Doing Business in Brazil:

2012 Country Commercial Guide for U.S. Companies

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Chapter 1: Doing Business In Brazil

Market Overview

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The Federative Republic of Brazil is Latin America's biggest economy and is the fifth largest country in the world in terms of land mass and population with about 192 million people. Brazil's economy, the 6th largest in the world, grew 2.7% in 2011. Growth slowed due to reduced demand for Brazilian exports in Europe and Asia, despite solid domestic demand and a growing middle class.

During the past decade, the country has maintained macroeconomic policies that controlled inflation and promoted economic growth. Inflation was at 6.5% in 2011, and urban unemployment reached a historic low of 6.0%. Interest rates, though high compared to the rest of the world, remained historically low at the Central Bank benchmark rate of 8.0% as of July 2012.

In 2011, the U.S. was Brazil's largest source of imports followed by China, Argentina, Germany, and South Korea. U.S. merchandise exports to Brazil in 2011 were US$42.9 billion, and U.S. imports from Brazil were US$31.3 billion.

Market Challenges

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Brazil has a large and diversified economy that offers U.S. companies many opportunities to export their goods and services, and U.S. exports are increasing rapidly. 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 the "*Custo Brasil*"). Such costs are often related to distribution, government procedures, employee benefits, environmental laws, and a complex tax structure. Logistics pose a particular challenge, given infrastructure limitations posed by nearly a decade of economic expansion. In addition to tariffs, U.S. companies will find a complex customs and legal system.

Market Opportunities

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There are few, if any, sectors in Brazil that do not have excellent short term opportunities. Certain sectors of the Brazilian market have experienced higher than average growth, such as air transportation, telecoms, oil and gas, and mining. Under the second phase of the Growth Acceleration Program (PAC II), the Government of Brazil will spend R$955 billion (the equivalent of around US$470 billion) in development of the country's energy generation and distribution system, roads, railroads, ports, and airports as well as stadiums as it prepares for the World Cup in 2014 and the Olympics in 2016. Other promising areas for U.S. exports and investment include agriculture, agricultural equipment, building and construction, aerospace and aviation, electrical power, safety and security devices, environmental technologies, retail, and transportation.

The Brazilian national oil company Petrobras' expansion may represent the largest global business opportunity in the oil & gas sector until 2020. The offshore pre-salt oil deposits discovered in 2006 and 2007 are estimated to exceed 60 billion barrels in probable or recoverable reserves, and could place Brazil among the world's top ten oil-producing countries. Petrobras anticipates that it will invest $224 billion in exploration and development through 2015.

Brazil is one of the largest IT markets within the emerging economies. IT end-user spending in Brazil is expected to grow to $134 billion in 2014. The largest share of spending will be on telecom equipment, representing 72% of the market, followed by IT services at 13.3% and computing hardware at 11.9%.

In the years leading up to the 2016 Olympic Games in Rio de Janeiro, Brazil will host several international mega-events. In 2011, Brazil hosted the World Military Games and the Pan-American Maccabi Games and in 2012, Rio de Janeiro hosted the Rio+20 global environmental sustainability conference. In 2013, Brazil will host a papal visit and the World Youth Day event as well as the soccer Confederations Cup. In 2014, twelve Brazilian cities will host the soccer World Cup. The Government of Brazil expects to invest $106 billion in the preparations for these events. These investments, which will include outlays for infrastructure, construction, transportation systems, port improvements, public security, and airport infrastructure upgrades, will present significant commercial opportunities for U.S. companies. Most of the major infrastructure upgrades will be carried out through Public-Private Partnerships under Brazil's Growth Acceleration Program.

