Doing Business in Brazil: 2010 Country Commercial Guide for U.S. Companies

Chapter 1: Doing Business in Brazil

Market Overview Return to top

The Federal Republic of Brazil is the fifth largest country in the world in terms of population (196 million) and size. It is the 10th largest economy (by GDP – purchasing power parity) in the world. Brazil enjoys a growing middle class, growing internet usage, and increasing internal demand for goods and services. Brazil weathered the crisis better than most major economies and by the end of 2009 was in a recovery position, bolstered by strong domestic demand and a growing middle class. Latin America's biggest economy shrank only around 0.2% last year, compared to an estimated 4% contraction in the European Union and 2.5% in the U.S. 2010 growth forecasts range from 7-7.5%. During the past decade, the country has maintained sound macroeconomic policies to control inflation without sacrificing economic growth. This kept the inflation rate at 5.1% in 2009, and unemployment at 7.4% (as of Nov '09). Interest rates, though high compared to rest of the world, are near their historical low at the Central Bank rate of 8.75%. 2009 ushered a second consecutive year of a positive trade balance with U.S. exports to Brazil at US$ 26 billion, and imports from Brazil at US$ 20 billion. The U.S. is Brazil's biggest import partner followed by China, Argentina, Germany, and Japan.

On April 30, 2008 Brazil earned Standard & Poor's Investment Grade credit rating. The stock market gained 83% last year, its best year since 2003, sustained in part by a record net inflow of 20.45 billion reais (US$ 10.25 billion) from foreign portfolio investors and due to the resilience of its domestic market and steady foreign demand for its commodities. In 2009, foreign reserves hit record levels, rising to US$ 239 billion as Brazil took measures to control appreciation of its currency, the real, which rose 34% against the dollar.

Additional resources:

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

Market Challenges Return to top

There are enormous commercial opportunities for U.S. companies in Brazil. That said, and despite signs of improvements, 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 keeps economic growth from reaching its full potential.

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 and raise costs. Registering a company takes 120 days – World Bank ranks Brazil 129/183 economies in terms of ease of doing business.

Market Opportunities Return to top

Promising areas for U.S. exports and investment include in no particular order: agriculture, aircraft and parts, telecom equipment and services, insurance, agricultural equipment, electrical power, safety and security, oil and gas, environmental technologies, mining, computer software and transportation.

The Commercial Service maintains a market research library on new opportunities – Brazilian Market Insights. Upcoming research documents include commercial opportunities for Brazil World Cup 2014, 2016 Olympics, and the PAC – Brazil’s growth acceleration program for infrastructure development.

Certain sectors of the Brazilian market have and may continue to experience high growth, such as aircraft and parts, air transportation, telecom, oil and gas, and mining.

The demand for domestic air transportation in Brazil increased 17.65% in 2009, the best growth percentage since 2005, according to data disclosed by the National Civil Aviation Agency (ANAC). On the other hand, the market share of Brazilian airlines shows a reduction in concentration as smaller airlines continue to gain market share.

With roughly 35% of the region’s revenues, Brazil remains Latin America’s largest telecom market. Gross revenue from telecom equipment and services as of September 2009 was nearly US$ 68 billion and the market is expected to reach US$ 90 billion in 2012.

Brazil has a large and well developed mining sector. In fact, Brazil is responsible for one-quarter of the world's iron ore output. As a consequence of the global financial crisis, investment in Brazil's mining sector fell around 30%. However, in a bid to ease the pressure on the mining sector, the government implemented a legal measure that enables the extractive industry to raise bank loans more easily. By 2013, the market should be expanding by around 6%, reaching US$ 41.65 billion.

Market Entry Strategy

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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. The U.S. Commercial Service encourages U.S. companies to 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 (GKS). 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.

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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.

Brazil - Political and Economic Environment

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Chapter 3: Selling U.S. Products and Services

Using an Agent or Distributor

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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

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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, they have significantly reduced the amount of time involved granting various licenses and registrations associated with this process over the past few years.

The Central Bank monitors acquisitions of existing companies. 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 comply may cause serious foreign exchange losses, 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 (http://www.braziltradenet.gov.br)

Franchising Return to top

Franchises account for approximately 25% of gross revenue in the retail sector. Local Brazilian franchises dominate 90% of the market; however, foreign groups, particularly from the United States, 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 pilot programs.

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 2008, the Brazilian franchise sector grew by 19% - about 15% more than the national GDP. Total sector revenue was about R$55 billion (US$27.5 billion). There are an estimated 1,400 franchise chains and 72,000 franchise units, making the Brazilian franchising market the 4th largest in the world (in terms of units) and the 3rd largest (in the number of franchise chains). The number of chains grew from 1,197 in 2006 to 1,379 (a difference of +15.2%).

The Brazilian Association of Franchising notes that the global financial crisis has increased investment in franchising networks. The best performing franchising sectors in 2008, in terms of revenue growth, were personal accessories and footwear (44.8%), services related to vehicles (31.7%), clothing (27.2%), as well as sports, health, beauty and leisure (25.8%). Only one segment showed a decline in sales: cleaning and conservation (-1.4%). A full discussion of the franchising sector can be found in the "Best Prospects" section of this guide.

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, non-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

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Joint ventures are very common in Brazil, particularly as a way for foreign firms to compete for government contracts or in heavily regulated industry 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. The U.S. Commercial Service strongly advises hiring a competent local attorney in structuring such an arrangement. (CS Brazil can facilitate this process through our Gold Key Service (click for more info). 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

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The Federal Government is Brazil's biggest buyer of goods and services. In 2008, the Federal Government spent over R$ 16.5 billion (US$ 8.25 billion) on nearly 50,000 public tenders to procure goods and services. Despite these encouraging statistics, winning contracts with the Brazilian Government can be challenging. U.S. exporters may find themselves at a competitive disadvantage without a significant in-country presence, as well as 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 establish an open competitive process for major government procurements. Under this law, price is the overriding factor in selecting suppliers. Tenders are open for international competition, either through direct bidding, consortia or imports; however, for many of the larger tenders (e.g. military purchases) single source procurements are possible for exceptions such as: national interest, security, or unique technical requirements. In case of a bid tie, nationally owned companies will gain preference over foreign competitors. More recent measures are focused on modernizing the tender process. For example, in 2008 approximately 74% of the bids and 80% of the government procurements were made electronically.

Law 8666 establishes general norms for tenders and administrative contracts (for goods and services) at the Federal, State, and Municipal levels, 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 incentives 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 local, 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, while 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., a 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.

Including Brazilian goods and services, or significant subcontract association with a Brazilian firm, may improve your company'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 U.S. 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

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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

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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; therefore, emphasizing product quality, customer service, and warranty terms are key factors for U.S. companies.

Electronic Commerce

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As Latin America's most advanced internet and e-commerce market, Brazil offers additional marketing and business opportunities. Brazil is the fifth largest Internet market in the world and the largest in Latin America. According to the Brazilian Institute of Geography and Statistics (IBGE) the number of online buyers increased 20% in 2009. Determining factors for the development of electronic commerce include: the increase in broadband penetration and per capita income, improvement in cyber security, and a higher number of credit card holders. Beyond the social and infrastructure considerations, the fact that the region has a good portion of its population between 18 and 35 years old significantly influenced the results of B2C (business to consumer) e-commerce. In 2008, women represented 51% of all online purchases while the lower middle class accounted for 42% of all online purchases. Two factors contributed significantly to this growth: the ability to compare prices online and the option to pay in installments. According to the International Telecommunications Union (ITU), the number of Internet users has grown rapidly in Brazil, now totaling over 50 million. 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, there is plenty of room for growth for e-commerce in this market. For further information, please refer to the U.S. Commercial Service Industry Sector Analysis for Brazil - http://buyusainfo.net/docs/x_7259343.pdf

Trade Promotion and Advertising

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

The top advertising categories by expenditure are trade and commerce, consumer services, culture, leisure, sports and tourism, media, as well as public and 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 (http://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. for oil and gas (Rio de Janeiro) and for mining (Belo Horizonte). These events attract many visitors and exhibitors from Brazil and foreign countries. Specialists from the U.S. Commercial Service Brazil participate in many of these events, and can help you arrange meetings with potential agents, distributors, lawyers, and customers at these trade shows.

Pricing

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

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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; therefore, U.S. manufacturers should appoint agents or distributors who are qualified to provide such services.

Protecting Your Intellectual Property

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Introduction

Several general principles are important for effective management of intellectual property rights (IPR) in Brazil. First, it is important to have an overall strategy to protect your company's IPR. Second, IPR is protected differently in Brazil than in the United States. Third, rights must be registered and enforced in Brazil, under local laws. Companies may wish to seek advice from local attorneys or IPR 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 owners of these rights to register, protect, and enforce them where relevant by retaining their own counsel and advisors. While the U.S. Government is willing to assist, there is little we 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, intellectual property rights' holders, who delay enforcing their rights due to the 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 their case.

It is always advisable to conduct due diligence on your local partners. Keep the interests of your partner in mind and give your partner clear incentives to honor their contract with you. A good partner is an important ally in protecting IPR. 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, so you should work with legal counsel familiar with Brazilian laws to create a solid contract that includes non-compete clauses, as well as confidentiality and 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 U.S. 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 United States, contact the U.S. Copyright Office at: 1-202-707-5959.

- For U.S. small- and medium-size companies, the U.S. 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 IPR attachés in key markets around the world. You can get contact information for the IPR attaché who covers Brazil at: dorian.mazurkevich@trade.gov

The IPR Climate in Brazil

Although Brazil ratified the Agreement on Trade-Related Aspects of Intellectual Property Rights – TRIPS, Brazilian law regarding intellectual property incorporates international standards in effect since 1996. The most relevant IPR agency 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 remain up-to-date with the international community. This posture reflects Brazil's significant improvement on copyright enforcement, according to USTR Special 301 report regarding intellectual property protection. INPI is also taking measures to increase Brazil's patent processing capacity by hiring specialists, raising salaries and modernizing equipment. Brazil has also 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

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In Brazil, the U.S. Commercial Service (USCS) can provide U.S. 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 U.S. 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 http://www.buyusa.gov/brazil.

Local Professional Services

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For references to local services providers, please contact one of the U.S. Commercial Service's five offices in Brazil 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

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

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

Agricultural Equipment

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(in US$ millions)	2008	2009 (est.)	2010 (est.)
Total Market Size	6,369	6,465	6,788
Total Local Production	6,799	5,303	5,568
Total Exports	3,048	1,493	1,567
Total Imports	2,618	2,655	2,787
Imports from the U.S.	785	796	836

*Assumes exchange rate of R$ 2.0 = US$ 1.0
Note: Figures include tillers, wheel tractors, crawler tractors, combines, loaders and backhoes.
Source: ANFAVEA

Brazil has thirteen industrial production units owned by seven large agricultural equipment manufacturers. Most of the international agricultural machinery producers are manufacturing locally and exporting agricultural machinery to other South American countries. These manufacturers 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.

In 2008, according to Brazilian Automotive Vehicles Manufacturers Association (ANFAVEA), sales of agricultural machinery increased 42% in Brazil, in comparison with the previous year, and reached 54 thousand units. Brazil produced 53 thousand agricultural machines in 2008, 30% more than in 2007, and imported 1,680 units in 2008.

According to industry specialists, production of agricultural machinery in Brazil in 2009 is estimated to have shrunk to 66 thousand units, a 22% decrease from the previous year.

A large portion of the agricultural machinery manufactured in Brazil is for export, with South American countries representing over 56% of Brazilian exports of machinery. Exports of tillers, wheel tractors, crawler tractors, combines, loaders and backhoes, were seriously affected by the devaluation of the dollar in face of the Real, and analysts estimate that in 2009, Brazilian exports of this machinery decreased 51% when compared to 2008, not even reaching 15 thousand units.

Best Prospects/Services Return to top

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

Opportunities Return to top

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 maize, pineapples, pepper and cashew nuts.

Besides already being an agriculture powerhouse, Brazil is also 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.

This 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.

