminal owned by ThyssenKrupp CSA, on the western side of Rio, with investments of about US$ 100 million.

Railways

Overview

Return to top

The Growth Acceleration Plan foresees investments of US$296 billion in infrastructure.

The Growth Acceleration Plan announced by the federal government in 2007 assures that US$ 296 billion will be invested in infrastructure by 2010. Of the total, 86.54%, or US$ 256.5 billion, should come from federal, state and private sector, while the remaining US$ 30.5 billion should come from the central government. Investments under PAC will be strong on logistic infrastructure, including highways, ports, railways, airports and waterways. The objective is to facilitate transportation of cargo and goods to have a positive impact on the cost of the products.

By 2010, invested in logistics should reach US$ 34.3 billion. Over the next four years, the plan is supposed to provide for the construction, adequacy, duplication and recovery of 42 thousand kilometers of roads, which should use most of the investments allocated for logistics.

US$ (million)	2008	2009	2010
Market Size	371	293	346
Local Production	200	215	254
Imports (Global)	171	184	217
Imports (USA)	66	71	84

Source: trade/Industry Resources USD=2.35 Reais

Opportunities

Return to top

In spite of real growth achieved since the privatization of the railroads in 1997, the potential for future growth of the rail freight business in Brazil is still immense. Specialists of the “freight on tracks movement” guarantee that a promising future is based on basic rules of arithmetic. A railroad freight car can carry a load equivalent to three 35-ton trucks. Since railways operate on a much bigger scale, freight is on average six times cheaper than trucks to transport cargo, based on 1 ton per thousand kilometers.

Freight Operators

Pleased with the results obtained so far, rail operators are not afraid to invest. Vale (formerly known as CVRD) operates four railroads; EFC, Norte Sul, EFVM, and FCA, plan on spending US$ 3 billion next year..

As is the case with other sectors, railroads are being impacted by the international economic crisis. Although logistics companies directly related to the transportation of iron ore and agricultural commodities are admitting to the possibility of reduction in the product handling, they expect to continue investments in equipment in the belief that the current downturn will soon return to normal.

Valley logistics, Valley’s transportation division, for example, will not change its investment plan of around US$ 3 billion for 2009, while Latin American Logistics (ALL) estimates investments of US$ 700 million for the period. Transnordestina Logistics expects to invest approximately US$ 2 billion.

Andre Leal, commercial manager of Ferrovia Centro Atlantica (FCA), which belongs to Valley, stated that “although the present scenario is complicated, new opportunities are presenting themselves. Therefore, we decided to retain our expansion plans."

The investment plan announced by Valley Logistics adds up to US$ 12 billion by 2012, including four railroads that the company manages, and investments of resources in other modals, such as additional port capacity. Investments in logistics account for 20% of Valley’s investments. In 2008 the amount was close to US$1 billion.

MRS railroad, announced investments to double its capacity by 2011, surpassing 200 million (tons?) per year.

Following are some of the plans presented by the operators at the trade show Negocio nos Trilhos 2008.

CFN - Within the next two years two projects from CFN **-** Companhia Ferroviaria do Nordeste of note: the restructuring of the Linha Sul railroad in the states of Pernambuco and Alagoas and the Transnordestina rail project from 2013 to 2010 slated for early completion in 2010.

The recovery of the Linha Sul railroad will involve 550 kilometers of railways destroyed by flood, at a cost of US$ 49 million. The investment for Transnordestina is estimated at US$2 billion.

Passenger Operators

Passenger operators are also expanding. CPTM from São Paulo should invest US$ 2.0 billion to upgrade its system from metroliner to light rail system by 2014. Metro-Rio plans to double its daily passenger capacity from the present 550 thousand to 1 million by 2010**.** The company's plans include opening of new branches and stations plus duplication of existing ones**.**

Metro de São Paulo – Mr. Marcos Kassab, Metro's planning director said that the company will invest US$ 4.1 billion by 2010. The resources would be used to improve efficiency, reduce the time between trains, improve signaling and communication systems, and control centers.

Resources Return to top

For information contact industry specialists

- Ruy Baptista: ruy.baptista@mail.doc.gov,
- Genard Burity: genard.burity@mail.doc.gov
- Ebe Raso: ebe.raso@mail.doc.gov
- Market research: http://export.gov/mrktresearch/index.asp
- US Ex-Im Bank: www.exim.gov
- Brazilian Ministry of Transport: www.transportes.gov.br
- National Association of Transporters: www.antf.org.br
- Valor Economico magazine

Let us help you export. - The U.S. Commercial Service - Your global business partner. www.export.gov or 800-USA-TRADE

Return to table of contents

Return to table of contents

Travel and Tourism

Overview

Return to top

Brazil is the seventh largest source of overseas visitors to the United States and is the top arrivals market for South America, accounting for 28 percent of arrivals from the continent. Brazil has a very diverse population with diverse tastes. With only 5 million outbound travelers from a population of 185 million, and the country's economic growth prompting more middle-class travelers, growth seems likely to continue for many years. The U.S. Department of Commerce's Office of Travel & Tourism Industry (OTTI) 2007 numbers reported that Brazil surpassed its previously estimated growth of 8%. In 2007, Brazil had a double-digit increase in the number of visitors to the United States of 21.7% over 2006, which represents 639,431 Brazilian visitors. In the first eleven months of 2008, Brazil had a 20% growth over 2007 numbers in the same period and reached 674,000 visitors to the U.S. It is estimated that 2008 will close with more than 730,000 Brazilian visitors traveling to the United States.

While wholesalers are key travel distributors, Brazil's 10,000 travel agencies, 60% of who issue international tickets, are most important. As many tour operators began as travel agencies, many do both, and stiffer competition has prompted most to upgrade technology and improve efficiency. Associations are important in Brazil's travel industry. The Brazilian Tour Operators Association (Braztoa), formed by 60 operators, is the main association of tour operators, and the Brazilian Travel Agencies Association (ABAV) has approximately 3,500 members responsible for just over 80% of travel sales. In 2008 the majority of Brazil's visitors to the U.S. went through a travel agency, while others went directly to airlines, through the Internet, or used state/city travel offices.

Best Products/Services

Return to top

Brazil's typical visitor to the U.S. has visited at least once before. The high season for Brazilian travel to the U.S. is Dec-Jan, and then July, because of school holidays. Shorter trips during public holidays are also very popular. Although not as popular as before, fly and drive trips are still popular and one can often find Brazilian families driving through Arizona, California, Nevada, Colorado, Florida, Louisiana or New England. According to OTTI, in 2007, Brazilian travelers to the U.S. averaged 2.3 trips, spent 21.7 nights, and visited 1.5 states and 2.1 destinations. Brazilian travelers are among the biggest spenders when traveling to the U.S., averaging $3,557 per traveler. The greatest proportion of Brazilian visitors are in the age groups 35-44 and 44-54, married and professional, followed by the age groups 25-34, 55+, and 15-24 year of age.

Brazil's business travel industry continues to grow – U.S. Department of Commerce statistics show that over 40% of total outbound trips from Brazil are for business. Brazilian business travelers are lucrative targets as they often include some leisure days during their trip and spend more than the average traveler. The total 2008 numbers for all sales for international business trips and services in Brazil presented a major growth and reached 15 billion dollars.

Brazil's outbound ski market, dominated by the upper-middle and upper class, has grown steadily. Argentina and Chile are the most popular ski destinations during Brazil's winter (June-Aug), the U.S. during Brazil's summer (Dec-Feb). Colorado, particularly Aspen, is popular, and many Brazilians have bought houses there. Ski tour operators predict more Brazilians in Aspen and Vail in 2009, while Tahoe, Jackson Hole and Park City will remain popular.

Opportunities Return to top

The U.S. is Brazil's second most popular destination, behind only Argentina. More Brazilians traveled to the U.S. in 2008 because of promotions offered by U.S. companies and the Brazilian Real's increased value during the year.

Travel and tourism promotion in Brazil has seen success over the past decade. Brazil's large and diverse population means the country has a diverse set of interests from which U.S. destinations can recruit travelers. For example, though Brazil has limited snowfall, U.S. ski areas successfully attract Brazilians. For a U.S. destination, finding the hook for potential Brazilian travelers could lead to great returns. The U.S. Commercial Service/Brazil yearly organizes the VISIT USA shows. It is the most effect and affordable vehicle for the U.S. travel trade to increase their market exposure in Brazil, which is again one of the U.S.'s fastest growing travel markets. VISIT USA events are in São Paulo and Rio de Janeiro every spring. As a result of close cooperation with the Commercial Service's Trade America's Travel and Tourism Team in the U.S. and the Commercial Service's offices in Argentina, Chile and Peru, the scheduling of the 2009 VISIT USA show in Brazil permits participants to also attend VISIT USA events in the important travel and tourism markets of Chile and Argentina, in addition to Brazil, during a ten day span, VISIT USA 2009/Brazil will take place in São Paulo and Rio de Janeiro, from April 13 thru 16, 2009.