Market Entry Strategy

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Brazil's business culture relies heavily on the development of strong personal relationships. Companies need a local presence and must invest time in developing relationships in Brazil. The U.S. Commercial Service encourages U.S. companies visiting Brazil to meet one-on-one with potential partners. One of the best ways for U.S. companies to enter the Brazilian market is by participating in local trade shows or using the U.S. Commercial Service's Gold Key Service (GKS), through which they can meet with pre-screened potential clients or partners. It is essential to work through a qualified representative or distributor when developing the Brazilian market. 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 very 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 Brazil, please click on the link below to the U.S. Department of State Background Notes.

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

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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 potential legal problems.

Establishing an Office

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Investment options in Brazil include either setting up a company in Brazil or acquiring an existing entity. Setting up new companies is relatively complex, although the Ministry of Development, Industry, and Foreign Trade (MDIC) has signaled a desire to simplify the process. According to the Ministry, over the past few years, Brazilian authorities have significantly reduced the amount of time required to grant various licenses and registrations over the past few years.

The Central Bank monitors acquisitions of existing companies. Corporations ("*sociedades anônimas*") 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, as well as problems with

capital repatriation or profit remittance. 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.brasilglobalnet.gov.br/frmprincipal.aspx

Franchising

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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 will find it helpful to 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.

Direct Marketing

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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 increased expendable income in the growing middle class, 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) is a self-regulated, non-profit entity representing the direct marketing sector. Its web site provides important information regarding codes of conduct, legislation compliance, and direct marketing service providers. More information about ABEMD can be found at:

http://www.abemd.com.br/english.php

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 industries, such as telecommunications 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 with expertise in structuring such arrangements. (CS Brazil can facilitate this process through our Gold Key Service. Information is available at: http://export.gov/Brazil/). All licensing and technical assistance agreements, including trademark licenses, must be registered with the Brazilian Industrial Property Institute (INPI):

http://www.inpi.gov.br/

Selling to the Government

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The Federal Government is Brazil's biggest buyer of goods and services. Winning contracts with the Brazilian Government can be challenging. U.S. exporters may find themselves at a competitive disadvantage if they do not have 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 Bid 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 if they are deemed to meet the national interest or unique technical requirements. In case of a bid tie, nationally owned companies will gain preference over foreign competitors. Recent measures are focused on modernizing the tender process.

The Brazilian Constitution requires that all government purchases, whether at the federal, state or municipal levels, be contracted through public tenders. This process is regulated by the Brazilian Bid Law (Law # 8666, introduced in 1993). This law requires any and all official bidders to have a legal presence in Brazil. Law 8666 establishes general requirements for tenders and administrative contracts for goods and services at the Federal, State, and Municipal levels.

Brazil is not a signatory to the WTO Government Procurement Agreement, which precludes discrimination against goods and services from other signatory countries. The preference applies to government procurement at all levels, including federal, state and local, although there has been discussion about allowing exemptions specifically for security items related to the World Cup and Olympic games. As a result, U.S. companies may find it difficult to participate in Brazil's public sector procurement unless they are associated with a local firm.

Government procurement of foreign 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.

In 2010, then-President Lula signed a provisional measure that later was approved by the Congress and became law (No. 12,349, December 15, 2010), giving preference in public tenders to firms that produce in Brazil -- whether foreign-owned or Brazilian – and fulfill certain economic stimulus requirements such as generating employment or contributing to technological development, even when their bids are up to 25 percent more expensive than competing imported products. In August 2011, this system of preference margins was folded into Plano Brasil Maior, the national industrial policy. Government procurement is just one of thirty-five components under Brasil Maior intended to support Brazilian exporters and protect domestic producers, particularly the labor-intensive sectors threatened by exports from abroad. The textile, clothing and

footwear industries – among the few industries to have lost jobs during the current growth period – were the first to benefit from Brasil Maior when, in November 2011, the Ministry of Development, Industry and Commerce implemented an 8 percent preference margin for domestic producers in these industries when bidding on government contracts. In April 2012, the government added pharmaceuticals and certain heavy construction equipment to the list of products receiving preference margins.

Decree 7174 (2010), 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 and goods or services with technology developed in Brazil 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."