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- For more information about export opportunities in this sector contact U.S. Commercial Service Industry Specialist Igly Serafim at: Igly.Serafim@trade.gov

- For more Market Research: www.export.gov/marketresearch.html

- 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

- With offices in Brasilia, São Paulo, Rio de Janeiro, Belo Horizonte and Recife the U.S. Commercial Service Brazil (http://www.buyusa.gov/brazil) helps U.S. 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.

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Aircraft Parts and Aviation

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Aircraft Parts

(in US$)	2008	2009	2010 (est.)
Total Market Size	2.6b	2.7b	2.7b
Total Local Production	0.8m	1.0m	1.2m
Total Exports	2.1b	2.0b	2.1b
Total Imports	1.6b	1.8b	1.2m
Imports from the U.S.	0.9b	1.2m	1.2m

*Assumes exchange rate of R$ 2.0 = US$ 1.0
** The above statistics are unofficial estimates
Source: MDIC – Ministry of Development, Industry & Trade/ Embraer/ Brazilian Association of Aerospace Industry

Aviation

Brazil is ranked as the fifth largest aviation market in the world. The tremendous increase in demand is driven by economic growth that forecasts 5-8% growth per year over the next 10 years. TAM Airline remained the market's leading airline for domestic flights with a 45.4 percent market share. Gol Linhas Aereas, Brazil's No. 2 air carrier, lost market share last year, falling to 41 percent from about 42.4 percent in 2009. Smaller airlines, led by WebJet and Azul, had their combined market share rise to about 13% from 7.3% in 2009, according to ANAC – National Agency of Civil Aviation.

Best Prospects/Services
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Brazilian aircraft manufacturing company Embraer is ending 2009 with a solid performance. The company's orders totaled US$ 16.6 billion by year end. Aircraft sales for domestic companies such as Azul and Trip, sales of Phenom 100 Executive Jets, and two large defense contracts contributed to this positive result. Embraer estimates that the air transportation industry will react positively, after the end of the current economic crisis, maintaining a long term growth trend. Embraer estimates that the Brazilian Development Bank (BNDES) and the Export Guarantee Fund (FGE) will fund 60% of commercial aircraft deliveries by the company in 2010.

Brazil has the seventh largest helicopter fleet in the world, with approximately 1,255 helicopters. 42% of this total is concentrated in the State of São Paulo. In 2010 the helicopter market should continue its growth with the Sao Paulo market leading the way with 17% growth expectations. The offshore segment should also be a growth market due to major government investments being made in the pre-salt oil fields.

Opportunities
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As Brazil's aviation market continues to expand, imports of parts and components will continue to increase, representing good business opportunity for U.S. suppliers. The products expected to have the most potential are the following: parts and components for defense and executive aircraft. In the long term, the law enforcement segment should also present good business prospects as Brazil prepares for the World Cup in 2014 and Olympic Games.

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- Embraer:www.embraer.com.br
- Ministry of Defense: www.defesa.gov.br
- Brazilian Aeronautic Committee in Washington: http://www.cabw.org
- 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
- For more market research reports please visit: www.export.gov/marketresearch.html
- For more information please contact Industry Specialist Daniele Andrews: daniele.andrews@trade.gov, genard.burity@trade.gov, marina.konno@trade.gov
- With offices in Brasilia, São Paulo, Rio de Janeiro, Belo Horizonte and Recife the U.S. Commercial Service Brazil (http://www.buyusa.gov/brazil) helps U.S. 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.

Airports

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City/ State	Airport	Investments (2009 – 2014) (in US$ millions)
Guarulhos/ São Paulo	Antonio Frnaco Montoro International Airport	842
Sao Paulo	Congonhas Airport	167
Campinas/ Sao Paulo	Viracopos Airport	590
Rio de Janeiro	Antonio Carlos Jobim International Airport	461
Rio de Janeiro	Santos Dumont Airport	44
Confins/ Belo Horizonte	Tancredo Neves International Airport	230
Belo Horizonte	Pampulha	3
Brasília/ Federal District	Juscelino Kubitschek Airport	390
Porto Alegre	Salgado Filho International Airport	359
Curitiba	Afonso Pena International Airport	47.5
Recife	Gilberto Freire International Airport	19.4
Salvador	Salvador	25.3
Fortaleza	Pinto Martins International Airport	164
Manaus	Eduardo Gomes International Airport	140
Cuiabá	Marechal Rondon International Airport	20
Natal/ Rio Grande do Norte	Sao Gonçalo do Amarante Airport	67*

Source: Infraero Presentation – Airport Infrastructure for the World Cup 2014 – Dept. of Engineering.
Ministry of Defense Presentation – Airports World Cup 2014 – Minister Nelson Jobim
Assumes exchange rate of R$ 2.0= US$ 1.0
*Total of investment received until 2010

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The Brazilian Government is planning several investments in the airport sector in Brazil in preparation for the World Cup 2014. Some of the major investments in the sector include:

- Construction of the third terminal of passengers and expansion of the existing tarmac and runways at the International Airport of Guarulhos in São Paulo. Total investment would be US$ 842 million.
- Construction of a new passenger terminal and tarmac at the Viracopos Airport in Campinas, Sao Paulo with an investment of US$ 590 million.
- Expansion of the south passenger terminal and tarmac at Brasilia International Airport with a US$ 390 million investment.
- Refurbishment of passenger terminal 1 at Galeão International Airport in Rio de Janeiro with investments around US$ 460 million.

Most of the projects are coordinated by INFRAERO through public tenders. International companies are welcome to participate in the bids. However, they need to have a local representative. 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.

Opportunities

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There are several business opportunities for U.S. companies to provide passenger bridges, baggage systems, handling equipment, checking conveyors, x-ray integration, claim carousels, X-ray machines and other safety and security equipment.

Resources

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- For more market research, please visit: www.export.gov/marketresearch.html
- INFRAERO: www.infraero.gov.br
- ANAC - National Agency of Civil Aviation www.anac.gov.br
- Ministry of Defense www.defesa.gov.br
- With offices in Brasilia, São Paulo, Rio de Janeiro, Belo Horizonte and Recife the U.S. Commercial Service Brazil (http://www.buyusa.gov/brazil) helps U.S. 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.

Telecom Equipment and Services

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Brazil remains Latin America's largest telecom market. Gross revenue from telecom equipment including services as of September 2009 was nearly US$ 68 billion and the market is expected to reach US$ 90 billion in 2012. Sector revenues are split among fixed carriers (28%), mobile carriers (34%), manufactured products (17%) and services (21%). 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. Telecom equipment suppliers in Brazil expect total revenues to reach US$ 9.6 billion in 2010 or 10% above 2007's estimated sales.

(in US$ millions)	2008	2009	2010* (est.)
Total Market Size – Equipment & Svcs.	8,991	8,726	9,600
Total Local Production – (Telecom Eq.)	5,788	6,436	7,080
Total Exports (Telecom Eq.)	2,540	1,651	1,815
Total Imports	3,203	2,290	2,519
Imports from the U.S.	962	970	1,067

(*) Trade / Industry Source - 2009 Estimated Exchange rate value US$ 1 = R$ 2.00

Telecommunication Market - General Indicators – # of Subscribers

(in US$ millions)	2007	2008	2009 (as of 9/09)
Wire line Telephony	39.4	41.1	41.6
Wireless Telephony	121.0	150.6	166.1
Pay TV	5.3	6.3	7.5
Broadband	7.7	10.0	13.7

Estimated Exchange rate value US$ 1 = R$ 2.00

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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, value-added services such as faster data transmission and enhanced multimedia capabilities are the most critical strategies for gaining customers.

Satellite

After years of stagnation, the satellite market grew 9% in 2009. The demand for this service is still growing especially in the video segment, e-learning and broadband services in the remote areas of the country. New compression technologies will force the reduction of prices for this type of service and as a result of that, regional broadcasters are planning to change the current microwave distribution infrastructure for a satellite solution. There are good prospects for trunking services for regions where there is no optical fiber.

Broadband

As of September 2009, Brazil had approximately 13.7 million subscribers, a significant increase as compared to the previous year. In November 2009, the Brazilian Government unveiled Brazil's national broadband plan (NBP) aimed at addressing Brazil's soaring broadband usage demand. The proposal, entitled "A National Plan for Broadband - Brazil at high speed," lays out the government's goals, to be accomplished by 2014 when Brazil hosts the World Cup. The objectives are increasing individual access to fixed broadband service in Brazil to 30 million people, providing 60 million users with mobile broadband access, and connecting all government agencies, public schools, public health facilities, public libraries, and federal state and local law enforcement agencies to the plan's expanded broadband network. The plan also calls for the construction of 100,000 new community telecenters with broadband access designed to reach the rural areas of Brazil. The NBP is essential to sustaining Brazil's economic growth, increasing its economic global competitiveness, and enhancing the social welfare of its citizens. The plan envisions a concession model that utilizes existing telephone fiber optic networks, and calls for government investment of US$ 26 billion and private investment of US$ 49 billion in private investment.

Power Line Communications (PLC) – In 2009, Anatel, the Brazilian body equivalent to the FCC, approved regulation for broadband transmission over power lines. The document sets guidelines for the use of this technology in the band between 1.705 kHz and 50 MHz. Companies like AES Eletropaulo Telecom and Copel, are testing the technology to decide about investments to be made in order to provide these services.

Pay TV Market

The Brazilian market for Pay TV generated gross revenue of 2.7 billion as of September 2009 with approximately 6.8 million subscribers. This market is expected to grow at least 10% in the next year mainly because of the increase of the broadband penetration in country.

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 the first half of 2010. After public consultations the agency is still evaluating the best model to auction this frequency in order to increase competition among 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

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Opportunities for U.S. suppliers exist in the areas of 3G-network maintenance, Long Term Evolution (LTE) and WiMax 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.

Best prospects for U.S. 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.

Resources

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- ABINEE www.abinee.org.br
- Telebrasil www.telebrasil.org.br
- ANATE www.anatel.gov.br
- ABTA www.abta.org.br
- For more information about export opportunities in this sector contact U.S. Commercial Service Industry Specialist Ebe Raso at: Ebe.Raso@trade.gov
- For more Market Research: www.export.gov/marketresearch.html
- With offices in Brasilia, São Paulo, Rio de Janeiro, Belo Horizonte and Recife the U.S. Commercial Service Brazil (http://www.buyusa.gov/brazil) helps U.S. 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.

Computer Software

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Despite the turbulence that marked 2009, the Brazilian market for software and services maintained its 12th place in the world, reaching US$ 15 billion.

In 2009, computer programs developed in the country reached 32.5% of the total Brazilian market for software. Although representing a slightly smaller share than in the previous year, this market still shows a growth trend when compared to 2004, when participation was 27%.

This market has nearly 8,500 companies, dedicated to the development, production and distribution of software and services. From those who work in the development and production of software, 94% can be classified as micro and small companies.

The industrial and financial sectors represented almost 50% of the user market, followed by services, trade, government, agriculture and others. In terms of growth, agribusiness and finance were the sectors that showed the biggest increase in investment, with positive variations of 39% and 41% when compared to 2008.

Brazil has a large and diversified economy that offers U.S. companies many opportunities to export their goods and services. Software sales in Latin America are expected to increase by 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 most significant topic in this sector is the increase of data in cellular telecommunications, which is expected to continue growing for the next few years.

US$ millions	**2008**	**2009**	**2010 est***
Market Size	15,255	16,100	16,660
Local Production	8,330	9,100	9,300
Exports	366	335	360
Imports (Global)	6,550	6,670	6,968
Imports from United States	4,330	4,450	4,670
(*) Trade / Industry Source - 2010 Estimated Exchange rates: values US$ 1 = R$ 2			

Best Products and Service

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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. As Brazilian IT companies mature, they are attracting the interest of competitors and capital investment funds.

Within the software segment, 37% of the market represents purchases of enterprise applications such as CRM, ERP or SCM solutions while systems infrastructure solutions, such as platforms for administrating and running software assets, contribute 36%.