Resources Return to top

- For more information please contact Industry Specialist Jussara Haddad at jussara.haddad@mail.doc.gov.
- For more market research: http://export.gov/mrktresearch/index.asp
- **ABAV:** www.abav.com.br
- **BRAZTOA:** www.braztoa.com.br
- **FAVECC:** www.favecc.org.br
- Travel Agent Association of São Paulo's interior www.aviesp.org.br

Return to table of contents

Return to table of contents

Chapter 5: Trade Regulations and Standards

Import Tariffs

Return to top

Imports are subject to a number of taxes and fees in Brazil, which are usually paid during the customs clearance process. There are three taxes that account for the bulk of import costs: the Import Duty (II), the Industrialized Product tax (IPI) and the Merchandise and Service Circulation tax (ICMS). In addition to these taxes, several smaller taxes and fees apply to imports. Note that most taxes are calculated on a cumulative basis.

Brazil and its Southern Common Market (Mercosul) partners, Argentina, Paraguay and Uruguay, implemented the Mercosul Common External Tariff (CET) on January 1, 1995. Each country maintains a separate exceptions list of items for tariffs that could not be negotiated.

In 1995 Brazil implemented the MERCOSUL Common Nomenclature, known as the NCM (Nomenclatura Comum do MERCOSUL), consistent with the Harmonized System (HS) for tariff classification. Information about the NCM can be found at: www.braziltradenet.gov.br. The Brazilian Government established a computerized information system to monitor imports and to facilitate customs clearance known as the Foreign Trade Integrated System (SISCOMEX). SISCOMEX has facilitated and reduced the amount of paperwork previously required for importing into Brazil. Brazilian importers must be registered in the Foreign Trade Secretariat's (SECEX's) Export and Import Registry and receive a password given by Customs to operate the SISCOMEX. The SISCOMEX creates electronic import documents and transmits information to a central computer. More information at: http://www.receita.fazenda.gov.br/aduana/siscomex/siscomex.htm

Import Duty (II)

The Import duty is a federally mandated product specific tax levied on a CIF (Cost, Insurance, and Freight) basis. In most cases, Brazilian import duty rates range from 10 to 35%. MDIC publishes the complete list of NCM products and their tariff rates on its site: http://www.desenvolvimento.gov.br/sitio/interna/interna.php?area=5&menu=1848

Industrialized Product Tax (IPI)

The IPI is a federal tax levied on most domestic and imported manufactured products. It is assessed at the point of sale by the manufacturer or processor in the case of domestically produced goods, and at the point of customs clearance in the case of imports. The IPI tax is not considered a cost for the importer, since the value is credited back to the importer. Specifically, when the product is sold to the end user, the importer debits the IPI cost.

The Government of Brazil levies the IPI rate by determining how essential the product may be for the Brazilian end-user. Generally, the IPI tax rate ranges from 0 to 15%. In the case of imports, the tax is charged on the product's CIF value plus import duty. A product's IPI rate is directly proportional to its import tariff rate. As with value-added taxes in Europe, IPI taxes on products that pass through several stages of processing are reduced to compensate for IPI taxes paid at each stage. Brazilian exports are exempt from the IPI tax. Brazilian Customs publishes the complete list of NCM products and their IPI tariffs at: http://sijut.fazenda.gov.br/netahtml/sijut/Pesquisa.htm

Merchandise and Service Circulation Tax (ICMS)

The ICMS is a state government value-added tax applicable to both imports and domestic products. The ICMS tax on imports is assessed ad valorem on the CIF value, plus import duty, plus IPI. Although importers have to pay the ICMS to clear the imported product through Customs, it is not necessarily a cost item for the importer because the paid value represents a credit to the importer. When the product is sold to the end user, the importer debits the ICMS, which is included in the final price of the product and is paid by the end user.

Effectively, the tax is paid only on the value-added, since the cost of the tax is generally passed on to the buyer in the price charged for the merchandise. The ICMS tax due to the state government is based upon taxes collected on sales by a company, minus the taxes paid in purchasing raw materials and intermediate goods. The ICMS tax is levied on both intrastate and interstate transactions and is assessed on every transfer or movement of merchandise. The rate varies among states: in the State of São Paulo, the rate is 18 percent. On interstate movements, the tax will be assessed at the rate applicable to the destination state. Some sectors of the economy, such as mining, electricity, liquid fuels and natural gas are exempt from the ICMS tax. Most Brazilian exports are exempt.

Import Requirements and Documentation

Return to top

Both U.S. exporters and Brazilian importers must register with the Foreign Trade Secretariat (SECEX), an organ of the Ministry of Development, Industry and Foreign Trade (MDIC). Depending on the product, Brazilian authorities may require more documentation. The Ministry of Health controls all products that may affect the human body, including pharmaceuticals, vitamins, cosmetics and medical equipment/devices.

Such products can only be imported and sold in Brazil if the foreign company establishes a local Brazilian manufacturing unit or local office, or the foreign company appoints a Brazilian distributor who is authorized by the Brazilian authorities to import and distribute medical products. Such products must be registered with the Brazilian Ministry of Health. The registration process can sometimes be complex and/or time consuming. More details about documentation can be found at:
http://www.fedex.com/us/international/irc/profiles/irc_br_profile.html?gtmcc=us

U.S. Export Controls

Return to top

At this time, the US Government maintains no export controls specific to Brazil. Normal controls are maintained on military equipment, high-tech information systems, and equipment of a highly sensitive nature. Items on the Munitions Control List are also a controlled export to nearly all countries worldwide, including Brazil, requiring special licenses from the State Department or Commerce Department depending upon the item. You can see the current list of export controls at the U.S. Bureau of Industry and Security (BIS) website: www.bis.doc.gov.

Temporary Entry

Return to top

Since 2000, the Government of Brazil has made an allowance for temporary importation of products that are used for a predetermined time period and then re-exported. The U.S. Commercial Service has seen a number of delays in regards to temporary imports, and continues to work through the “U.S. – Brazil Commercial Dialogue” to counter these problems. The Brazilian Government is studying the adoption of the ATA Carnet, an international customs document that allows importers to temporarily import goods up to one year without payment of normally applicable duties and taxes, including value-added taxes. The adoption of ATA Carnet use in Brazil would have a huge impact on customs clearance for U.S. trade show exhibitors that currently face extreme difficulties and delays in getting these temporary imports into Brazil, often writing off the imports as a complete loss. The ATA Carnet study is at the Ministry of Foreign Affairs, MRE, for revision before it is sent to congress for approval

Under Brazil’s temporary import program, the II and IPI are used to determine the temporary import tax. Products must be used in the manufacture of other goods and involve payment of rental or lease fee from the local importer to the international exporter. There are very strict rules regarding the entry of used merchandise into Brazil. Used items are not allowed in the country with very few exceptions. An example of products falling under this program would be the temporary importation of machine tools. The example below shows that taxes due are proportional to the time frame the imported product will remain in Brazil.

Permanent and Temporary Tax Example

CIF Price of Machine Tool	**$200,000**
II of 10% on CIF	$20,000
IPI of 5% x (CIF plus II)	$11,000
Taxes that would be owed if importation were permanent	***$31,000***
Total life span of machine tool	60 months
Time machine tool will stay in Brazil	12 months
Tax for temporary importation	**$6,200**
Value=31,000 x [1-(60-12)/60]	
(20% of tax is owed as tool will stay in Brazil 1/5 of its useful life)	

Labeling and Marking Requirements

Return to top

The Brazilian Customer Protection Code requires that product labeling provide the consumer with precise and easily readable information about the product's quality, quantity, composition, price, guarantee, shelf life, origin, and risks to the consumer's health and safety. Imported products should bear a Portuguese translation of this information. Products should be labeled in metric units or show a metric equivalent.

More information can be found regarding required and recommended labeling and marking in USCS Brazil's report on standards at:
http://www.ita.doc.gov/td/standards/Markets/Brazil.htm

Prohibited and Restricted Imports

Return to top

The Brazilian Government has eliminated most import prohibitions with certain exceptions. In general, all used consumer goods are prohibited from being imported. Used capital goods are allowed only when there is no similar item produced locally. Aviation parts, for example, is one of the few used products allowed to enter Brazil. Remanufactured goods are still considered used goods, although CS Brazil is working through the "U.S.-Brazil Commercial Dialogue" to address this issue. The country prohibits the imports of beef derived from cattle administered with growth hormones, fresh poultry meat and poultry products coming from U.S. and color prints for the theatrical and television market. There is also specific legislation that prohibits the importation of products that the Brazilian regulatory agencies consider harmful to health, sanity, national security interest, and the environment. For a more detailed list of prohibited and restricted items, access:
http://www.fedex.com/us/international/irc/profiles/irc_br_profile.html?gtmcc=us.

Customs Regulations and Contact Information

Return to top

It is essential to have all documents in complete order. Products can get caught up for various reasons, including minor errors or omissions in paperwork. Products held at customs in Brazil can be assessed high fees. Brazilian Customs frequently seizes shipments that appear to have inaccurate documentation. Customs has the right to apply fines and penalties at their discretion. For further information on customs regulations, visit: http://www.fedex.com/us/international/irc/profiles/irc_br_profile.html?gtmcc=us.