Government procurement is just one of thirty-five components under *Brasil Maior* intended to support Brazilian exporters and protect domestic producers, particularly the labor-intensive sectors threatened by exports from abroad. The textile, clothing and footwear industries – among the few industries to have lost jobs during the current growth period – were the first to benefit from *Brasil Maior* when, in November 2011, the Ministry of Development, Industry and Commerce implemented an 8 percent preference margin for domestic producers in these industries when bidding on government contracts. In April 2012, the government added pharmaceuticals and certain heavy construction equipment to the list of products receiving preference margins.

It is often difficult for foreign companies to sell to Brazil's public sector unless they are associated with a local firm. To be considered a local firm, 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 in your company's bid, or significant subcontracting 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. Advance 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 presentations on financing, engineering, equipment capabilities, training, and after-sale service.

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. To be competitive, U.S. companies should adapt their products to local technical requirements and culture. In some sectors, competing with an ever increasing amount of Chinese imports can be difficult because of their low prices; therefore, emphasizing product quality, customer service, after-sale service, financing arrangements, and warranty terms are key factors for U.S. companies.

Electronic Commerce

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Latin America's online population grew the fastest of any global region in 2011, showing a 16% increase in December 2011 over the previous year. In terms of e-commerce (electronic commerce), Brazil is clearly the region's star. It is Latin America's most advanced e-commerce country and the 7th largest internet market globally. According to online market research service eMarketer, Business-to-Consumer (B2C) e-commerce in Brazil is expected to total US$18.7 billion in 2012, a 21.9% increase over the previous year. Brazil will account for more than half of total B2C e-commerce sales in Latin American in 2012.

Only 78 million of Brazil's 196 million people are currently online. Taking into account Brazil's continued economic expansion, the upcoming international sporting events, and the comparatively low population of internet users in the country, the potential for e-commerce growth is tremendous. The country boasts an impressive use of social media compared to other large developing economies, and the market will continue to present opportunities for advertisers and agencies looking to reach consumers of all different socio-economic segments.

The most profitable industry sectors for online shopping include electronic appliances, computers, electronics, and fashion and accessories. Fashion is a particularly interesting category because of the widely-held belief that Brazilians need to try on clothes before purchasing. Brazilians tend to purchase through marketplaces and group buying websites. Brazilians also like to take advantage of online discount websites and coupons. In 2011, 9.98 million Brazilians bought from *Peixe Urbano*, a Brazilian discount website similar to Groupon. As of this publication, the most popular online retail websites include:

www.mercadoLivre.com.br
www.lojasamericanas.com.br
www.magazineluiza.com.br
www.casasbahia.com.br
www.Netshoes.com.br

Remarkably, while inflation has driven up the price of most consumer products in Brazil in 2011, the price of online products decreased by 9.75%, according to Forbes. Many middle-class consumers are aware that online prices for consumer goods and customer service policies are better than in stores.

In October 2011, eMarketer forecast that 34% of internet users in Brazil, or 23.2 million people (which accounts for 14.8% of Brazil's population), would make an online purchase in 2012. By 2015, 39% of internet users will have made at least one online purchase.

Geographically, consumers in the state of São Paulo account for a full one-third of online purchases (34.2%), which reflects Brazil's concentration of wealth and education. This figure is considerable for a country with 27 states, and U.S. firms should take this into account when looking to establish partnerships and working with consultants and online service providers. Most of the major consulting agencies, search engine optimization firms and e-commerce associations are based in São Paulo - the business capital of the country.

M-Commerce (mobile commerce) has been slower to penetrate Brazil. Only 1.5% of online traffic in Brazil is generated by phones or tablets, according to comScore Inc. The figure is extremely low compared to the U.S. at 8.2% or even India at 5.1%. As a result, very few purchases are done through mobile phones and tablets in Brazil. This may be due to a combination of the relatively high cost of data for mobile phones as well as security concerns on the part of the consumer. Mercado Livre, Brazil's most popular online portal, recently developed an application for mobile phones to enable buyers to purchase products online. Although MercadoLivre has stated that it has received over 2.5 million downloads of its mobile application, it is too early to gauge the success of the application.