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 prospectives for this year are 40%, with a sales volume of US$ 7 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. Brazilian companies know they must rush to do their homework and catch up with the rest of the world. Although a large number of Brazilian and multinational companies made significant investments to develop e-business platforms, results indicate 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 (MEs) 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 MEs are realizing their vulnerability and have begun systematically implementing IT security measures.

Other market trends are:

- Compliance to best practices
- Compliance to national and international regulations
- Great number of VOIP projects
- Consolidations of SOA as a market reality

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Transportation

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	86.0	160.1	17.7	74.0	100
Energy	28.2	69.8	26.6	41.6	56.2
Communications	40.0	37.9	-1.0	-2.19	-2.9
Sanitation	9.4	33.2	38.9	23.8	32.1
Railroads	5.1	13.7	26.9	8.6	11.6
Ports	2.0	4.7	25.1	2.7	3.7

Estimated Exchange rate value US$ 1 = R$ 2.00

Ports Overview

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(in US$ millions)	2008	2009	2010 (est)
Market Size	735	655	781
Local Production	397	353	430
Imports (Global)	367	298	359
Imports (USA)	140	123	150

Estimated Exchange rate value US$ 1 = R$ 2.00

With a coastline of 8,500 km (5,600 miles), Brazil has a port sector that handles around 768 million tons of goods annually and is responsible for more than 85% of its exports. The maritime modal has one of the lowest costs for the transportation of cargo 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 port 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 Prospects/Services

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Prospects and Investment Trends in the Industry

According to a report from the Department of Transportation and Logistics, the Brazilian National Economic and Social Development Bank (BNDES) expects investment in the sector to be 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 billion, and consider an average participation of the Bank in 60% of the required investment.

Companies from the Association of Port Terminal Operators plan on investing US$ 9 billion in the next 5 years. Another US$ 8 billion should be invested by non- associated port operators.

Railways Overview

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US$ (millions)	**2008**	**2009**	**2010 (est.)**
Market Size	435	344	407
Local Production	235	253	298
Imports (Global)	201	216	258
Imports (USA)	78	83	99

Source: trade/Industry Resources. Estimated Exchange rate value US$ 1 = R$ 2.00

The Growth Acceleration Plan (PAC) foresees investments of US$ 296 billion in infrastructure. The PAC announced by the federal government in 2007 assured that US$ 296 billion would be invested in infrastructure by 2010. Of the total, 87%, or US$ 256.5 billion, would come from the state and private sector, while the remaining US$ 30.5 billion would come from the federal government.

Investments under PAC will be strong on logistics 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 the end of 2010, investment in logistics should reach US$ 34.3 billion.

Opportunities

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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. With a budget of US$ 15.6 billion to invest in the expansion of the system the Brazilian railroad network should jump from its present 239 thousand kilometers to 361.4 thousand by 2016 – more than 50% increase and 122 thousand kilometers in 6 years.

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.

Pleased with the results obtained so far, rail operators have not been afraid to invest. Vale (formerly known as CVRD) operates four railroads: EFC, Norte Sul, EFVM, and FCA. Vale plans on spending US$ 3 billion in 2010. As is the case with other sectors, railroads are being impacted by the international economic crisis. Logistics companies directly related to the transportation of iron ore and agricultural expect to continue capital investments in the belief that the current downturn will soon return to normal.

Vale Logistica, for example, will not change its investment plan for 2010, while Latin American Logistics estimates investments of US$ 700 million for the period. Transnordestina Logistics expects to invest approximately US$ 2 billion.

The commercial manager of Ferrovia Centro Atlantica (FCA) stated that “although the present scenario is complicated, new opportunities are presenting themselves. Therefore, we decided to maintain our expansion plans." The investment plan announced by Vale 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 Vale’s investments. In 2008 the amount was close to US$ 1 billion.

Passenger Operators

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Brazil is working to expand its urban transportation in time for the Soccer World Cup in 2014 and the Olympic Games in 2016.

The city of Sao Paulo’s top priority is the expansion of its subway system. The Metro of São Paulo’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. The São Paulo Metropolitan Train Company expects to invest US$ 2 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. The subway projects spread all over the country should use up almost half of US$ 35 billion allocated for urban mobility projects.

Resources

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- U.S. Ex-Im Bank: http://www.exim.gov
- Brazilian Ministry of Transport: http://www.transportes.gov.br
- National Association of Transporters: http://www.antf.org.br
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Insurance

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In 2008, the Brazilian insurance market reached US$ 42.0 billion, approximately 3.4% of Brazil's GDP, and almost half of South America's Insurance market. (*Figures for 2009 still estimated*). 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 (U.S. insurers 21%).

(in US$ billions)	**2008**	**2009 est***	**2010 est***
Market Size	49.30	49.52	58.43
Foreign Insurer Participation	19.72	19.80	23.37
U.S. Insurer Participation	10.25	10.30	12.30

- *Exchange rate by the end of 2008 of R$ 2.00/US$ 1.00, by the end of 2009 R$ 1.74/US$ 1.00*
- *Statistical data are unofficial estimates from trade sources*
- *2009/2010 figures are estimates.*

Regulatory Environment

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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 compromised 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 offering re-insurance.

New Regulatory Agency: Brazil is creating 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 Security and Exchange Commission) and part of the Finance Ministry that oversees pension fund administration.

Best Prospects

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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 1 car for every 8.8 inhabitants, and some insurers state that in 2009 the ratio is about 1 car for every 4 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 open and closed funds. Closed funds are for employees of specific companies-the largest for employees of state owned enterprises. 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 main open fund providers.

Two funds similar to 401(K) plans are also being offered. 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 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 growing 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 Superintendence of Private Insurance (SUSEP), Brazil's life insurance sector net written premiums estimated to have totaled US$ 12.8 billion in 2008, or 30% of the market.

Health Insurance

Although a country with 196 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. Since 1997, the IRB – now IRB Re Brasil, has been 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).

Market Trends –Reinsurance

In comparison to 2000, reinsurance premium income in Brazil grew 415% when compared to 2008. According to the Brazilian Federation of Insurers (FENASEG) and Standard & Poor's, Brazil ranks as 59th in reinsurance premiums, with an income of US$ 2.0 billion in 2008. Data for 2009 is not yet confirmed as of January 2010, but market sources believe that with the opening of the market, it can double within 2-3 years.

Year	**2000**	**2008**
Net written premiums – Reinsurance	US$ 485 million	US$ 2.0 billion

*Assumes exchange rate of R$ 2.0 = US$ 1.0

Opportunities Return to top

SUSEP has pointed to potential business opportunities in niches in the Brazilian insurance market. For instance, 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 unavailable in Brazil.

The pension reform is also an opportunity: according to trade industry analysts, projections for 2010 are for an over 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 reach more clients interested in insurance.

Other niches are in civil liabilities; personal property; reinsurance; extended warranty insurance; micro-insurance and rural activities ("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 wishing to enter Brazil's insurance market are advised to open a subsidiary, enter into a joint venture, or acquire/partner with a local company. Under current legislation insurance companies must be organized as corporations, submit an application to SUSEP requesting permission to operate as an insurance company, and if approved, not engage in activities other than insurance.

To set up a new insurer, investors must first invest in an insurance company - an estimated minimum investment of US$ 5 million. Although legislation is vague, it appears that foreign firms cannot set up managing 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 does now allow 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, The Warranty Group (through its branch Virginia Surety) 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 Re.

There are also U.S. reinsurance brokers active in Brazil. They include:

- 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)

Web Resources
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- Brazilian Association of Insurers (CNSEG): www.fenaseg.org.br
- IRB: www.irb-brasilre.com.br
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Electrical Power

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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; other state-owned energy companies control approximately 35%, while the remaining 25% have been privatized. Brazil has 2,181 operational power projects with 106,832 megawatts (MW) or 106,832,736 kW of installed capacity (excluding imports). Hydroelectricity, including imports, accounts for 76.31% of the total, as shown in the table below:

Operating Units							
Type		**Installed Capacity**		**%**	**Total**		**%**
		Qty of Plants	**(kW)**		**Qty of Plants**	**(kW)**	
Hydro		829	78,734,549	68.46	829	78,734,549	68.46
Gas	Natural	93	10,808,812	9.40	125	12,055,295	10.48
	Processed	32	1,246,483	1.08			
Oil	Fuel oil	801	3,868,311	3.36	825	5,732,844	4.99
	Residual oil	24	1,864,533	1.62			
Biomass	Sugar cane bagasse	289	4,634,315	4.03	355	6,170,460	5.37
	Black liquor	14	1,145,798	1			
	Wood	36	314,267	0.27			
	Biogas	9	44,672	0.04			
	Rice Rind	7	31,408	0.03			
Nuclear		2	2,007,000	1.74	2	2,007,000	1.74
Mineral Coal	Mineral Coal	9	1,530,304	1.33	9	1,530,304	1.33
Wind		36	602,284	0.52	36	602,284	0.52
Imports	Paraguay		5,650,000	5.46		8,170,000	7.10
	Argentina		2,250,000	2.17			
	Venezuela		200,000	0.19			
	Uruguay		70,000	0.07			
	Total	**2,181**	**115.002.736**	**100**	**2,181**	**115,002,736**	**100**

Source: ANEEL (Brazil's power regulator) December 2009

Considering a yearly GDP growth of 6%, by 2017 Brazil's electricity consumption should increase from 434.2 (terawatt-hour) TWh (2008) to 699.6 TWh, while installed capacity is expected to reach 154,645 MW.

Brazil's Power Research Company (EPE) figures indicate that in comparison with 2008, the portion of hydroelectricity in Brazil's energy matrix is expected to decline to 71% by 2017. If all eight planned nuclear plants or more go online, natural gas power plants may also be reduced to 7.8%, while fuel oil may reach 5.7%, coal, 2.1%, and nuclear generation may approach 2.2%. The Brazilian government envisions wind power playing a greater - though still modest role – (about 1%), in Brazil's future energy matrix. For natural gas plants, EPE might review its estimates upward, if significant oil and gas sub-salt fields come on line over the next ten years.

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 150 Brazilian manufacturers producing these products for residences, hotels, hospitals, and swimming pools. Estimates indicate that 5% to 10% of the non-electrified domiciles could be supplied with PV systems, but technology is considered costly and maintenance services complex.

The 2010 estimate for Brazil's power generation, transmission, and distribution (GTD) equipment market is US$ 5.5 billion of which US$ 460 million is imported globally with about US$ 70 million coming from the United States.

(in US$ millions)	**2008**	**2009**	**2010 (estimated)**
Total Market Size	5,593	4,915	5,535
Total Local Production	5,960	5,244	5,875
Total Exports	865	781	800
Total Imports	498	452	460
Imports from the U.S.	75	68	70

Exchange rate: R$ 2.0 to US$ 1.0

These figures are partially based on the Brazilian Electrical and Electronics Industry Association (ABINEE)'s statistics. Note that other power related trade associations do not release their local industry production figures. Likewise, the power associations do not publish their members' consolidated equipment imports. Moreover, these market estimates do not include operational and maintenance expenses, which would add at least 50 percent to the market. Based on the above, the market sizes in this table are likely to be underestimated due to lack of sufficient data.

According to ABINEE, Brazil's GTD market fell in 2009 in comparison with 2008 due to electrical power consumption retraction and investment reductions in co-generation and electrical power distribution. Additionally, as the equipment for two large hydropower plants (e.g. Jirau and Santo Antônio) is still being manufactured, invoicing figures were not reflected in the 2009 market size.

The 2010 scenario, however, is optimistic, and ABINEE's studies forecast a 12% growth in the GTD segment as a whole, as a result of the Brazilian rural electrification program and orders in connection with recent power generation and transmission auctions.

In fact, EPE's 2009-2017 Power Expansion Plan calls for approximately US$ 71 billion to bring an additional 51,000 MW to Brazil's power generation capacity. Government-owned Eletrobras and its subsidiaries estimate having invested US$ 4.8 billion in 2009.

This figure includes investment by Eletrobras' private consortia partners. Power generation accounted for the bulk of these investments (US$ 2.5 billion).

From 2009 to 2012, Eletrobras and its subsidiaries plan to invest approximately US$ 16.7 billion. This amount includes investment by its private sector partners as well.