Standards

Return to top

Overview

Return to top

Brazil has very strict rules regarding standards and has a very active group of standards organizations. The National Institute of Metrology, Standardization and Industrial Quality (INMETRO) is a government entity and is the operating arm of Brazil's standards regime, led by the National Council of Metrology, Standardization and Industrial Quality, CONMETRO. The council is formed by a group of 8 ministries and 5 governmental agencies. The council is the regulatory body of The National System of Metrology, Standardization and Industrial Quality (SINMETRO). More information about the council can be found at http://www.inmetro.gov.br/inmetro/conmetro.asp.

Standards Organizations

Return to top

INMETRO is the main national accreditation body and is in charge of implementing the national policies regarding quality and metrology established by the CONMETRO, the council that oversees INMETRO's activities. INMETRO is responsible for certification products, services, licensing and testing labs among other duties. More information about INMETRO can be found at http://www.inmetro.gov.br/english. The Brazilian Association of Technical Standards (ABNT) is also a recognized standards organization. All these bodies form the National System of Metrology, Standardization and Industrial Quality (SINMETRO).

National Institute of Standards and Technology (NIST) Notify U.S. Service

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: http://www.nist.gov/notifyus/

Conformity Assessment Return to top

INMETRO is the primary national organization in charge of tests and certification of labs.

Product Certification Return to top

There are very strict rules for regulated product certifications in Brazil. Brazilian authorities may require the retest of products if their approval has been granted by a source unknown to them. For non-regulated products, product certifications from other countries may be accepted. Brazil's accreditation body INMETRO, along with its U.S. counterpart, NIST, is a signatory of two mutual recognition agreements: IAF - International Accreditation Forum; and IAAC - Interamerican Accreditation Cooperation. For details visit: http://www.inmetro.gov.br/english/international/mutual.asp.

Accreditation Return to top

INMETRO is the main body responsible for accreditation of calibration and testing labs, inspection and other related activities. Brazil requires INMETRO's accreditation for labs in most sectors, especially regarding products related to safety and security.

Publication of Technical Regulations Return to top

INMETRO and CONMETRO use their websites to dispense updates to technical regulations.

Contacts Return to top

Contacts of main Standards organizations can be found on the following web sites:

- National Institute of Metrology, Standardization and Industrial Quality - INMETRO
  http://www.inmetro.gov.br/

- National Council of Metrology, Standardization and Industrial Quality - CONMETRO
  http://www.inmetro.gov.br/inmetro/conmetro.asp

- National System of Metrology, Standardization and Industrial Quality - SINMETRO
  http://www.inmetro.gov.br/inmetro/sinmetro.asp

Web Resources Return to top

- Brazilian country guide with useful customs and standards information:
  http://www.fedex.com/us/international/irc/profiles/irc_br_profile.html?gtmcc=us
- List and description of mutual recognition agreements between Brazil and USA:
  http://www.inmetro.gov.br/english/international/mutual.asp.
- For technical regulations of international markets:
  http://www.nist.gov/notifyus/
- Brazil's most relevant gazette, Folha de São Paulo:
  www.uol.com.br/fsp
- Brazilian Foreign Trade Integrated System:

http://www.receita.fazenda.gov.br/aduana/siscomex/siscomex.htm

- Information about MERCOSUL Common Nomenclature: www.braziltradenet.gov.br
- Brazilian Chamber of Trade: http://www.mdic.gov.br/sitio/interna/interna.php?area=1&menu=434
- USA export control information: www.bis.doc.gov
- Brazilian IPI and other tax rates: http://sijut.fazenda.gov.br/netahtml/sijut/Pesquisa.htm
- Brazilian Common External tariffs: http://www.desenvolvimento.gov.br/sitio/interna/interna.php?area=5&menu=1848

Return to table of contents

Return to table of contents

Chapter 6: Investment Climate

Openness to Foreign Investment

Return to top

Brazil is open to and encourages foreign investment. According to a recent United Nations report, Brazil is the largest foreign direct investment (FDI) recipient in Latin America, attracting an estimated USD 42 billion in 2008 (The Brazilian Central Bank reports a slightly higher figure of USD 45 billion). The United States is the number one foreign investor in Brazil. FDI is prevalent across Brazil's economy, although certain sectors, notably media and communications, aviation, transportation and mining, are subject to foreign ownership limitations. While Brazil is generally considered a friendly environment for foreign investment, burdensome tax and regulatory requirements exist. In most cases these impediments apply without discrimination to both foreign and domestic firms. The Government of Brazil makes no distinction between foreign and national capital.

With respect to the current global financial crisis, a diversified economy, reliance on local rather than external debt, and investment grade status will help Brazil weather the storm. However, Brazil is not immune to the crisis and the Central Bank's January 2009 market survey revealed a forecasted GDP growth of 2.0 percent, a decline from the July 2008 forecast of 4.0 percent growth. The Brazilian government is pursuing monetary policy and industry support measures to address the impact of the crisis.

Banking: An indication of the country's financial openness, Brazil's banking sector includes significant foreign investment and representation. While the Constitution of 1988 technically forbids new or expanded foreign investment in the banking sector, the vast majority of requests for entry or expansion have been approved on a case-by-case basis. Recent Brazilian Central Bank figures report that in 2008 foreign banks comprise

18 of the top 50 Brazilian banks in terms of total assets, representing 21.6 percent of total financial assets less brokerage.
Insurance: Since 1996 the insurance sector has been open to foreign investors with most major U.S. firms represented via joint venture arrangements. On January 15, 2007, Complementary Law 126 was published in Brazil eliminating the previous state monopoly on reinsurance through the government-owned Brazil Reinsurance Institute (IRB), which had been in place since 1939.

Privatization: Foreign investment has played a significant role in Brazil's privatization programs. From the early 1990s through 2007, Brazil's privatizations realized USD 87.9 billion in sales revenue and another USD 18.1 billion in debt transfer. Foreign investment accounted for about USD 42.0 billion, or 48 percent of the total. Of this foreign investment participation, U.S. investors accounted for one third or USD 14.0 billion. After a slowdown in privatization activity in the early 2000s, the Lula administration, which came to power in 2003, revived the program with three transactions: the 2004 privatization of the State Bank of Maranhao for USD 26.6 million, the 2005 privatization of the State Bank of Ceara for USD 302 million, and the 2006 privatization of Paulista Electric Energy Transmission Company for USD 230 million. In 2007 and 2008, large scale infrastructure projects were auctioned, including federal highways, high speed rail and airports. Additional infrastructure privatization activity is planned for 2009.

Ownership Restrictions: A 1995 constitutional amendment terminated the distinction between foreign and local capital in general, yet there are laws that restrict foreign ownership within some sectors, notably media and communications, and aviation.

Foreign investment restrictions remain in a limited number of other sectors, including highway freight (20 percent) and mining of radioactive ore. Foreign ownership of land within 150 km of national borders remains prohibited unless approved by Brazil's National Security Council.

Media: Open broadcast (non-cable) television companies are subject to a regulation requiring that 80 percent of their programming content be domestic in origin. Additionally, Law 10610 (2002) limits foreign ownership in other media, including open broadcast and print media outlets, to 30 percent. In 2009, Brazil's legislature is considering extension of this restriction to cover Internet Service Providers, pay TV channels and operators, and content producers and distributors. Foreign ownership of cable companies is limited to 49 percent, and the foreign owner must have a headquarters in Brazil and have had a presence in the country for the previous ten years. National cable and satellite operators are subject to a fixed title levy on foreign content and foreign advertising on their channels.

Aviation: The Government of Brazil currently restricts foreign investment in domestic airline companies to a maximum of 20 percent. The Government of Brazil is considering potential privatization of commercial airport operations. The United States and Brazil liberalized cargo and passenger services in June 2008 and committed to further liberalization discussions by 2010.

In May of 2008 Brazil published the Productive Development Policy which encourages technological innovations and new investment opportunities in the country. It sets targets for investment spending to reach 21 percent of GDP and private investment in R&D to reach 0.64 percent of GDP by 2010. It also sets goals to increase Brazil's share of exports to 1.25 percent of the global total and increase the number of small export businesses.

Conversion and Transfer Policies

Return to top

There are few restrictions on converting or transferring funds associated with a foreign investment in Brazil. Foreign investors may freely convert Brazilian currency in the unified foreign exchange market wherein buy-sell rates are determined by market forces. All foreign exchange transactions, including identifying data, must be reported to the Central Bank. Foreign exchange transactions on the current account have been fully liberalized.

Foreigners investing in Brazil must register their investment with the Central Bank within 30 days of the inflow of resources to Brazil. Registration is done electronically. Investments involving royalties and technology transfer must be registered with the patent office (INPI) as well. Investors must also have a representative in Brazil. Portfolio investors must have a Brazilian financial administrator and register with the Brazilian securities commission (CVM).

All incoming foreign loans must be approved by the Central Bank. In most instances, the loans are automatically approved. Automatic approval is not issued when the costs of the loan are “not compatible with normal market conditions and practices.” In such instances, the Central Bank may request additional information regarding the transaction. Foreign loans obtained abroad do not require advance approval by the Central Bank, provided the recipient is not a government entity. Loans to government entities require prior approval from the Senate as well as from the Finance Ministry Treasury Secretariat and are subject to registration with the Central Bank.

Interest and amortization payments specified in a loan contract can be made without additional approval from the Central Bank. Early payments can also be made without additional approvals, if the contract includes a provision for them. Otherwise, early payment requires notification to the Central Bank to ensure accurate records of Brazil’s stock of debt.

Central Bank regulations introduced in 2005 unified the foreign exchange market. Foreign investors, upon registering their investment with the Central Bank, are able to remit dividends, capital (including capital gains), and, if applicable, royalties. Remittances must also be registered with the Central Bank. Dividends cannot exceed corporate profits. The remittance transaction may be carried out at any bank by documenting the source of the transaction (evidence of profit or sale of assets) and showing that applicable taxes have been paid.

Capital gain remittances are subject to a 15 percent income withholding tax, with the exception of the capital gains and interest payments on tax exempt domestically issued Brazilian bonds. Repatriation of an initial investment is also exempt from income tax. Lease payments are assessed a 15 percent withholding tax. Remittances related to technology transfers are not subject to the tax on credit, foreign exchange, and insurance (IOF), although they are subject to a 15 percent withholding tax and an extra 10 percent Contribution of Intervention in the Economic Domain (CIDE). Loans with terms of 90 days or less must pay the IOF (5.38 percent), while those of longer maturity, profits and FDI remittances must pay 0.38 percent.

Foreign cable and satellite television programmers are subject to an 11 percent remittance tax; however, the tax can be avoided if the programmer invests 3 percent of its remittances in co-production of Brazilian audio-visual services.

Exchange Rates

With the onset of the 2008 global financial crisis the Brazilian Real currency ended its prior year appreciation trend against the U.S. Dollar as investors boosted their Dollar and Euro holdings. The Real ended 2008 near 2.34 Reais/USD representing close to a 35 percent year over year depreciation versus the Dollar. Current financial markets expect the Dollar-Real exchange rate to remain within the 2.10 to 2.40 Reais/USD range in 2009.

Expropriation and Compensation

Return to top

There have been no expropriation actions in Brazil against foreign interests in the recent past nor have there been any signs that the current government is contemplating such actions. In the past, some claims regarding land expropriations by state agencies have been judged by courts in U.S. citizens' favor. However, compensation has not always been paid as states have filed appeals to these decisions.

Dispute Settlement

Return to top

The Brazilian court system, in general, is overburdened and contract disputes can often take years to move through the system. The 2009 World Bank “Doing Business” survey found that on average it takes 45 procedures and 616 days to litigate a contract breach at an average cost of 16.5 percent of the claim. Judicial reform measures enacted in December 2004, however, have streamlined some administrative procedures, and the introduction of the concept of binding precedent should over time make judicial decisions more predictable.
Article 34 of Brazilian Law 9.307, the 1996 Brazilian Arbitration Act, defines a foreign arbitration judgment as any judgment rendered outside the national territory. The Law established that the Brazilian Federal Supreme Court must ratify foreign arbitration awards. Law 9.307 also stipulates that the foreign arbitration award is to be recognized or executed in Brazil in conformity with the international agreements ratified by the country and, in their absence, with domestic law. (Note: A 2001 Federal Supreme Court ruling established that this 1996 Brazilian Arbitration Act, permitting international arbitration subject to Federal Supreme Court ratification of arbitration decisions, does not violate the Federal Constitution’s provision that “the law shall not exclude any injury or threat to a right from the consideration of the Judicial Power.”)

Brazil has ratified the 1975 Inter-American Convention on International Commercial Arbitration (Panama Convention), the 1979 Inter-American Convention on Extraterritorial Validity of Foreign Judgments and Arbitration Awards (Montevideo Convention) and the 1958 UN Convention on the Recognition and Enforcement of Foreign Arbitration Awards

(New York Convention). Brazil, however, is not a member of the International Center for the Settlement of Investment Disputes (ICSID), also known as the Washington Convention.

Brazil has a functional commercial code that governs most aspects of commercial association, except for corporations formed for the provision of professional services, which are governed by the civil code. In February 2005, bankruptcy legislation (Law 11101) went into effect creating a system, modeled on Chapter 11 of the U.S. bankruptcy code, which allows a company in financial trouble to negotiate a restructuring with its creditors outside of the courts. In the event a company does fail despite restructuring efforts, the reforms give creditors improved ability to recover their debts.

Brazil has both a federal and a state court system and jurisprudence is based on civil law. Federal judges hear most disputes in which one of the parties is the State and rule on lawsuits between a foreign State or international organization and a municipality or a person residing in Brazil. Five Regional Federal Courts hear the appeals of the federal judge decisions.

Performance Requirements and Incentives

Return to top

The Brazilian government actively encourages both national and foreign investment in traditionally underserved regions of the country and other marginally profitable ventures. A 2004 Public-Private Partnership (PPP) investment law promotes joint ventures in otherwise marginally profitable infrastructure investments. The federal government has not yet put out any PPP projects for public bids. In 2007 the Brazilian government launched the Program to Accelerate Growth (PAC) with the goal of using government resources to attract private sector investment to improve Brazil's infrastructure. To date, however, implementation of the PAC has been slow.

The Government of Brazil extends tax benefits for investment in less developed parts of the country, for example the Northeast and the Amazon regions, with equal application to foreign and domestic investors. These incentives have been successful in attracting major foreign plants to areas like the Manaus Free Trade Zone, but most foreign investment remains concentrated in the more industrialized southern part of Brazil. Individual states have sought to attract investment by offering ad hoc tax benefits and infrastructure support to specific companies, negotiated on a case by case basis. These have proven controversial, with other states challenging them as harmful fiscal competition. A tax reform proposal scheduled to be considered by the Brazilian Legislature in 2009 attempts to limit states' ability to offer tax incentives for investment.

Brazil restored tax breaks to exporters with the October 2007 enactment of Law 11529 in an attempt to help industries hurt by the strengthening real. This law allows certain Brazilian industrial sectors (textiles, furniture, ornamental stones, woodworking, leatherworking, shoes, leather goods, heavy and agricultural machinery manufacturers, apparel and automotive - including parts) to apply PIS-COFINS (social integration program) tax credits for the purchase of capital goods, both domestic and imported, that are used for manufacturing finished products. The law also expands the government's program for exporting companies purchasing capital goods. To be exempt from paying the 9.25 percent PIS-COFINS tax on these purchases, companies must prove they derive at least 70 percent of their revenues from exports. This benchmark was lowered to 60 percent for companies in the sectors covered by the legislation.

To promote Brazilian industry, the Special Agency for Industrial Financing (FINAME) of the National Bank for Economic and Social Development (BNDES) provides financing for Brazilian firms to purchase Brazilian-made machinery and equipment and capital goods with a high level of domestic content.

Government Procurement

Brazil is not a signatory to the WTO Agreement on Government Procurement, and transparency in Brazil's procurement processes is at times lacking. The U.S. Government has received complaints concerning lack of transparency and preferences for Brazilian products in government tenders. Limitations on foreign capital participation in procurement bids reportedly impair access for potential service providers in the energy, construction, security, and defense sectors. Brazilian federal, state, and municipal governments, as well as related agencies and companies, in general follow a "buy domestic" policy.

Law 8666 (1993) which covers most government procurement other than information technology/telecommunications requires non-discriminatory treatment for all bidders regardless of nationality or origin of the product or service. However, the law's implementing regulations allow for the consideration of non-price factors, giving preferences to certain goods produced in Brazil and stipulating local content requirements for fiscal benefits eligibility. Additionally, nearly all bids require that a local representative be established for any foreign company bidding. U.S. firms should note that Brazil's complex and burdensome labor law must be considered when appointing a local representative.

Decree 1070 (1994), which regulates the procurement of information technology goods and services, requires federal agencies and parastatal entities to give preferential treatment to locally produced computer products based on a complicated and nontransparent price/technology matrix. However, Brazil permits foreign companies with legal entities in the country to compete for procurement-related multilateral development bank loans and opens selected procurements to international tenders.

Right to Private Ownership and Establishment Return to top

Foreign and domestic private entities may establish, own, and dispose of business enterprises.

Protection of Property Rights Return to top

Mortgages

Brazil has a system in place for mortgage registration, but implementation is uneven and there is no standardized contract. Foreign individuals or foreign-owned companies can purchase real property in Brazil. Buyers frequently arrange alternative financing in their own countries, where rates may be more attractive. Law 9514 (1997) helped spur the mortgage industry by establishing a legal framework for a secondary market in mortgages and streamlining the foreclosure process, but the mortgage market in Brazil is still underdeveloped and foreigners may not be able to obtain mortgage financing. Large U.S. real estate firms, however, are expanding their portfolios in Brazil.

Intellectual and other Property Rights

Brazil is a signatory to the GATT Uruguay Round Accords, including the Trade Related Aspects of Intellectual Property (TRIPS) Agreement, signed in April 1994. Brazil is a member of the World Intellectual Property Organization (WIPO) and a signatory of the Bern Convention on Artistic Property, the Patent Cooperation Treaty, and the Paris Convention on Protection of Intellectual Property.