A total of 13,477 MW of power have been contracted for delivery from 2008 to 2012 through power auctions. 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. Cost to build this plant will be close to US$ 5 billion. Additional power auctions were held in 2008 and in 2009, 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.

The first wind power plant auction was also held on December 14, 2009, where 1,805.7 MW were contracted. This auction will enable the construction of 71 wind generation plants in five northeastern and southern states of Brazil. Brazil currently has 37 operating wind power plants, nine under construction, and another 44 pending construction.

The giant 11,100 MW Belo Monte hydro plant auction was initially scheduled for December 21, 2009 and postponed for 2010.

In 2010, ANEEL expects to auction ten new substations and seven new power transmission lines with a total of 880 km. EPE estimates that Brazil's transmission industry will need to invest approximately US$ 1.3 billion in 2009-13 to build 2,500 km of transmission lines and 22 substations. Public-private partnerships are expected to be the best means of market access for new-to-market U.S. power companies.

Recent studies released by the Acende Brasil Institute suggest that the power distribution segment will call for US$ 1.9 billion in annual investments over the next five years. The "Light for All" rural electrification program is one of this sub-sector's most important programs launched in 2004. Total estimated investment through 2010 is US$ 10 billion. Since 2007, approximately US$ 6.6 billion have been invested in new electrical connections. By the end of 2009, more than 2 million electrical connections were made, reaching 10 million citizens living in rural areas throughout Brazil. For 2010, the program is expected to result in 578,429 new electrical connections.

In addition to this program, power distributors will continue to invest in power distribution system upgrades to make their companies more competitive, and meet Brazil's regulations concerning client satisfaction. Additionally, Brazilian legislation mandates that power distributors invest 0.5% of their annual net revenues in energy efficiency and R&D programs.

Best Prospects/Services

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In the power generation subsector, best prospect opportunities include the supply of large power transformers, rectifiers, converters, inverters, electrical controls, heat recovery steam generators and condensers, power generation sets, heat exchangers, gas and steam turbines and parts, and wind power turbines above 1.5 MW. To a lesser extent, solar energy related equipment can also offer longer-term opportunities in Brazil, including liquid pumps for photovoltaic (PV) generation, air cooling systems, photovoltaic panels, solar inverters and batteries, as well as their parts.

Best equipment sales prospects for the power transmission subsector include: insulators for 600 kV bipolar DC transmission lines, electrical switches to open circuits, circuit breakers, capacitor banks, relays, and electrical protection panels.

Additionally, U.S. power generation and transmission operators may participate in future power auctions.

Based on future power utility investment plants, the power distribution sub-sector offers equipment sales potential for lightning arresters, ground and surge protection systems, relays, insulated electric conductors, surge suppressors, and innovative technologies to reduce technical and commercial losses.

On a longer-term scenario, industry sources predict that Brazil will need to invest about US$ 15 billion to implement a smart grid network to increase Brazil's interconnected power grid's efficiency and reliability (e.g. to reduce power shortages and black-outs). The first step will be the installation of specific electronic meters, currently under approval process by Brazil's Power Regulator ANEEL.

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- Please visit our Energy Industry Web page http://www.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, Belo Horizonte and Recife the U.S. Commercial Service Brazil (http://www.buyusa.gov/brazil) helps U.S. 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.

Oil and Gas

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Although Brazil ranks 15th in world proven oil reserves and 14th in oil production, it is not part of the Organization of Petroleum Exporting Countries (OPEC); however, the new large oil and gas discoveries that Petrobras made in late 2007 under the pre-salt layer could turn Brazil into a net oil and gas exporter.

According to Brazil's National Oil and Gas Regulator ANP, Brazil's 2008 proven oil reserves reached 12.8 billion barrels and gas reserves amounted to 365 billion m^3. ANP's January to November 2009 data shows that Brazil produced 1.9 million barrels of oil per day (bpd) and 57.5 million cubic meters of gas per day. About 90% of Brazil's oil production in 2009 originated from offshore fields, mostly at extreme depths. Gas production also came primarily out of offshore fields (71%). Petrobras's oil and gas production accounts for nearly 98 percent of Brazil's production. The Petrobras website shows Petrobras' proven oil reserves at 14.9 billion barrels in 2009.

From January to November 2009, Brazil exported 178,452,075 barrels (or about 533,000 bpd). During the same period, Brazil refined about 1.8 million bpd, 392,000 of which was light oil imported to mix with Brazil's predominantly heavy oil.

Since state-owned Petrobras' monopoly ended in 1998, 72 firms - half of which are foreign companies - started doing business in Brazil with 819 oil blocks awarded through ten annual oil-concession licensing rounds. The last auction occurred in December 2008. Petrobras won the majority of these concessions, so most opportunities for U.S. firms lie in servicing or supplying Petrobras. (Interested suppliers must register at www.petrobras.com.br - "Suppliers Channel Guide.")

On August 31, 2009, the Brazilian government unveiled the newly proposed pre-salt regulatory regime. The goal is to change from the existing oil concession model to a production sharing agreement, and to make Petrobras the operator in all future pre-salt fields. The bill was sent to the Brazilian Congress, but quick approval is not expected given various political sensitivities.

The 2010 estimate for Brazil's oil and gas equipment and services market is US$ 65.7 billion. Of that amount, US$ 17.4 billion is imported with about US$ 8.7 billion coming from the United States. These figures do not include operational expenses, which would add approximately 40 percent to the market.

(in US$ millions)	2008	2009	2010 (estimated)
Total Market Size	50,860	57,430	65,700
Total Local Production	38,800	44,620	51,310
Total Exports	3,000	3,000	3,000
Total Imports	15,060	15,810	17,390
Imports from the U.S.	7,530	7,905	8,695

Exchange rate: R$ 2.0 to US$ 1.0

These statistics are based on Petrobras' 2008 direct acquisitions, other oil companies' investments according to the Brazilian Petroleum Institute's estimates, and general statistics from the Brazilian Machinery Association (ABIMAQ).

Petrobras

Petrobras, Brazil's largest company with sales of US$ 118.2 billion in 2008, is a publicly traded, state-owned energy company ranked among the top 15 oil companies in the world.

Petrobras plans to invest US$ 174.4 billion (90% or US$ 157.3 billion in Brazil) through 2013 to increase production capacity to 3.6 million barrels of oil per day (bpd). The investment breakdown includes:

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

In 2009, China extended a US$ 10 billion credit line to Petrobras to develop off-shore oil resources which will be repaid with exports of oil, effectively making China Brazil's first client for pre-salt oil. In 2009, the U.S. Ex-Im Bank issued a US$ 2 billion preliminary commitment to Petrobras that would facilitate exporting U.S. oil and gas field equipment and services to Brazil. Petrobras is considering at least a US$ 300 million medium-term financing facility from Ex-Im and is exploring possible contracts that could be applied to its long-term program with Ex-Im. U.S. companies should be alert to opportunities with the support of Ex-Im Bank - http://www.exim.gov/.

Other oil companies

The IBP estimates that other oil companies (e.g. BG, Repsol, Anadarko, Exxon, etc) will be investing US$ 34.5 billion in Brazil through 2013 - US$ 12 billion of which to develop pre-salt fields. Beyond 2013, investment figures for the other oil companies are not yet available.

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Recent Brazilian Petroleum Institute's estimates show that Brazil has likely reserves of 20 to 30 billion barrels with high end estimates of 60 – 80 billion barrels. Such figures take into account the recent discoveries in Brazil's sub-salt layer (Tupi, Jupiter, and others).

Longer-term equipment and service procurement and operational expense needs from all oil companies (Petrobras and others) could exceed one trillion dollars through 2020 as the "Tupi" and other pre-salt fields are developed.

For its expanded exploration and production activities, Petrobras plans to contract about 300 new vessels (e.g. oil drilling and production platforms, ships, platform support boats, and very large crude oil carriers.)

Other equipment and component purchase forecasts for 2010-2014 include:

- Pumps (centrifugue, alternative,dosing, etc): 18,300 units
- Compressors (rotating, centrifugue, turbo-compressor, alternative, etc): 3,200 units
- Valves (sphere, retention, globe, and others): 834,000 units
- Heat exchangers (including surface condensers): 3,900 units
- Bolts: 8 million
- Gaskets: 660,000 units
- Forged components: 15,000 tons
- Casted/smelted materials: 70,000 tons
- (Source: 6th Annual ONIP Meeting)

Petrobras considers the following critical equipment and services as best prospects for foreign suppliers:

Opportunities for foreign suppliers

E&P critical equipment

- Production pipelines alloy coatings
- Turbo compressors (6-10 Mw)
- Polyester mooring cables
- Mooring systems
- Drilling pipelines
- Electrical cables
- Control systems for well control
- Oil and gas metering systems
- Offshore drilling rigs
- Gravel packing
- Drill bits
- Steam generators (25-50 x 10 6 BTU/d);
- Special sphere subsea valves
- Subsea sensors for analysis of oil and grease traces in water
- Gas turbines
- Special steels (alloys, chrome, etc) to support sub-salt corrosion, and H2S

Critical services for E&P activities

- Drilling
- Workover services
- Flexible lines and umbilical laying services
- Support to ROV vehicles
- Support to mooring activities
- Special vessels

- Subsea interconnection services
- Monitoring and inspection techniques for structural integrity of flexible risers

Downstream segment (refineries, etc) critical equipment and services

- HCC Reactors
- Boiler works with special alloys (reactors, towers, pressure vessels)
- Boilers
- Heat exchangers working with H2S traces (ASTM A 387 degree 11)
- API pumps
- Basic design services
- Thermal power project design

The latest available information on Petrobras' procurement shows that in 2008, the company's direct acquisitions amounted to US$ 45.2 billion - US$ 7 billion in goods and US$ 38.2 billion in services - and 78 percent of these were made by Brazilian suppliers, an increase of eight percentage points in comparison with 2007. Just 19.4 percent of the goods and 22.5 percent of the services were purchased from foreign suppliers. (Source: Petrobras 2008 Annual Report). From 2009 to 2013, Petrobras estimates sourcing USD$ 100 billion from domestic suppliers.

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- Please visit our Market Research Library (website listed below) or our Energy Industry Web page http://www.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
- ANP – National Petroleum Agency: www.anp.gov.br
- The Brazilian Petroleum Institute – http://www.ibp.org.br/main.asp
- Brasil Energia Magazine: http://www.energiahoje.com/online/eventos

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Safety and Security

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Brazil has an extensive and well-developed security market that has consistently registered an average annual growth of 15-20% with annual sales around US$ 24 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 2010.

The market for electronic security equipment is estimated at US$ 1.5 billion. According to a study compiled by the Brazilian Association of Electronic Security Companies (ABESE) the electronic security market has registered average annual growth rates of 21% for several years and is expected to continue at this pace for some time.

Foreign products account for approximately 50% of the 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.

(in US$ millions)	**2008**	**2009**	**2010 est***
Market Size	17,000	20,000	24,000
Local Production	15,000	17,000	20,400
Exports	-	-	-
Imports (Global)	2,000	3,000	3,600
Imports from United States	1,000	1,500	3,800

The above statistics are unofficial estimates. (*) Source ABESE - 2009. Estimated Exchange rates - US$ 1.0 = R$ 2.0

Best Products/Services

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Best prospects for U.S. companies include access control, closed circuit televisions (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 sector has the most sophisticated consumer niche, demanding quality, warranty, and after-sales service.

Port and airport security is another high-quality segment, which, although they have continuously implemented improved security measures, 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 330,000 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.

Despite decreasing but still alarmingly-high crime rates, Brazilian government officials are confident that police and expanded use of hi-tech equipment will provide sufficient security for the 2014 World Cup and subsequently for the Olympics Games 2016. Based on the security investment for previous Olympics games, Brazil expects to invest $1.4 billion for security of the World Cup and Olympic venues.

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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.

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 2010 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.

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 systems integrator who can offer after sales and maintenance services, replacement parts, and repairs.

Due to 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.