Brazil has not ratified the WIPO Copyright Treaty (WCT) or the WIPO Performances and Phonograms Treaty (WPPT). In 2006, the country announced plans to join the Madrid Agreement Concerning the International Registration of Marks ("Madrid Protocol"). In 2007, Congress forwarded the issue to the Executive branch for consideration, where it is still pending.

In most respects, Brazil’s 1996 Industrial Property Law (Law 9.279) brings its patent and trademark regime up to the international standards specified in the TRIPS Agreement, although the law does permit the grant of a compulsory license if a patent owner has failed to locally manufacture the patented invention in Brazil within three years of patent issuance. On May 4, 2007, invoking TRIPS provisions and public interest, Brazil issued a compulsory license for an anti-retroviral drug used in treating HIV/AIDS. Data protection for pharmaceutical products for human use remains an ongoing concern.

The United States has raised concerns regarding Brazil’s Law 10196 of 2001, which includes a requirement that National Health Surveillance Agency (ANVISA) approval be obtained prior to the issuance of a pharmaceutical patent. On June 23, 2008, ANVISA issued Resolution RDC 45 standardizing, to some extent, the procedures for review of such patent applications. Nonetheless, ANVISA’s role in reviewing pharmaceutical patent applications remains non-transparent and has contributed to an increasing backlog in the issuance of patents. The United States is also concerned that this requirement singles out one particular product category for a set of procedural requirements.

A government-drafted bill to provide protection for the layout design of integrated circuits (computer mask works) was enacted into law on May 31, 2007 (Law 11.484).

In August 2007, a bill (PL 1807/07) was introduced that, if approved, would amend Article 189 of Brazil’s Industrial Property Law (9279/1996) by increasing the criminal penalties for trademark violations to two to six years, up from the current three to twelve months.

Patent and trademark licensing agreements must be recorded with and approved by the National Institute of Industrial Property (INPI) and registered with the Central Bank of Brazil (Normative Act No. 135, of April 15, 1997). Licensing contracts must contain detailed information about the terms of the agreement and royalties to be paid. In such arrangements, Brazilian law limits the amount of the royalty payment that can be taken as a tax deduction, which consequently acts as a *de facto* cap on licensing fees.

Brazil's 1998 copyright laws generally conform to international standards, yet piracy of copyright material remains a problem. The Brazilian Congress passed a law in July 2003 increasing minimum prison sentences for copyright violations and establishing procedures for making arrests and the destruction of confiscated products. However, the heftier sentences have not acted as effective deterrents due to the continued ability of judges to commute many of the prison terms to fines.

In recognition of its improved anti-piracy enforcement efforts, Brazil was upgraded from "Priority Watch List" to "Watch List" in the 2007 U.S. Trade Representative's Special 301 report. In 2008, the country maintained its "Watch List" status on the report.

Transparency of Regulatory System

Return to top

In the 2009 World Bank "Doing Business" survey, Brazil ranked 125th out of 181 countries in terms of regulatory environment conducive to business. Brazilian sources respond that the survey attempts to account for requirements across all states and therefore offers an inflated view of what is actually required in any one state. According to the study, it takes an average of 18 procedures and 152 days to start a new business. The study noted that the administrative burden to a medium-size business of tax payments in Brazil is an average of 2,600 hours versus 187 hours in the United States. According to this same study, it takes four years to close a business in Brazil and the recovery rate is 17.1 cents to the dollar.

Tax regulations, while burdensome and numerous, do not differentiate between foreign and domestic firms. However, there have been instances of complaints that the value-added tax collected by individual states (ICMS) favors local companies. Although the tax is designed to be refunded upon export of goods outside of the country, exporters in many states have had difficulty receiving their ICMS rebates. Taxes on commercial and financial transactions are particularly burdensome, and businesses complain that these taxes hinder international competitiveness of Brazilian products. A government proposal to streamline the tax collection system is currently under consideration by the Brazilian Congress, but tax reform has been difficult because states fear losing revenue and control over fiscal policy.

ANVISA, the Brazilian FDA equivalent, has regulatory authority over the production and marketing of food, drugs and medical devices. ANATEL, the country's telecommunication agency, handles licensing and assigns bandwidth. ANP, the National Petroleum Agency, has been commended by the industry for its fair handling of auctions of oil exploration blocks and for its willingness to support the simplification of regulatory procedures such as environmental licensing. However, following the discoveries of new oil reserves in late 2007, auctions have been discontinued for off-shore blocks as the government deliberates over a new regulatory structure for the oil and gas sector.

The civil air transport industry regulator (ANAC) began functioning in 2006 with a mandate to increase competition within Brazil's civil aviation industry. Taking over responsibilities that had previously resided with the Brazilian Air Force, ANAC has begun to take steps to liberalize the Brazilian market, although court challenges have slowed some proposed initiatives, such as price liberalization that is intended to be phased in over 2009.

Foreign investors have encountered obstacles when interfacing with regulatory agencies. Notable examples include companies in the electric power sector that have complained about the high level of regulatory risk, for example the tariff review process and the implementation of Brazil's new energy model. Additionally, some industries have reported challenges in obtaining licenses from IBAMA, the environmental regulator, citing unpredictability in IBAMA's licensing requirements, though the process has reportedly become more streamlined over the course of 2008. Brazilian private sector organizations which often include foreign companies are vocal and involved in industry standards setting.

A bill (PL 3937/04) to modernize Brazil's antitrust review and to combine the antitrust functions of the Ministry of Justice and the Ministry of Finance (MoF) into those of the Administrative Council for Economic Defense (CADE) passed through the Chamber of Deputies in December of 2008. The bill, which would also revise the country's licensing and anti-cartel system, is currently awaiting consideration by the Senate.

Recent Concerns over Legislation Regulating Business Operations

Foreign express delivery companies have recently become concerned about high taxes and a potential new Postal Law that if passed would monopolize the delivery of all letters and post cards under the Brazilian National Postal Service. While the new law would exclude packages, it does include letters which constitute a large product segment within the express delivery industry. The express delivery industry is encouraging the Brazilian government not to pass a law imposing regulations on the delivery of letters. The law's draft remains with the Labor Commission in the House of Representatives and there is an executive branch petition to withdraw it, but as of January 2009 the Labor Commission has not yet voted on the issue.

Brazil recently enacted a new Customer Care Support Law (Decree 6523), effective as of December 2008, which implements numerous requirements for customer support and call centers operating in Brazil. The provisions of the law are perceived as onerous and operationally intrusive to private business. Among the laws many provisions are the requirements that a company operate its call center 24 hours a day and seven days a week, record and store call data, not leave a customer on hold for more than 60 seconds and to ensure that when customers are transferred to another attendant prior conversations are not repeated. The enforcement of the decree and sanctions for noncompliance are covered under article 56 of Law 8078, adopted in 1990.

All proposed federal legislation is available to the general public via the internet.

House of Deputies:
http://www2.camara.gov.br/proposicoes
Federal Senate:
http://www.senado.gov.br/sf/atividade/default.asp

Efficient Capital Markets and Portfolio Investment
Return to top

The Brazilian financial sector is large and sophisticated. Banks lend at the Brazilian market rate which remains extremely high due to taxation, repayment risk, a lack of judicial enforcement of contracts, high mandatory reserve requirements, and administrative overhead.

The financial sector is concentrated, with 2008 Central Bank data indicating that the 10 largest commercial banking institutions account for approximately 73.1 percent of financial sector assets less brokerage (approx. USD 1.2 trillion). Two of the five largest banks (in assets) in the country are federally owned. Lending by the large banking institutions is focused on the largest companies, while small and medium banks primarily serve small and medium-sized companies, but with a much smaller capital base.

The Central Bank has strengthened bank audits, implemented more stringent internal control requirements, and tightened capital adequacy rules to better reflect risk. It also established loan classification and provisioning requirements. These measures are applied to private and publicly owned banks alike. The Brazilian Securities Exchange Commission (CVM) independently regulates the stock exchanges, brokers, distributors, pension funds, mutual funds, and leasing companies with penalties against insider trading.

Credit Market

BNDES, the government national development bank, is the primary Brazilian source of longer-term credit, and also provides export credits. FINAME (the Special Agency for Industrial Financing) provides foreign and domestic companies operating in Brazil financing for the manufacturing and marketing of capital goods. FINAMEX (Export Financing), which finances capital good exports for both foreign and domestic companies, is a part of FINAME. One of the goals of these financing options is to support the purchase of domestic over imported equipment and machinery.

PROEX, an export credit program financed by the National Treasury offers assistance in the areas of interest rate equalization, capital and other goods exports, and service exports (See OPIC and Other Investment Insurance Programs section for more information on credit availability).

Equity Market

As of 2000 all stock trading is performed on the Sao Paulo Stock Exchange (BOVESPA), while trading of public securities is conducted on the Rio de Janeiro market. In 2008, the Brazilian Mercantile & Futures Exchange (BM&F) merged with the BOVESPA to form the form the second largest exchange in the Western Hemisphere. BOVESPA has launched a "New Market," in which the listed companies comply with stricter corporate governance requirements. In June 2004, BOVESPA’s new market had 18 listed companies; and by 2008 there were 100. (Note: A majority of the Initial Public Offerings are listed on the New Market). In 2008, there were four new IPOs representing R$ 7.5 billion in raised capital; 66 percent of this amount was foreign capital.

The total number of companies listed on the BOVESPA has modestly grown over recent years; from 394 in 2006 to 424 by the end of December 2008. Total daily trading volume rose from R$ 2.4 billion in 2006 to R$ 5.5 billion in 2008. Trading is highly concentrated with the top ten stocks accounting for 53 percent of 2008's trading volume. A total of 76 Brazilian firms are also listed on the NYSE via American Depository Receipts (ADR's). Conversely, the Brazilian subsidiaries of some U.S. companies have issued shares on BOVESPA.

Foreign investors, both institutions and individuals, can directly invest in equities, securities and derivatives. Foreign investors are required to trade derivatives and stocks of publicly held companies on established markets. At year-end 2008, foreign investors accounted for 36.2 percent of the total turnover on the BOVESPA. Individual investors were the second most active category of market participants, accounting for 29.5 percent of BOVESPA transactions, while domestic institutional investors accounted for 23.8 percent. Financial and other institutions accounted for 10.5 percent. In 2001, law 10303 went into effect limiting preferred shares for new issuances to 50 percent and strengthened rights for minority shareholders.

Brazilian law recognizes mergers, in which one company loses its separate identity by being merged into another, and consolidations, in which the pre-existing companies are extinguished and a new entity emerges. Although the stock market is growing in popularity, sales of Brazilian companies usually result from private negotiations, rather than stock exchange activities. Acquisitions resulting in market concentration in excess of 20 percent are subject to review by the Administrative Council for Economic Defense (CADE) under Brazil's 1994 Anti-trust Law.

Wholly owned subsidiaries of multinational accounting firms, including the major U.S. firms, are present in Brazil. As of 1996, auditors are personally liable for the accuracy of accounting statements prepared for banks.

Political Violence Return to top

Political and labor strikes and demonstrations occur sporadically in urban areas and may cause temporary disruption to public transportation. Since mid-2003 the Landless Workers' Movement (MST) has continued its aggressive invasions of a variety of agricultural interests, both domestic and foreign, and has occupied government buildings in its campaign to force redistribution of land. MST protests have generally been more intense during the historically significant month of April.

In 2006, criminal organizations staged several violent campaigns against public institutions in Sao Paulo State leading to a large number of deaths. While it is unlikely that U.S. citizens would be targeted during such events, U.S. citizens traveling or residing in Brazil are advised to take common-sense precautions and avoid any large gatherings or any other event where crowds have congregated to demonstrate or protest. Transnational crime is known to occur in Brazil involving individuals with ties to criminal entities that operate in major city areas and along the tri-border area of Argentina, Brazil, and Paraguay. These organizations are involved in the trafficking of illicit goods. In 2006, the U.S. Department of the Treasury designated nine individuals and two entities in the tri-border area as having provided financial and logistical support to a terrorist group.

Colombian terrorist groups have been known to operate in the border areas of neighboring countries. Although there have been reports of isolated small-scale armed incursions from Colombia into Brazil in the past, we know of no specific threat directed against U.S. citizens across the border in Brazil at this time. Colombian groups have perpetrated kidnappings of residents and tourists in border areas of Colombia's neighbors. Therefore, U.S. citizens traveling or residing in areas of Brazil near the Colombian border are urged to exercise caution. U.S. citizens are urged to take care when visiting remote parts of the Amazon basin and respect local laws and customs.

Corruption

Return to top

Corruption can be an obstacle to investment in Brazil. In 2008, Brazil ranked 80th (among 180 countries) in Transparency International's Corruption Perception Index. Brazil ranked below many other Latin American countries, including Chile, Uruguay, Costa Rica, El Salvador, Colombia, Mexico, and Peru. In general terms, businesses find corruption an obstacle in government procurement and at some levels of the judiciary.

Corruption scandals are a regular feature of Brazilian political life. The GOB continued to investigate a series of corruption scandals, of unusual scope, that emerged in 2005. Parallel Brazilian congressional and law enforcement authorities' investigations revealed illicit financing by some political parties of their 2002 presidential campaigns, as well as a related scheme involving vote-buying in Congress by some elements within the ruling party and the executive branch, possibly financed by illegal rebates on contracts. In December 2007, the Brazilian Senate President resigned the presidency due to a separate ethics scandal. Brazil's anti-money laundering mechanisms and relatively independent prosecutorial and oversight institutions have played useful roles in the investigation of such cases.

Brazil is a signatory to the Organization for Economic Cooperation and Development (OECD) Anti-Bribery Convention. Brazil has laws, regulations and penalties to combat corruption, but their effectiveness is inconsistent. While federal government authorities generally investigate allegations of corruption, there are inconsistencies in the level of enforcement among individual states. Corruption remains problematic in business dealings with some parts of the Brazilian government, particularly on the local level.

Bribery is illegal and a bribe by a local company to a foreign official is a criminal act. A company cannot deduct a bribe to a foreign official from its taxes.

Bilateral Investment Agreements

Return to top

Brazil does not have a Bilateral Investment Treaty with the United States. While Brazil had signed BITs with Belgium and Luxembourg, Chile, Cuba, Denmark, Finland, France, Germany, Italy, Republic of Korea, Netherlands, Portugal, Switzerland, United Kingdom and Venezuela, none of these were ratified by the Brazilian Congress. Brazil also has not ratified the Mercosul investment protocol.

Brazil has no double taxation treaty with the United States, but does have such treaties with 24 other countries, including, among others, Japan, France, Italy, the Netherlands, Canada and Argentina. Brazil signed a Tax Information Exchange Agreement with the United States in March 2007 that currently awaits ratification in the Brazilian Congress, where it has been challenged on its constitutionality.

OPIC and Other Investment Insurance Programs

Return to top

Brazil does not have a Bilateral Investment Treaty with the United States. While Brazil had signed BITs with Belgium and Luxembourg, Chile, Cuba, Denmark, Finland, France, Germany, Italy, Republic of Korea, Netherlands, Portugal, Switzerland, United Kingdom and Venezuela, none of these were ratified by the Brazilian Congress. Brazil also has not ratified the Mercosul investment protocol.

Brazil has no double taxation treaty with the United States, but does have such treaties with 24 other countries, including, among others, Japan, France, Italy, the Netherlands, Canada and Argentina. Brazil signed a Tax Information Exchange Agreement with the United States in March 2007 that currently awaits ratification in the Brazilian Congress, where it has been challenged on its constitutionality.

Labor

Return to top

The 86 million strong Brazilian labor force comprises a wide range of skills covering a broad array of occupations and industries. Two thirds of the labor force is employed in the service sector, 19 percent in the agriculture sector, and the retail and manufacturing sectors combined employ the remaining 15 percent.

Brazil has signed on to a large number of International Labor Organization (ILO) conventions. Brazil is party to the U.N. Convention on the Rights of the Child and major ILO conventions concerning the prohibition of child labor, forced labor and discrimination.

The labor code is highly detailed and relatively generous to workers. Formal sector workers are guaranteed 30 days of annual leave, an annual bonus equal to one month's salary, and severance pay in the case of dismissal without cause. Brazil also has a system of labor courts that are charged with resolving routine cases involving unfair dismissal, working conditions, salary disputes, and other grievances. Labor courts have the power to impose an agreement on employers and unions if negotiations break down and either side appeals to the court system. As a result, labor courts routinely are called upon to determine wages and working conditions in industries across the country. The system is tantamount to compulsory arbitration and does not encourage collective bargaining. In recent years, however, both labor and management have become more flexible and collective bargaining has assumed greater relevance.

In firms employing three or more persons, Brazilian nationals must constitute at least two-thirds of all employees and receive at least two-thirds of total payroll. Foreign specialists in fields where Brazilians are unavailable are not counted in calculating the one-third permitted for non-Brazilians.

The Brazilian Institute of Geography and Statistic's (IBGE) estimated unemployment as of December 2008 at 6.8 percent (versus 7.4 percent in December 2007). Unemployment statistics range significantly across regions and the December IBGE numbers may not reflect the latest negative employment impacts of the current global financial crisis.

IBGE reports that real wages have trended higher in recent years. The average monthly wage in Brazil's six largest cities was around 1,284 Reais in December 2008 (approximately USD 536 based on average exchange rates for that month), and the minimum monthly wage was raised from 380 Reais in 2007 to 415 Reais in March 2008. Earnings also vary significantly by region and industry and there is significant wage inequality between Brazil's poor and wealthy.

The Ministry of Labor estimates that there are over 16,000 labor unions in Brazil, but Ministry officials note that these figures are inexact. Labor unions, especially in sectors such as metalworking and banking, tend to be well-organized and aggressive in defending wages and working conditions and account for approximately 19.04 percent of the official workforce according to the last IBGE release (2005). Strikes are frequent, particularly among public sector unions. While some labor organizations and their leadership operate independently of the government and of political parties, others are viewed as closely associated with political parties.

Employer federations, supported by mandatory fees based on payroll, play a significant role in both public policy and labor relations. Each state has its own federation, which reports to CNI (National Confederation of Industries), headquartered in Brasilia.