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- Brazilian Association of Electronic Security Companies (http://www.abese.org.br/)
- With offices in Brasilia, São Paulo, Rio de Janeiro, Belo Horizonte and Recife the U.S. Commercial Service Brazil (http://www.buyusa.gov/brazil) helps U.S. exporters enter Brazil's market through research, matchmaking and advocacy.

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Environmental Technologies

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(in US$ billions)	2008	2009	2010 (estimated)
Total Market Size	8.18	9.10	10.00
Total Local Production	6.50	7.28	8.00
Total Exports	0.00	0.00	0.00
Total Imports	1.64	1.82	2.00
Imports from the U.S.	0.50	0.55	0.60

Source: All figures were estimated by market analysts

Environmental experts estimate that Brazil's environmental technologies market (including equipment, engineering / consulting services, instrumentation, construction and clean up services) is roughly estimated at US$ 9 billion, of which US$ 5.2 billion is related to the water and wastewater subsector; solid waste management at US$ 3.4 billion and air pollution control at US$ 0.6 billion.

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Brazil has an increasing demand for effluent treatment and energy/water saving technologies, as well as for specialized consulting services. Such technologies include advanced water treatment (filtration), water loss prevention solutions, "intelligent valves," efficient water distribution and reuse projects, water saving devices, and rain water systems, among others. Membrane filtration is a technology that has become more common in Brazil as a consequence of cost reduction. Membranes used in ultra, micro, nano filtration and reverse osmosis are imported into Brazil.

Suppliers of water treatment stations incorporate specific imported equipment; laboratory and analytical equipment are also usually imported, and in an increasing demand.

Other opportunities include solutions related to water distribution systems, including services and equipment, since the water loss rate in Brazil corresponds to about 40 percent of the potable water produced in the urban areas. Additionally, water reuse is becoming increasingly important in Brazil, especially in the large centers where water scarcity represents high operational costs for water impounding and adduction. Existing legislation imposing charges for collecting and disposing effluents in water bodies increases the demand for specialized consulting services and effluent treatment technologies.

Investments in solid waste treatment technologies and waste to energy projects in sanitary and hazardous landfills are expanding significantly. Local environmental agencies are encouraging incinerator technologies for solid waste treatment, as the traditional sanitary landfills reach their limits in large Brazilian cities.

The demand for air pollution control products is also rising in Brazil. In addition to the industrial demand, the increased number of CDM projects in sanitary landfills and the vehicle emission inspection program, mandatory in some of Brazil's largest municipalities generate a demand for gas emission monitoring technologies and gas analyzers, as well as the demand for industrial filters.

Opportunities

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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), allotted US$ 20 billion to the sanitation sector from 2007 to 2010, using funds from the federal government, state, municipal and private investors.

The Brazilian government's goal is to provide sanitation coverage to all of its population. The amount of investments required to reach this objective is US$ 89 billion until 2020. The table below shows the investments needed by geographic region:

Regions	**Investments (**in US$ billions**)**
North	8.1
Northeast	18.6
Southeast	37.1
South	16.5
Center-West	8.7
Total Brazil	89.0

About 30% of the US$ 89 billion is budgeted for equipment replacement, pumps, asbestos, and cement pipes.

The sector's major challenge is the expansion of sewage collection and treatment which is expected to attract most of the investments.

Private Sector Investments

As a result of Law 11455, the private sector is increasing its direct participation in the sanitation business by operating water and wastewater utilities, which in turn is increasing the demand for higher technology equipment used in the water and wastewater utilities. According to industry specialists, Law 866 of June 1993, which regulates public sector procurement in Brazil, determines that the principal purchase criterion be the lower bid. This legislation discourages local water / wastewater product manufacturers and exporters from offering sophisticated technologies.

In 2008, Sabesp, the Sao Paulo state water utility, established its first Public-Private-Partnership with the private Brazilian CAB-Galvao Consortium and five additional PPPs are being analyzed. In 2007, the municipality of Rio Claro, state of Sao Paulo, established a PPP with the Brazilian Odebrecht Group, to operate and expand sewage treatment. This was the first municipal PPP in Brazil.

Estimates of the Brazilian Association of Water and Sewage Public Services Concessionaires (ABCON) are that, the private sector will invest about US$ 8.3 billion in basic sanitation works until 2017 and will manage concessions that will cover 30% of the Brazilian population, compared to the current 9.6% level.

The Odebrecht group has recently created its sanitation company – Odebrecht Engenharia Ambiental (OEA), which already has seven concession contracts in the sector. According to the company, OEA has about US$ 690 million to invest in new concessions in the next three years.

The Spanish owned OHL Meio Ambiente Brasil, which has currently two sewage treatment contracts with municipalities in the state of Sao Paulo (Ribeirao Preto and Moji Mirim), foresees investments of US$ 16 million until 2010, for treating half of the sewage of Mogi Mirim (84,000 inhabitants). OHL has investment plans of US$ 276 million and plans to bid in five new concessions in the mid-term.

The municipal water utility in Campinas, Sanasa, will build two sewage treatment plants using Membrane Bioreactor technology – MBR.

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- U.S. Commercial Service Market Research Worldwide: http://export.gov/mrktresearch/index.asp
- Ibama – Brazilian Environmental Institute – www.ibama.gov.br
- Cetesb – Environmental Authority of the State of Sao Paulo - www.cetesb.sp.gov.br/
- Abrelpe – Brazilian Association of City Cleaning and Waste Treatment Companies – www.abrelpe.org.br

Trade Shows

- Ambiental Expo 2010 - International Environmental and Sanitation Trade Show Dates: April 27 to 29, 2010. Site: Anhembi Exposition Center, Sao Paulo, SP, Brazil. Organizer: Reed Exhibition / Alcantara Machado – www.ambientalexpo.com.br. Comments: Second edition of the show. The sectors covered include: basic sanitation, solid waste, air pollution control, soil remediation, renewable energy and noise control.
- FIMAI – International Industrial Environmental Trade Show. Dates: November 2010 Site: Expocenter Norte – Sao Paulo, Sao Paulo, Brazil. Organizer: Editora Tocalino www.fimai.com.br. Comments: Traditional annual trade show with focus in environmental technologies for the industrial market.
- FITABES – International Environmental Technology Trade Show. Dates: September 2011. Organizer: Fagga Eventos http://www.fagga.com.br. Promoted by ABES – Brazilian Association of Environmental and Sanitary Engineers – Brazilian chapter of AIDIS. Comments: bi-annual trade show. The products displayed include products, services and equipment for environmental sanitation, production and distribution of potable water and wastewater treatment.

Mining

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(in US$ millions)	2008	2009	2010 (estimated)
Total Market Size	4,414	4,170	4,260
Total Local Production	4,657	4,400	4,500
Total Exports	582	540	560
Total Imports	339	310	320
Imports from the U.S.	116	110	112

* *Statistical data are unofficial estimates from trade sources and press reports*

Exchange rate US$ 1.00 = R$ 2.00

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 period 2000 to early 2008, and breaking nearly all records every year. However, in mid-2008 the international mining market went into a sharp downturn that had a huge impact in Brazil, as this sector is very much export-oriented. During the second half of 2008 and most of 2009 the Brazilian mineral output fell by more than 10% (in volume) annually, especially iron ore which is the most important mineral in Brazil.

Since the second half of 2009 a slow recovery has taken place in this sector. As of January 2010 it is still not clear how the market will evolve during the next years, but most analysts predict a slow but steady recovery that will lead back to the record prices and production levels of 2008 within approximately two years. A recovery depends 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 370 million metric tons/year (Mt/y), representing nearly 17% of the world's total. The official figure for 2009 is not known yet, but it is expected to be around 353,000 Mt/y.

Brazil also produces:

- Bauxite (26.6 Mt/y in 2008, or 13% of the world's total),
- Gold (54 t/y in 2008 or 2.3% of the world's total),
- Kaolin (2.8 Mt/y or 6.2% of the world's total),
- Manganese (2.4 Mt/y or 18% of the world's total),
- Niobium (86,000 t/y, with 94% of the world reserves and 96% of the output),
- Potassium chloride (KCl) (650,000 t/y),
- Phosphate concentrate (6.3 Mt/y of concentrate),
- Zinc (199,000 t/y of metal content or 1.8% of the world's total)
- Lead (25,000 t of primary lead and 142,000 t of recycled lead),
- Copper (214,000 t of ore),
- Tin (15,000 t of Sn content),

- Nickel (85,000 t Ni content),
- Uranium (380 t of U3O8 concentrate),
- Raw materials for cement (50 Mt/y of cement in 2008).

Brazil's coal production is relatively small and has been stagnant for the last 20 years. The output in 2008 was only 6.5 Mt/y of steam coal (compared to 5 Mt/y in 1991), but it is expected to reach 12 Mt by 2014, in order to supply several new local coal power plants. Total Brazilian deposits of coal are estimated to be 32 billion metric tons. There are 8 coal power plants currently in operation in Brazil, with a combined capacity of 1.4 MW, equivalent to only 1.3% of the total electricity consumption of this country. There are projects by local companies to start up several new coal power plants in Brazil in the next 5 years, for a combined capacity of 4,000 MW.

Brazil is one of the largest importers of metallurgical coal, used basically by its steel manufacturers. It has imported approximately 16 million metric tons/year (US$ 2 billion) of metallurgical coal. The main supplying countries have been 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 four 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.

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Brazil has a very limited market for turnkey machinery, as a number of leading multinationals have manufacturing facilities in this country, with some even exporting their products from Brazil. 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. Caterpillar, for example, has been one of the top 15 Brazilian exporters.

These equipment manufacturers provide excellent opportunities for U.S. parts and components for earth-moving equipment, belt conveyors, crushers and grinding equipment, laboratory instruments, and drill bits and equipment. Import tariffs and fees are normally very high in Brazil. For this reason, the best prospects for exporting products into Brazil are normally for products that are not available locally.

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 in September 2011 in Belo Horizonte. Participation in it is highly recommended for U.S. manufacturers of mining equipment.

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VALE (Companhia Vale do Rio Doce): Brazil's largest, and the world's second largest, mining company is Companhia Vale do Rio Doce, known as 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 U.S. 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 six 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. 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 August 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. Since the last quarter of 2009 the situation has been slowly improving again, Vale's commodities prices have been increasing steadily in the international market, and its output has been increasing. Most of its investment projects have been delayed by one or two years, due to the crisis of 2008.

Anglo American

The company has two large iron ore projects in Brazil. The first one is located in Amapá (north of Brazil) and it plans to expand output from its current one to four million tons in the next 4 years. The second one is in Minas Gerais, planned to start up in 2012 with an output of 26.5 million tons. Anglo is also building its big nickel project "Barro Alto," expected to start up in 2010 with an output of 36,000 kt/year in ferro-nickel alloys.

ArcelorMittal

This company runs a large iron ore project in Brazil, with an output of 3.8 Mt in 2008, which is being expanded to 10 Mt in 2012.

MMX

A new company that had started three large iron ore projects in Brazil in 2007 has sold most of them to Anglo American. It currently has an output of nearly 9 million ton/year of iron ore, and has a new "Bom Sucesso" project for 8.7 million ton/year starting in 2014.

Gold

The total Brazilian output of gold is expected to expand from 54 ton/year in 2008 to 100 ton/year 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 / year. Other large gold producers in Brazil are AngloGold Ashanti (5 tons in 2008), Yamana Gold and Jaguar. Individual prospectors account for an estimated 11% of Brazil's total output.

Votorantim

This Brazilian group is the only local producer of zinc, has a share of approximately 40% of the local production of cement, and is also a big producer of bauxite and aluminum.

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- For more information contact Industry Specialist Mauricio Vasconcelos at mauricio.vasconcelos@trade.gov
- U.S. Commercial Service Market Research Worldwide: http://export.gov/mrktresearch/index.asp
- Ministry of Mines and Energy (MME) http://www.mme.gov.br
- Brazilian Geological Service http://www.cprm.gov.br
- VALE http://www.vale.com
- Brazilian Mining Institute (IBRAM) http://www.ibram.org.br
- Magazine Brazil Mineral www.signuseditora.com.br
- Magazine Minerios www.minerios.com
- Magazine In the Mine www.inthemine.com.br
- Professional Geologists Association www.geologo.com.br
- ABIMAQ - Brazilian Association of Machinery Manufacturers, database of manufacturers http://www.abimaq.org.br

- With offices in Brasilia, São Paulo, Rio de Janeiro, Recife and Belo Horizonte, the U.S. Commercial Service Brazil (http://www.buyusa.gov/brazil) helps U.S. 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@trade.gov.