Foreign-Trade Zones/Free Ports

Return to top

The federal government has granted tax benefits for certain free trade zones. The most prominent of these is the Manaus Free Trade Zone, in Amazonas State, which has attracted significant foreign investment, including from U.S. companies. Most of these free trade zones aim to attract investment to the North and Northeast of Brazil.

Foreign Direct Investment Statistics

Return to top

According to the Central Bank's most recent foreign-capital census (2000), the stock of foreign direct investment in Brazil stood at USD 103 billion as of December 2000. Of this total amount, the United States had the largest share at about USD 24.5 billion (24 percent). Spain had 11.9 percent (USD 12.2 billion) and The Netherlands 10.7 percent (USD 11.0 billion). Investment inflows from 2000 to 2006 have amounted to about USD 117 billion, exclusive of depreciation and capital repatriation. The Central Bank has not yet published updated investment stock figures which were originally expected in early 2007.

Central Bank data estimate total FDI inflows were USD 34.6 billion in 2007, and USD 45.0 billion in 2008. According to the U.S. Bureau of Economic Analysis, FDI inflows from the United States to Brazil were USD 4.1 billion in 2007 and United State's FDI stock was USD 41.6 billion as of 2007.

Brazil's Top 20 multinationals have USD 56 billion assets abroad, equivalent to over half of the country's outward FDI stock. A survey released December 3, 2007 by the Columbia Program on International Investment (CPII) and the Brazil-based Fundacao Dom Cabral (FDC) in New York indicated that Brazil's top multinational enterprises (MNEs) made the country the second largest outward investor among developing countries in terms of foreign direct investment (FDI) outflows in 2006.

Net FDI as a Percentage of GDP: 2003 – 2008:

Year	FDI (USD Billions)	Percentage of GDP
2008	45.060	2.84
2007	34.585	2.63
2006	18.782	1.76
2005	15.066	1.71
2004	18.146	2.73
2003	10.144	1.83

Source: Central Bank of Brazil

For more information on investing in Brazil, contact the National Investment Information Network, Brazilian Ministry of Development, Industry and Foreign Trade (MDIC):
http://investimentos.desenvolvimento.gov.br/renai_en/index.asp

Return to table of contents

Return to table of contents

Chapter 7: Trade and Project Financing

How Do I Get Paid? (Methods of Payment)

Return to top

Imports in Brazil are primarily done using traditional letters of credit (L/C) or documentary collections through established banks with correspondent banking agreements overseas. To a lesser extent, U.S. exporters may choose to operate on an open account or cash in advance basis once they have established a trustworthy relationship with their Brazilian buyers. (Note: given high interest rates and intermediary spreads, Brazilian buyers are likely to push for open account or cash up front. We highly recommend that U.S. companies work with ExIm bank insurance or guarantees to ensure payment). For more information, please visit www.exim.gov.

Credit & Collection

Credit information on Brazilian companies is available for a fee from Dun & Bradstreet (www.dnb.com.br), Equifax (www.equifax.com.br) or SERASA, a Brazilian commercial information service company (www.serasa.com.br). In the event of a commercial dispute or non-payment by a Brazilian importer requiring legal action, the US exporter should contact a renowned legal firm with experience in international collections. Local collection agencies do not handle international disputes.

How Does the Banking System Operate

Return to top

The Brazilian banking system today is high-tech and extremely efficient. Most banks have sophisticated Internet sites offering most, if not all, of their products and services. Bank branches are numerous and nearly all cities in the country have at least one major bank branch. The top five banks have approximately 15,000 branches throughout Brazil. International operations are centralized at the bank's headquarters, usually in São Paulo or Rio de Janeiro, although major branches at larger cities may handle routine operations involving trade finance. All Brazilian banks have a number of correspondent banks around the world.

Number of foreign banks and origin

According to a market summary/annual review by leading business magazine *Exame,*[1] of the top 10 banks in Brazil ranked by net equity, two are state owned banks (Banco do Brasil and Caixa Economica Federal); four are Brazilian (Bradesco, Itaú, Unibanco, Votorantim and Itaú BBA), only two are foreign: Banco Santander (Spain), HSBC Bank (England), and one jointly owned (ABN AMROI Real (Brazil & Holland).

Of the top 50 banks in Brazil, 20 are foreign owned or controlled, ranked by net equity as follows:

Country	**# of Banks**	**Banks (ranking)**
Holland	4	ABN AMRO Real (5); IBI Banco (37); ING Bank (40); RaboBank Int'l (46)
U.S.A.	4	Citibank (13); JP Morgan (23); GMAC (28); Morgan Stanley (41)
Germany	4	Volkswagen (32); Deutsche Bank (33); MercedesBenz (43); WestLB (45)
England	2	HSBC Brasil (10); Barclays (49)
France	2	Societé Generalé Brasil (24); BNP Paribas (26)
Bahrain	1	ABC Brasil (25)
Italy	1	CNH (35)
Spain	1	Santander (7)
Switzerland	1	UBS Pactual (12)

Foreign-Exchange Controls Return to top

In Brazil it is not permitted to keep an account in foreign currency, only in local currency Brazilian reais (hey-eyes - R$). For a Brazilian importer to remit funds to a seller in the United States, the importer must purchase the corresponding foreign funds by means of an exchange contract at any bank authorized by the Brazilian Central Bank to deal in foreign currency. The exchange rate and related fees are negotiated directly between the purchaser of the foreign currency (the importer) and the bank.

The Brazilian Central Bank is a federal agency entrusted to implement the federal government National Monetary Council's (*Conselho Monetario Nacional*) policies to improve and stabilize the national financial system. Its functions include the control of foreign capital flows. See www.bcb.gov.br/?FOREIGNCAPITALNORMS.

U.S. Banks and Local Correspondent Banks Return to top

Following acquisition of BankBoston by Banco Itau in May 2006, U.S. presence in the Brazilian banking system was reduced to regular commercial bank activities by Citibank, investment banking by JP Morgan and Morgan Stanley, and consumer credit for automobile purchases by General Motors (Banco GMAC).

[1] Source: 500 Maiores e Melhores (The Biggest & Best) *Exame* magazine 2008 edition based on 12-31-2007 bank results

Brazil's strong foreign trade sector and increasing trade activities have led the large banks to increase the number of correspondent banks around the globe, in new and expanding markets as well as with traditional trade partners such as the U.S.

Note: the US Export Import Bank (Ex-Im) provides both export insurance and working capital for US exporters and guaranteed loans for Brazilian importers. Contact the international department of your bank for information regarding correspondent banks in Brazil and to see if they work with Ex-Im bank. You'll also find contact information for Ex-Im insurance brokers and guaranteed lenders at www.exim.gov.

Project Financing

Return to top

Direct Loan by Local Development Bank to Buyer (in foreign currency):

Local companies can arrange at-market or even below-market direct loans with the Brazilian National Economic Development Bank. In many cases, the funds can be used to purchase goods from US exporters. Some companies claim that the loan approval process is bureaucratic and consequently slow.

Import Finance by a Latin American Bank (in Foreign Currency):

A Latin American bank pays a US exporter in advance for goods to be shipped to a Latin American buyer. The Latin American bank is essentially providing the Latin American buyer a loan and the Latin American buyer will have to repay the bank as contractually agreed in the financing agreement between the bank and the buyer. In Latin America, these financings generally have a 6-month grace period after which the buyer must begin repaying the Bank. Although this option is extremely expensive for Latin American buyers it is frequently the only alternative available to them, particularly when they are purchasing larger ticket capital equipment items. ExIm also offers a variety of trade and project finance options. For more information please visit http://www.exim.gov.

Web Resources

Return to top

- Export-Import Bank of the United States: http://www.exim.gov
- Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html
- OPIC: http://www.opic.gov
- Trade and Development Agency: http://www.tda.gov/
- SBA's Office of International Trade: http://www.sba.gov/oit/
- USDA Commodity Credit Corporation: http://www.fsa.usda.gov/ccc/default.htm
- U.S. Agency for International Development: http://www.usaid.gov

Return to table of contents

Return to table of contents

Chapter 8: Business Travel

Business Customs

Return to top

Business visitors should become accustomed to several business conditions specific to Brazil. Compared to the U.S., the pace of negotiation is slower and is based much more on personal contact. It is rare for important business deals to be concluded by telephone or letter. Many Brazilian executives do not react favorably to quick and infrequent visits by foreign sales representatives, or to changes on the negotiating team. They prefer a more continuous working relationship. The Brazilian buyer is also concerned with after-sales service provided by the exporter.

Brazilian approach to time is very flexible, with scheduled meetings often starting late and/or running later than expected. Prepare your agenda in order to accommodate these possible changes. Persistent traffic issues, especially in São Paulo, means that sufficient time should be scheduled for transportation as well. It is advisable to be punctual, and to not show signs of frustration or impatience with delays.

During a first visit to a company it is customary to give a gift, usually promotional items without great material value. Expensive gifts can be misunderstood as bribes and are not welcome. Be aware that business dress is often formal and conservative, in spite of the apparent informality while conducting business.