Drugs and Pharmaceutical

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(in US$ billions)	2008	2009	2010 (estimated)
Total Market Size	17.10	17.20	19.20
Total Local Production	12.60	13.80	15.40
Total Exports	0.96	1.08	1.20
Total Imports	4.20	4.47	5.00
Imports from the U.S.	0.84	0.93	1.03

*Assumes exchange rate of R$ 2.0 = US$ 1.0
Source: Sindusfarma

The Brazilian pharmaceutical industry is comprised of 500 companies and is the largest market in Latin America. They represent a total market value of US$ 17 billion in 2009, with an estimated 12% growth for 2010. Brazil is also among the five largest pharmaceutical markets in the world in terms of unit sales and the 11th in market size. According to Brazil's Pharmaceutical Industry Syndicate (SINDUSFARMA), Brazilian pharmaceutical product imports in 2009 reached US$ 4.47 billion. This reflects a 4.6% increase over the previous year's level. 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 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 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 be decreased in order to make drugs more affordable for the population. Reduced taxes have occurred more at the state rather than federal level.

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 13% of sales in 2009. Nearly all generic production is purchased by state public health care systems as part of the government's program to distribute medicines to the poorest. It is estimated that in 2011, the generic market will reach US$ 1 billion in sales, representing 20% of total sales.

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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 in areas such as pregnancy contraception, erectile dysfunction, cholesterol, weight control, diabetes and other medicines for chronic diseases treatment. Phytotherapeutic drugs are also in a high demand for Brazilian consumers.

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Brazil’s pharmaceutical market represents an excellent opportunity for U.S. 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 U.S. exporters.

Due to patent expiration of several drugs in 2010, the market for generic drugs will present new opportunities for laboratories. Multinational companies are investing in the acquisition of local laboratories in order to establish a stronger presence in this segment.

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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.

Key contacts:

- Brazilian Agency for Sanitary Health: www.anvisa.gov.br
- Sindusfarma: www.sindusfarma.org.br
- U.S. Commercial Service Market Research Worldwide: http://www.export.gov/marketresearch.html
- For more information about export opportunities in this sector contact U.S. Commercial Service Industry Specialist Jefferson Oliveira at: jefferson.oliveira@trade.gov.

Medical Equipment

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(in US$ billions)	2008	2009 (estimated)	2010 (estimated)
Total Market Size	3.96	4.00	4.38
Total Local Production	1.80	2.01	2.20
Total Exports	0.58	0.64	0.70
Total Imports	2.73	2.62	2.88
Imports from the U.S.	0.80	0.78	0.86

*Assumes exchange rate of R$ 2.0 = US$ 1.0Source: Secex, Abimed, ABIMO

Brazil has the largest medical equipment market in South America. The market should continue to expand approximately 10% through 2010. 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 2009 reached an estimated US$ 4 billion, which represents a minor increase from the previous year. The United States accounts for approximately 30% 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-medical equipment is around US$ 200 million, which represents approximately 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 U.S. 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.

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Brazil’s recently strengthened currency has meant that private and public hospitals have greater purchasing power, and with continued expansion of Brazil’s private health care sector, the market should grow. New opportunities for U.S. exporters abound, particularly for:

- Advanced medical equipment.
- Disposables.
- Diagnostic devices.
- Implants and components.

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An interesting trend in Brazil is the growing market for home health care products, which has increased dramatically in recent years. Brazil has approximately 150 home health care companies compared to approximately 1,440 in the U.S. In Brazil, these companies are increasingly viewed as good 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; 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, U.S. exporters should consider the opportunities offered by Mercosur, 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 Mercosur countries, U.S. exporters should consult a local lawyer/consultant before signing a contract with any agent/distributor.

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Major Trade Show:

- Hospitalar – www.hospitalar.com - The largest medical event in Latin America

Key Contacts:

- Brazilian Ministry of Health: www.saude.gov.br
- ABIMO - Brazilian Association of Dental, Medical and Hospital Equipment: www.abimo.org.br
- SINAEMO - Syndicate of Medical, Dental, Hospital and Laboratory Industries: www.abimo.org.br
- ABIMED – Brazilian Association of Equipment, Products and Medical Supplies Importers: www.abimed.org.br
- For more market research: www.export.gov/marketresearch.html
- For more information please contact Industry Specialist Jefferson Oliveira at: jefferson.oliveira@trade.gov

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Chapter 5: Trade Regulations and Standards

Import Tariffs

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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 (Mercosur) partners, Argentina, Paraguay and Uruguay, implemented the Mercosur Common External Tariff (CET) on January 1, 1995. Each country maintains a separate exceptions list of items for tariffs.

In 1995 Brazil implemented the Mercosur Common Nomenclature, known as the NCM (Nomenclatura Comum do Mercosur), consistent with the Harmonized System (HS) for tariff classification. Information about the NCM can be found at: http://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 a 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; the tax is generally passed on to the buyer since it is included in 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 varies from 7 to 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 can be exempt from the ICMS tax. Most Brazilian exports are exempt.

Import Requirements and Documentation Return to top

U.S. exporters and Brazilian importers must register with the Foreign Trade Secretariat (SECEX), an organ of the Ministry of Industrial Development and Commerce (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

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At this time, the U.S. 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: http://www.bis.doc.gov.

Temporary Entry

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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 legislation has been submitted to the Brazilian 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. 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)	

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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
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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
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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.

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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.

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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

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: https://tsapps.nist.gov/notifyus/data/index/index.cfm

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Conformity assessment includes all activities needed to demonstrate compliance with specified requirements relating to a technical regulation or voluntary standard. In Brazil, the conformity assessment system follows ISO guidelines. Conformity assessment includes test and calibration laboratories, product certification bodies, accreditation bodies, inspection and verification units, quality system registrars, and others.

Conformity assessment can be voluntary or mandatory (done through a legal instrument to protect the consumer on issues related to life, health and environment). Interested U.S. parties can be accredited by INMETRO to perform conformity assessment activities.

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Mandatory Testing and Mandatory Product Certification

For regulated products, the relevant government agency generally requires that entities engaged in product testing and mandatory certification be accredited by INMETRO.

Generally, testing must be performed in-country, unless the necessary capability does not exist in Brazil.

INMETRO is a signatory to the mutual recognition arrangement (MRA) of the International Laboratory Accreditation Cooperation (ILAC), which can facilitate acceptance of test results from U.S. laboratories that are accredited by U.S. organizations who are also signatories. For a complete list of MRAs to which INMETRO belongs, visit the following website:
http://www.inmetro.gov.br/english/international/mutual.asp.

A complete list of products subject to mandatory certification can be found at: http://www.inmetro.gov.br/qualidade/prodCompulsorios.asp

Non-Mandatory Testing and Product Certification

There is no legal mandate as of yet to retest non-regulated products that have been approved in their country of origin. For non-regulated products, some U.S. marks and product certification may be accepted. As with all voluntary standards, any certification that may be required in non-regulated sectors is a contractual matter to be decided between buyer and seller. Market forces and preferences often lead to the need for a specific certification.

To facilitate U.S. product acceptance in Brazil by recognizing existing certifications, agreements between U.S. and local certifiers/testing houses are encouraged. Also, there is no impediment for the establishment of U.S. certification organizations in Brazil.
If your product has been certified in the U.S. or Europe, it probably will not need to be re-certified (see MRA above). If your product is not certified, please refer to the mandatory product certification link:
http://www.inmetro.gov.br/qualidade/prodCompulsorios.asp

A list of certified products (both mandatory and voluntary) in Brazil is available at the following website:
http://www.inmetro.gov.br/prodcert/Produtos/busca.asp.

Accreditation Return to top

The General Coordination for Accreditation (CGCRE) of INMETRO is responsible for accrediting certification bodies, quality system registrars, inspection bodies, product verification and training bodies, as well as testing and calibration laboratories. Information about accreditation requirements and currently accredited bodies is available at: http://www.inmetro.gov.br/credenciamento/index.asp.

Publication of Technical Regulations Return to top

INMETRO and CONMETRO use their websites to dispense updates to technical regulations – please reference Contacts section below for site address.

Labeling and Marking Return to top

The Brazilian Customer Protection code, in effect since September 12, 1990, requires that product labels provide consumers with correct, clear, 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, and all products should use the official metric units or show a metric equivalent.

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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

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Brazil is a member of the Mercosur trading block, which has its own regional standards organization that issues and harmonizes standards. Technical committees write and recommend standards in selected areas. Each country must ratify the standard before they are adopted in that country. A number of standards have already been adopted as Mercosur standards. Adopted and proposed Mercosur standards are listed on Mercosur's
website: http://www.amn.org.br. The Executive Secretariat of the Mercosur Standards Organization is located in São Paulo, Brazil.

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- 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:
https://tsapps.nist.gov/notifyus/data/index/index.cfm
- Brazil's most relevant gazette, Folha de São Paulo:
http://www.uol.com.br/fsp
- Brazilian Foreign Trade Integrated System:
http://www.receita.fazenda.gov.br/aduana/siscomex/siscomex.htm
- Information about Mercosur Common Nomenclature:
http://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:
http://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

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Chapter 6: Investment Climate

Openness to Foreign Investment Return to top

Brazil is open to and encourages foreign investment. According to a 2009 United Nations report, Brazil is the largest foreign direct investment (FDI) recipient in Latin America, and attracted an estimated USD 42 billion in 2008 (The Brazilian Central Bank reported a slightly higher figure of USD 45 billion). The global financial crisis reduced FDI in most regions of the world in 2009, including in Brazil, where according to the Central Bank, 2009 FDI dropped to USD 25.9 billion. Incoming foreign investment to Brazil is expected to recover in 2010. The United States is a major 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.

The global economic crisis cut Brazil's GDP growth from 5.1 percent in 2008 to a current estimate of essentially flat or slightly negative growth for 2009. Despite this decline in immediate prospects, Brazil weathered the crisis better than most major economies and by the end of 2009 was in a recovery position, bolstered by strong domestic demand and a growing middle class. Conservative macroeconomic policies in the years prior to the crisis, and targeted responses during the crisis -- including credit injections in the financial system, easing monetary policy, and tax cuts on automobiles and consumer durables -- played a role in lessening the impact of the global crisis on Brazil. Growth in 2010 is expected to return to approximately five percent.

Banking: 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 September 2009 foreign banks comprised 20 of the top 50 Brazilian banks in terms of total assets, representing 19.5 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. In 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 2009, 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 important 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 297.9 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 2011-2015.

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. In October 2009, the Brazilian Chamber of Deputies approved legislation that would further restrict foreign ownership of land along Brazil's borders, and within the Amazon. The legislation still requires committee review and passage in the Brazilian Senate, followed by presidential approval to become binding.

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. Congressional legislation introduced in 2007 may liberalize foreign ownership in other electronic communication formats, but has not yet been passed. 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. In May of 2009, Brazil's Civil Aviation Regulatory Agency (ANAC) proposed increasing foreign ownership in Brazilian airlines to 49 percent, and facilitating quicker entry of new airlines into the Brazilian market. These proposals may be approved by the Brazilian Congress in 2010. 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.

Investment Goals: In May 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.

Selected Indicators from reputable third party sources:

Measure	Year	Brazil's Rank/Total
TI Corruption Perceptions	2009	75/180
Heritage Economic Freedom	2009	105/179
World Bank Ease of Doing Business	2010	129/183

Conversion and Transfer Policies

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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 Brazil's patent office, the National Institute of Industrial Property (INPI). Investors must also have a local representative in Brazil. Portfolio investors must have a Brazilian financial administrator and register with the Brazilian Securities Exchange 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, however, require prior approval from the Brazilian Senate as well as from the Finance Ministry Treasury Secretariat, and must be registered 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.