Personal space standards in Brazil are different than the U.S., so one should not be surprised if a local contact is standing very closely while speaking, pats one on the shoulder or even hugs. In spite of the difference in personal space, it is better to act more formal rather than less during an initial meeting. Also, communication in Brazil happens in an overlapped manner, with people interrupting each other constantly – that is a sign of interest on the subject, not of disrespect.

Travel Advisory

Return to top

ALL U.S. CITIZENS TRAVELING TO BRAZIL REQUIRE A VISA. PLEASE REFER TO THE BRAZILIAN EMBASSY IN WASHINGTON, DC FOR MORE INFORMATION: http://www.brasilemb.org/

U.S. Department of State travel advisory on Brazil: http://travel.state.gov/travel/cis_pa_tw/cis/cis_1072.html

Visa Requirements

Return to top

A passport and visa are required for U.S. citizens traveling to Brazil for any purpose. There are no "airport visas," and immigration authorities will refuse entry to Brazil to anyone not possessing a valid visa.

All Brazilian visas, regardless of the length of validity, must initially be used within 90 days of the issuance date or will no longer be valid. *The U.S. Government cannot assist travelers who arrive in Brazil without proper documentation.*

Minors (under 18) traveling alone, with one parent or with a third party, must present written authorization by the absent parent(s) or legal guardian, specifically granting permission to travel alone, with one parent, or with a third party. The authorization (in Portuguese) must be notarized and then authenticated by the Brazilian Embassy or Consulate.

For current entry and customs requirements for Brazil, travelers may contact the Brazilian Embassy at 3009 Whitehaven St. N.W., Washington, D.C., 20008; telephone (202) 238-2818, e-mail: consular@brasilemb.org; Internet: http://www.brasilemb.org.

Travelers may also contact the Brazilian consulates in Boston, Houston, Atlanta, Miami, New York, Chicago, Los Angeles, or San Francisco. Addresses, phone numbers, web and e-mail addresses, and jurisdictions of these consulates may be found at: http://www.braziltourism.org/visas.html.

U.S. Companies that require travel for foreign employees to the United States can use following information resources:

State Department Visa Website: http://travel.state.gov/visa/index.html

United States Visas.gov: http://www.unitedstatesvisas.gov/

U.S. Embassy in Brazil: U.S. Embassy in Brazil

Telecommunications

Return to top

Telecommunications standards in Brazil are good. Internet can easily be found in major hotels as well as Internet cafes. Within metropolitan areas the phone system is reliable and most people use cell phones.

Transportation

Return to top

Brazil has numerous international and domestic airports. The country's size will likely require U.S. business people to fly domestically within Brazil. The country's taxi system runs very well, though U.S. citizens are recommended to not simply hail them on the street but rather meet one at a taxi stand or ask the restaurant, hotel or other establishment to call one. Public transportation is available, though in major metropolitan areas it can often be unsafe.

Language

Return to top

Portuguese is Brazil's official language. Levels of English vary among Brazilian business persons. It is usually a good idea to have a translator accompany you on meetings and business calls. Correspondence and product literature should be in Portuguese, and English is preferred as a substitute over Spanish. Specifications and other technical data should be in the metric system.

Health

Return to top

Crime rates throughout Brazil have increased, but remain highest in the larger cities. The incidence of crime against tourists is greater in areas surrounding beaches, hotels, discotheques, bars, nightclubs, and other similar establishments that cater to visitors and is especially prevalent during Carnaval (Brazilian Mardi Gras). Occasionally, crime against tourists has been violent and has led to some deaths. While the risk is greater at dusk and during evening hours, street crime can occur any time; areas considered "safer" are not immune. Incidents of theft on city buses are frequent, and such transportation should be avoided. Several Brazilian cities have established specialized tourist police units to patrol areas frequented by tourists.

"Express kidnappings," where victims are abducted and forced to withdraw money from ATMs, are becoming frequent. At airports, hotel lobbies, bus stations and other public places there is much pick-pocketing, and the theft of carry-on luggage, briefcases, and laptop computers is common (including some reports of thefts on internal flights). Travelers should "dress down" when outside and avoid carrying valuables or wearing jewelry or expensive watches. "Good Samaritan" scams are common. If a tourist looks lost or seems to be having trouble communicating, they may be victimized by a seemingly innocent and helpful bystander. Care should be taken at and around banks and internationally connected automatic teller machines that take U.S. credit or debit cards. Very poor neighborhoods known as "favelas" are found throughout Brazil. These areas are sites of criminal activity and are often not patrolled by police. U.S. citizens are advised to avoid these unsafe areas.

While the ability of Brazilian police to help recover stolen property is limited, it is nevertheless strongly advised to obtain a "boletim de ocorrencia" (police report) at a "delegacia" (police station) whenever any possessions are lost or stolen. This will facilitate the traveler's exit from Brazil and insurance claims.

Travelers are required to show proof of a yellow fever vaccination at the port of entry in Brazil if the traveler has visited, within the last 90 days, any of the following countries:

Africa: Angola, Benin, Burkina Faso, Cameroon, Democratic Republic of Congo, Gabon, Gambia, Ghana, Guinea, Liberia, Nigeria, Sierra Leone, Sudan.

South America: Bolivia, Colombia, Ecuador, French Guyana, Peru and Venezuela.

Yellow fever vaccination is recommended if the travelers' destination in Brazil includes any of the following States: Acre, Amazonas, Amapá, Federal District (Brasilia), Goiás, Maranhão, Mato Grosso, Mato Grosso do Sul, Pará, Rondônia, Roraima and Tocantins.

A polio vaccination certificate is mandatory at the port of entry in Brazil for children between the ages of 3 months and 6 years.

Local Time, Business Hours, and Holidays

Return to top

Brazil observes daylight savings from December to February. When daylight savings is in effect in the United States, i.e. April to October, Brazilian time is one hour ahead of Eastern Daylight Time. When daylight savings is in effect in Brazil, i.e. November to March, Brazilian time is three hours ahead of Eastern Standard Time.

While office hours in Brazil are generally 8 am - 6 pm, decision-makers begin work later in the morning and stay later in the evening. The best times for calls on a Brazilian executive are between 10 am - noon, and 3 - 5 pm, although this is less the case for São Paulo where appointments are common throughout most of the day. Lunch is often two hours.

Temporary Entry of Materials and Personal Belongings

Return to top

Please check:

- Temporary Entry
- Prohibited and Restricted Imports
- Customs Regulations and Contact Information

Web Resources

Return to top

- CIA Fact Book: https://www.cia.gov/library/publications/the-world-factbook/geos/br.html

Return to table of contents

Return to table of contents

Chapter 9: Contacts, Market Research, and Trade Events

Contacts Return to top

U.S. Commercial Service Brazil
Deputy Senior Commercial Officer: Scott Shaw (Scott.Shaw@mail.doc.gov)
Phone: 011-55-11-5186-7191; Fax: 011-55-11-5186-7343
Rua Thomas Deloney, 381
Chacara Santo Antonio
04710-041 São Paulo, SP

U.S. Commercial Service Belo Horizonte
Commercial Assistant: Robert Pohl (Robert.Pohl@mail.doc.gov)
Ph: 011-55-31-3213-1571; Fax: 011-55-31-3213-1575
Rua Timbiras, 1200, 7º andar
30140-060 Belo Horizonte, MG

U.S. Commercial Service Brasilia
Principal Commercial Officer: Rebecca Armand (Rebecca.Armand@mail.doc.gov)
Ph: 011-55-61-3312-7418; Fax: 011-55-61-3312-7656
SES - Av. das Nações, Quadra 801, Lote 03
70403-900 Brasilia, DF

U.S. Commercial Service Rio de Janeiro
Principal Commercial Officer: Camille Richardson (Camille.Richardson@mail.doc.gov)
Ph: 011-55-21-3823-2000; Fax: 011-55-21-3823-2424
Av. Presidente Wilson, 147, 4º Andar
20030-020 Rio de Janeiro, RJ

U.S. Commercial Service Recife
Commercial Specialist: Adierson Azevedo (Adierson.Azevedo@mail.doc.gov)
Ph: 011-81-3416-3075; Fax: 011-55-81-3231-1906
Rua Gonçalves Maia, 163 - Boa Vista
50070-060 Recife, PE

U.S. Commercial Service São Paulo

Commercial Officer: Sean Kelley (Sean.Kelley@mail.doc.gov)
Ph: 011-55-11-5186-7429; Fax: 011-55-11-5186-7445
Rua Thomas Deloney, 381
Chacara Santo Antonio
04710-041 São Paulo, SP

Market Research Return to top

To view market research reports produced by the U.S. Commercial Service please go to the following website: http://www.export.gov/marketresearch.html and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, but free of charge.

Trade Events Return to top

Please click on the link below for information on upcoming trade events.
http://www.export.gov/tradeevents

You can also access information on trade events specific to Brazil at www.buyusa.gov/brazil, under "Upcoming Events" on the left hand menu.

Return to table of contents

[Return to table of contents](#)

Chapter 10: Guide to Our Services

The U.S. Commercial Service offers customized solutions to help your business enter and succeed in markets worldwide. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers

For more information on the services the U.S. Commercial Service offers U.S. businesses, please click on the link below.

www.buyusa.gov/brazil

U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** or the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE**, or go to the following website: http://www.export.gov