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 the 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.

In October of 2009 the Brazilian government imposed a two percent IOF tax on capital inflows by foreigners for portfolio investment. The IOF, however, does not apply to direct investment inflows. In November of 2009 the government instituted a 1.5 percent tax when foreign investors convert American Depositary Receipts (ADRs) for Brazilian companies into receipts for shares issued locally in Brazil.

Exchange Rates

Brazil's relatively strong recovery from the 2008 financial crisis helped to appreciate the Brazilian Real currency over 30 percent against the U.S. dollar in 2009. In particular, Brazil's growing initial public offering (IPO) pipeline, high carry yields, and strong economic growth expectations supported the appreciating Real. In early 2010, the Real traded at 1.7 Reais/USD, and is expected to stay at approximately this rate for the remainder of the year.

Expropriation and Compensation

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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, and the Brazilian judicial system moves slowly.

Dispute Settlement

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The Brazilian court system, in general, is overburdened and contract disputes can often take years to move through the system. The 2010 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 U.N. 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 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

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The Brazilian government uses a variety of tax incentives and attractive financing through the National Bank for Economic and Social Development (BNDES) to actively encourage both national and foreign investment in traditionally underserved regions of the country and other potentially marginally profitable ventures. The Southeast has benefited the most from these initiatives having received 53 percent of funds distributed by BNDES for this purpose with the South receiving 16 percent, the Northeast 15, the Mid-West 8, and the North 8. The vast majority of the funding (82 percent) has gone to large companies versus medium or small companies. 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 although major projects are in process throughout the country. Attracting foreign investment to fund infrastructure projects, including via the PAC, continues to be a government priority.

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 attempting to limit states' ability to offer special tax incentives to attract investment away from other states has been awaiting Congressional action since August 2009.

In 2007, Brazil restored tax breaks to exporters with the enactment of Law 11529 with the stated intention 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 automotive 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 to exporting companies purchasing capital goods. To be exempt from paying the 9.25 percent PIS-COFINS tax on these purchases, companies normally 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.

In November of 2009, the Ministry of Communications (MOC) unveiled a national plan for broadband infrastructure development that would be dependent on private sector investment. Under the proposal, PIS-COFINS and other tax breaks and attractive lines of credit from BNDES would be offered to IT companies participating in broadband infrastructure development. The government of Brazil is currently evaluating the MOC proposal.

To promote Brazilian industry, the Special Agency for Industrial Financing (FINAME) of BNDES provides financing for Brazilian firms to purchase Brazilian-made machinery and equipment and capital goods with a high level of domestic content. The interest rates charged by BNDES are often lower than the prevailing market interest rates for domestic financing.

Government Procurement

Brazil is not a signatory to the WTO Agreement on Government Procurement (GPA), and transparency in Brazil's procurement processes is at times lacking. U.S. companies have found it difficult to participate in Brazil's public sector procurement unless they are associated with a local firm. Without a significant in-country presence, U.S. companies regularly face significant obstacles in winning government contracts and are often more successful in subcontracting with larger Brazilian firms.

Law 8666 (1993) covers most government procurement other than information technology/telecommunications and requires non-discriminatory treatment for all bidders regardless of nationality or origin of the product or service. Brazilian government procurement rules apply to purchases by government entities and state-owned companies. Brazil has an open competition process for major government procurements. By law, the Brazilian government may not make a distinction between domestic and foreign-owned companies during the tendering process; however, when two equally qualified vendors are considered, the law's implementing regulations provide for a preference to Brazilian goods and services. Under Brazilian law, price is to be the overriding factor in selecting suppliers. However, the law's implementing regulations also 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 establishment of a local representative for any foreign company bidding.

Regulations allow a Brazilian state enterprise to subcontract services to a foreign firm only if domestic expertise is unavailable. Additionally, U.S. and other foreign firms may only bid to provide technical services where there are no qualified Brazilian firms available.

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 that have established legal entities in Brazil to compete for procurement-related contracts funded by multilateral development bank loans.

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

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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. These 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 have difficulty obtaining mortgage financing. Large U.S. real estate firms, however, are expanding their portfolios in Brazil.

Intellectual 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 signatory of the Bern Convention on Artistic Property, the Patent Cooperation Treaty, the Convention on Plant Variety Protection, and the Paris Convention on Protection of Intellectual Property.

Brazil is not a party to the WIPO Copyright Treaty or the WIPO Performances and Phonograms Treaty (collectively, the "WIPO Internet Treaties"). In 2006, Brazil announced plans to join the Madrid Agreement Concerning the International Registration of Marks ("Madrid Protocol"), but the executive branch has yet to submit this proposal to the Brazilian Congress for approval.

In most respects, Brazil's 1996 Industrial Property Law (Law 9279) meets international standards specified in the TRIPs Agreement regarding patent and trademark protection. However, the law permits 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, a form of compulsory licensing that the United States believes would be inconsistent with Articles 27.1 and 28.1 of TRIPs. On May 4, 2007, invoking TRIPs provisions for public health emergencies, Brazil issued a compulsory license for an anti-retroviral drug used in treating HIV/AIDS.

The United States continues to raise concerns regarding Brazil's Law 10196 (2001), which includes a requirement for National Health Surveillance Agency (ANVISA) approval 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. On October 16, 2009, the Brazilian Federal Attorney General (AGU) presented Opinion No. 210 stating that ANVISA should examine pharmaceutical patent applications only from a public health perspective. The opinion states that the National Institute of Industrial Property (INPI) is the only agency with the competency to review the patentability requirements of such applications. The AGU non-binding opinion has been submitted to Brazil's Office of the President for analysis.

The United States has also raised concerns regarding Brazil's protection against unfair commercial use of test data generated in connection with obtaining marketing approval for human-use pharmaceutical products. Law 10603 (2002) covers data confidentiality for veterinary pharmaceuticals, fertilizers, agro-toxins, and related products, but does not cover pharmaceuticals for human use.

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).

Patent and trademark licensing agreements must be recorded with and approved by 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. Draft Law 333 of 1999 would stiffen the criminal penalties for counterfeiting, but remains stalled in the Brazilian Congress. After being shelved in 2006, the draft law was re-submitted in November 2008 for urgent reconsideration, but the proposal has not come to a vote.

In August 2007, a bill (PL 1807/07) was introduced that, if approved, would amend Article 189 of Brazil's Industrial Property Law (Law 9279 of 1996) to increase the criminal penalties for trademark violations to two to six years, up from the current three to twelve months. The bill has been under consideration in a Brazilian Chamber committee since August 2007.

In the 2007 U.S. Trade Representative's Special 301 Report, Brazil was downgraded from "Priority Watch List" to "Watch List," in recognition of its improved anti-piracy enforcement efforts. Brazil remained on the "Watch List" in the 2008 and 2009 reports.

Transparency of Regulatory System

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In the 2010 World Bank "Doing Business" report, Brazil ranked 129th out of 183 countries in terms of overall ease of doing business. According to the study, it takes an average of 16 procedures and 120 days to start a new business. The study noted that the annual administrative burden to a medium-size business of tax payments in Brazil is an average of 2,600 hours versus 194 hours in the high-income (OECD) economies. According to this same study, the total tax rate for Brazil's medium-sized business is 69.2 percent of profits, compared to 44.5 percent in the OECD countries.

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 the international competitiveness of Brazilian products. A government proposal to streamline the tax collection system is currently under consideration by the Brazilian Congress, but remains stalled.

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 aviation 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 was 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 proposed energy model. Additionally, some industries have reported challenges in obtaining licenses from IBAMA -the environmental regulatory agency - citing unpredictability in IBAMA's licensing requirements, though the process has reportedly become more streamlined since 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 the Chamber of Deputies in December 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 Proposals and Legislation Regulating Business Operations

In 2009, the Brazilian government proposed an overhaul of Brazil's oil regulatory system in order to allow greater government take and control in the promising deep water oil reserves found off Brazil's coast. The new regime would replace Brazil's former concessions model with a production sharing system. The legislation proposed by the government is divided into four bills which establish the production sharing regime, create a new government entity to represent the government in any agreements, give sole operator status to the parastatal oil company Petrobras and allow the government to capitalize it, and establishes a social fund to administer the government's proceeds. Private industry has concerns about the proposal, with some noting a preference for maintaining the current system. The legislation is currently before the Brazilian Congress.

In late 2009, the Ministry of Mines and Energy previewed a proposal to replace the code for the regulatory framework for minerals in order to provide more sovereign control over mineral resources. In addition to changes to the terms of concession contracts, the proposal would create a National Council of Mineral Resources to function both as a minerals regulator and advisory body to the President and would raise the royalties on mineral production. Private industry has expressed concerns that the proposal may impact competition within the industry. The proposal has not yet moved to the Brazilian legislature for consideration.

U.S. express delivery service (EDS) companies face significant challenges in the Brazilian market due to numerous limitations established by the Brazilian government such as high import taxes, a new, partially functioning automated express delivery clearance system, low maximum value limits for express export and import shipments, and the possible approval of a damaging postal reform law that could undermine current levels of market access for private EDS companies.

Brazil enacted a law in December 2008 (Decree 6523 - SAC) that implements numerous new 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 customer service call centers 24 hours a day, year round, and an obligation to record and store call data. 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.

- Chamber of Deputies:
http://www2.camara.gov.br

- 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 2009 Central Bank data indicating that the 10 largest commercial banking institutions account for approximately 84.4 percent of financial sector assets, less brokerages (approx. USD 1.54 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; by 2008 there were 105. (Note: A majority of the Initial Public Offerings are listed on the New Market). In 2009, there were six new IPOs representing R$ 7.5 billion in raised capital; approximately 70 percent of this amount was foreign capital.

The total number of companies listed on the BOVESPA has modestly grown over recent years, though 2009 reversed the trend. The year ended with a reduction in the total number of companies. There were 394 companies in 2006, 424 in 2008, but the total was reduced to 386 by the end of December 2009. Total daily trading volume rose from R$ 2.4 billion in 2006 to R$ 5.3 billion in 2009. Trading is highly concentrated with the top ten stocks accounting for 50 percent of 2009’s trading volume. A total of 79 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 the 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 2009, foreign investors accounted for 34.2 percent of the total turnover on the BOVESPA. Individual investors were the second most active category of market participants, accounting for 30.5 percent of BOVESPA transactions, while domestic institutional investors accounted for 25.7 percent. In addition, financial institutions accounted for 7.4 percent, and companies accounted for 2.1 percent. In 2001, law 10303 went into effect limiting preferred shares for new issuances to 50 percent and strengthening rights for minority shareholders.

Brazilian law recognizes mergers and consolidations. 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.

Competition from State Owned Enterprises

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Since the early 1990's, the Brazilian government has aggressively privatized state enterprises across a broad spectrum of industries, including mining, steel, aeronautics, banking, energy, and electricity generation and distribution. While the government has divested itself from many of its state-owned companies, it maintains partial control (at both the federal and state level) of previously wholly state-owned enterprises. Notable examples of partially federally-controlled firms include energy giant Petrobras and power utility Eletrobras. Both Petrobras and Eletrobras include non-government shareholders, are listed on both the Brazilian and NYSE stock exchanges, and are subject to the same accounting and audit regulations as all publicly traded Brazilian companies.

In addition to major players like Petrobras and Eletrobras, the Brazilian government, at both the federal and state level, maintains ownership interests in a variety of other smaller enterprises. Typically, corporate governance is led by a board comprised of directors elected by the state or federal government with additional directors elected by the other non-government shareholders. Brazilian enterprises with state ownership are concentrated in the energy, electricity generation and distribution, transportation, and banking sectors. Many of these firms are also publically traded companies on the Brazilian and other stock exchanges.

Recent potentially large deep sea oil discoveries in Brazil's pre-salt coastal regions prompted 2009 legislative proposals that would extend government control and regulation over oil exploration and potentially reduce the private sector's role. Although any private enterprise, including foreign entities, would be allowed to compete with public enterprise to secure future oil blocks, the terms and conditions may favor Petrobras. The Brazilian Congress is expected to vote on the legislation in 2010.

In December of 2008, the Brazilian Ministry of Finance established a sovereign wealth fund (SWF) with initial capital of R$ 14.2 billion financed through a government bond issuance. Brazil's SWF is managed by the Fiscal Investment and Stabilization Fund (FFIE), a vehicle established for the sole purpose of managing the fund. The FFIE is structured similarly to any other financial fund manager in Brazil and subject to the same regulatory and transparency guidelines, including external and independent auditing. The SWF was designed to be an anti-cyclical tool to help absorb the impacts of financial downturns. There are no material restrictions on how the SWF can be used, apart from the fact that it must maintain a tolerable risk profile. Currently the SWF is entirely domestically focused, but international investment is permitted. Detailed public information relating to the SWF is available on a Ministry of Finance website, and the Brazilian Congress receives regular performance reports.

Corporate Social Responsibility

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Most state-owned and private sector corporations of any significant size in Brazil pursue corporate social responsibility (CSR) activities. Many corporations support local education, health and other programs in the communities where they have a presence. Brazilian consumers, especially the local citizenry where a corporation has or is planning a local presence, expect CSR activity. It is not uncommon that corporate officials will meet with community members prior to building a new plant or factory to review what types of local services the corporation will commit to providing. Foreign and local enterprises in Brazil often advance United Nations Development Program (UNDP) Millennium Development Goals (MDGs) as part of their CSR activity, and will cite their local contributions to MDGs such as universal primary education and environmental sustainability.

The U.S. Diplomatic Mission in Brazil supports American business CSR activities through the +Unidos Group (Mais Unidos), a partnership between the U.S. Agency for International Development (USAID) and American companies established in Brazilian territory. Additional information on how the partnership supports public and private alliances in Brazil can be found on their website: www.maisunidos.org.

Field Code Changed

Political Violence

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Political and labor strikes and demonstrations occur sporadically in urban areas and may cause temporary disruption to public transportation. Naturally, protests anywhere in the world have the potential to become violent. In addition, criminal organizations in Sao Paulo occasionally stage campaigns against public institutions. 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 active in the trafficking of illicit goods.

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, the U.S. Government knows 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

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Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U. S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies, as noted below.

U.S. Foreign Corrupt Practices Act

In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person's Guide at: http://www.justice.gov/criminal/fraud/fcpa/.

Other Instruments

It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Antibribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements. This country is party to [add instrument to which this country is party], but generally all countries prohibit the bribery and solicitation of their public officials.

OECD Antibribery Convention

The OECD Antibribery Convention entered into force in February 1999. As of December 2009, there are 38 parties to the Convention including the United States (see http://www.oecd.org/dataoecd/59/13/40272933.pdf). Major exporters China, India, and Russia are not parties, although the U.S. Government strongly endorses their eventual accession to the Convention. The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international business. The United States meets its international obligations under the OECD Antibribery Convention through the U.S. FCPA. Brazil has adopted the OECD Antibribery Convention.

UN Convention

The UN Anticorruption Convention entered into force on December 14, 2005, and there are 143 parties to it as of December 2009 (to view - click). The UN Convention is the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery.

OAS Convention

In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention establishes a set of preventive measures against corruption provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of December 2009, the OAS Convention has 33 parties (see http://www.oas.org/juridico/english/Sigs/b-58.html)

Council of Europe Criminal Law and Civil Law Conventions

Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and account offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 46 member States (45 European countries and the United States). As of December 2009, the Criminal Law Convention has 42 parties and the Civil Law Convention has 34 (see http://www.coe.int/t/dghl/monitoring/greco/default_en.asp)

Free Trade Agreements

While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All

U.S. FTAs may be found at the U.S. Trade Representative Website: http://www.ustr.gov/trade-agreements/free-trade-agreements.

Local Laws

U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department's U.S. and Foreign Commercial Service can provide assistance with navigating the host country's legal system and obtaining a list of local legal counsel.

Assistance for U.S. Businesses

The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company's overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign and Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its Website at www.trade.gov/cs.

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department's Advocacy Center and State's Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center "Report A Trade Barrier" Website at tcc.export.gov/Report_a_Barrier/index.asp.

Guidance on the U.S. FCPA

The Department of Justice's (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice Department's present enforcement intentions under the antibribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ's Fraud Section Website at www.justice.gov/criminal/fraud/fcpa. Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Counsel, U.S. Department of Commerce, Website, at http://www.ogc.doc.gov/trans_anti_bribery.html. More general information on the FCPA is available at the Websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

Corruption can be an obstacle to investment in Brazil. In 2009, Brazil ranked 75th (among 180 countries) in Transparency International's Corruption Perception Index. Brazil ranked below Chile and Uruguay in South America, tied with Colombia and Peru, and ranked above Argentina and Venezuela. With regard to major emerging economies, Brazil ranked above India, China, Russia, Egypt, and Indonesia, and below South Africa and Turkey. 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. A series of separate corruption investigations, involving politicians from both opposition and government coalition parties, were conducted over the course of 2009. 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. 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. 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.

Anti-Corruption Resources

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a "Lay-Person's Guide to the FCPA" is available at the U.S. Department of Justice's Website at: http://www.justice.gov/criminal/fraud/fcpa.

- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: http://www.oecd.org/department/0,3355,en_2649_34859_1_1_1_1_1,00.html. See also new Antibribery Recommendation and Good Practice Guidance Annex for companies: http://www.oecd.org/dataoecd/11/40/44176910.pdf

- General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: http://www.ogc.doc.gov/trans_anti_bribery.html.

- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at: http://www.transparency.org/policy_research/surveys_indices/cpi/2009. TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See http://www.transparency.org/publications/gcr.

- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 212 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See http://info.worldbank.org/governance/wgi/sc_country.asp. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: http://go.worldbank.org/RQQXYJ6210.

- The World Economic Forum publishes the *Global Enabling Trade Report*, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment. See http://www.weforum.org/en/initiatives/gcp/GlobalEnablingTradeReport/index.htm.

- Additional country information related to corruption can be found in the U.S. State Department's annual *Human Rights Report* available at http://www.state.gov/g/drl/rls/hrrpt/.

- Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which provides indicators for 92 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: http://report.globalintegrity.org/.

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 Mercosur 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 passed the Brazilian Chamber in December 2009 and awaits action in the Brazilian Senate.

OPIC and Other Investment Insurance Programs

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Programs of the Overseas Private Investment Corporation (OPIC) are fully available, and activity has increased in recent years. The size of OPIC's exposure in Brazil may occasionally limit its capacity for new coverage. Brazil became a member of the Multilateral Investment Guarantee Agency (MIGA) in 1992.

Labor

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The 86 million strong Brazilian labor force comprises a wide range of skills covering a broad array of occupations and industries. Three fifths of the labor force is employed in the service sector, 17 percent in the agriculture sector, and the civil construction and manufacturing sectors combined employ the remaining 23 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.

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 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.

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 Statistics (IBGE) estimated unemployment as of November 2009 at 7.4 percent (versus 7.6 percent in November 2008). Unemployment statistics range significantly across regions.

IBGE reports that real wages have trended higher in recent years. The average monthly wage in Brazil's six largest cities was around 1,344 Reais in November 2009 (approximately USD 768 based on average exchange rates for that month), and the minimum monthly wage has periodically increased in recent years from 380 Reais in 2007 to 510 Reais in January 2010. Earnings also vary significantly by region and industry and there is significant wage inequality between Brazil's poor and wealthy.

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

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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

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Foreign Direct Investment Statistics

According to the Central Bank's most recent foreign-capital census (2000), the United States had the largest share of accumulated foreign-capital stock in Brazil, 23.8 percent of the total. Spain had 11.9 percent and The Netherlands 10.7 percent. Investment inflows between the years 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.

Brazilian Central Bank data estimate total net FDI inflows were USD 34.6 billion in 2007, USD 45.1 billion in 2008, and USD 25.9 billion in 2009. According to the U.S. Bureau of Economic Analysis, FDI inflows from the United States to Brazil were USD 4.1 billion in 2008 and United States' FDI stock was USD 45.5 billion as of 2008.

Brazil's top 20 multinationals have USD 56 billion assets abroad, equivalent to over half of the country's outward FDI stock. A 2007 survey 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.

FDI as a Percentage of GDP: 2003 – 2009

Year	FDI (USD Billions)	Percentage of GDP
2009	25.9	1.7 (est.)
2008	45.1	2.8
2007	34.6	2.6
2006	18.8	1.7
2005	15.1	1.7
2004	18.1	2.7
2003	10.1	1.8

Source: Central Bank of Brazil

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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

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Chapter 7: Trade and Project Financing

How Do I Get Paid (Methods of Payment) Return to top

Imports in Brazil are primarily handled using traditional letters of credit (L/C) or 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 Ex-Im Bank insurance or guarantees to ensure payment). For more information, please visit http://www.exim.gov. .

Credit & Collection

Credit information on Brazilian companies is available for a fee from Dun & Bradstreet (http://www.dnb.com.br), Equifax (http://www.equifax.com.br) or SERASA, a Brazilian commercial information service company (http://www.serasa.com.br). In the event of a commercial dispute or non-payment by a Brazilian importer requiring legal action, the U.S. exporter should contact a renowned legal firm with experience in international collections. Local collection agencies do not handle international disputes. The U.S. Commercial Service in Brazil can furnish lists of law firms through our Customized Contact List (CCL) or International Partner Search (IPS). We can also set up meetings with them through our Gold Key Service (GKS).

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,* 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); two are foreign: Banco Santander (Spain), HSBC Bank (England), and one is 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

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In Brazil it is not permitted to keep an account in foreign currency, only in Brazilian reais (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. 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 http://www.bcb.gov.br/?FOREIGNCAPITALNORMS.

U.S. Banks and Local Correspondent Banks

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Following the acquisition of BankBoston by Banco Itau in May 2006, the 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).

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 United States.

Note: the U.S. Export Import Bank (Ex-Im) provides both export insurance and working capital for U.S. 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 will also find contact information for Ex-Im insurance brokers and guaranteed lenders at http://www.exim.gov..

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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 (BNDES). In many cases, the funds can be used to purchase goods from U.S. 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 U.S. exporter in advance for goods to be shipped to a Latin American buyer. The Latin American bank is essentially providing the buyer a loan and the buyer will have to repay the bank per their financing agreement. In Latin America, this type of financing generally has a six-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. Ex-Im also offers a variety of trade and project finance options.

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- 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

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Business visitors should become accustomed to several business conditions specific to Brazil. Compared to the United States, the pace of negotiations 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 in the negotiating team. They prefer a more continuous working relationship. The Brazilian buyer is also concerned with after-sales service provided by the exporter.

The 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 those in the United States, so one should not be surprised if a local contact is standing very close 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.

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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

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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 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.consbrasdc.org/.

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

- State Department Visa Website: http://www.travel.state.gov/visa/visa_1750.html
- United States Visas.gov: http://www.unitedstatesvisa.com/
- U.S. Embassy in Brazil: U.S. Embassy in Brazil

Telecommunications

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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

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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 are high with even higher rates in 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, occur often enough to warrant caution. 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. 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.

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

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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 the ATA Carnet 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)	

Web Resources

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

- Brazilian Embassy:
  http://www.brasilemb.org/

- U.S. Embassy in Brazil:
  http://brasilia.usembassy.gov/
- U.S. Department of State travel advisory on Brazil:
  http://travel.state.gov/travel/cis_pa_tw/cis/cis_1072.html
- More on Brazilian Business Culture
  http://www.worldbusinessculture.com/Brazilian-Business-Style.html
- State Department Visa Website:
  http://travel.state.gov/visa/visa_1750.html

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Chapter 9: Contacts, Market Research, and Trade Events

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- Market Research
- Trade Events

Contacts

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Market Research

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To view market research reports produced by the U.S. Commercial Service please go to the following website: http://www.export.gov/mrktresearch/index.asp 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.

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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 http://www.buyusa.gov/brazil, under “Upcoming Events” on the left hand menu.

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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.

http://www.focusbrazil.org.br/siteUSA/index.htm

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