Security continues to be a concern, with relatively little information available regarding online fraud. According to Forbes, Brazil suffers from weak legislation against cybercrimes. While international visitors to Brazil have relatively few problems using international credit cards at hotels and tourist venues, the same is not true for online purchases. Many local travelers cannot pay for services such as airline or movie tickets online as most Brazilian websites do not accommodate international credit cards. Due to the anticipated large number of international visitors coming to Brazil for the mega events, changes are expected. Brazilian merchants are increasingly aware of the need to partner with banks and payment providers that can enable foreigners to securely purchase from local websites. U.S. firms providing e-commerce solutions to meet these needs may find good opportunities in Brazil.

U.S. B2C firms seeking to reach the online Brazilian consumer need to proceed with caution. It is cost prohibitive and unreliable for online shoppers to purchase and import products into the country from the U.S. given the high import taxes. Relatively few Brazilians are comfortable navigating English language websites. Investing in advertising and search engine optimization techniques in Brazil to drive traffic to the U.S or to English or Spanish-language websites is not encouraged. Instead, given the market size and potential, U.S. retailers are encouraged to explore strategies that include a local presence in the market.

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. Rio de Janeiro for oil and gas industry shows and Belo Horizonte for mining. 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 financing 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 even at the risk of lowering 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-sale 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 in Brazil

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Several general principles are important for effective management of intellectual property ("IP") rights in Brazil. First, it is important to have an overall strategy to protect your IP. Second, IP is protected differently in Brazil than in the U.S. Third, rights must be registered and enforced in Brazil, under local laws. Your U.S. trademark and patent registrations will not protect you in Brazil. There is no such thing as an "international copyright" that will automatically protect an author's writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries do offer copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so you should consider applying for trademark and patent protection even before selling your products or services in the Brazilian market. It is vital that companies understand that

intellectual property is primarily a private right and that the US government generally cannot enforce rights for private individuals in Brazil. It is the responsibility of the rights holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Brazilian law. The U.S. Commercial Service can provide a list of local lawyers upon request through the following link:

http://export.gov/brazil/businessserviceproviders/index.asp

While the U.S. Government stands ready to assist, there is little we can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should U.S. Government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both Brazilian or 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)

IP Resources

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

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at **www.StopFakes.gov**.

- For 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), as well as the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IP-infringing products), and allows you to register for Webinars on protecting IP.

- For information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, a free online training program is available at www.stopfakes.gov.

- For information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**.

- For information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**.

- For US small and medium-size companies, the Department of Commerce offers a "SME IP Advisory Program" available through the American Bar Association that provides one hour of free IP legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and other countries. For details and to register, visit: **http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html**

- The USPTO's IPR Toolkit for Brazil can be found at: http://brazil.usembassy.gov/business.html. The pdf version is available at: http://photos.state.gov/libraries/brazil/599182/pdfs/braziliprtoolkit2011.pdf.

- The U.S. Commerce Department has positioned IP attachés in key markets around the world. You can contact the IP attaché who covers Brazil and the Southern Cone at: Albert.Keyack@trade.gov

Due Diligence

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Brazil has ratified the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), and the Brazilian intellectual property law incorporating international standards has been in effect since 1996. The most relevant IPR agency in Brazil is the National Institute of Industrial Property (INPI), which has actively sought to raise awareness about the concept of intellectual property in Brazil and remain up to date with the international community. This posture reflects Brazil's significant improvement on counterfeit enforcement, according to the 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.

It is always advisable to conduct due diligence on potential partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in Brazil require constant attention. Work with legal counsel familiar with Brazilian laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

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 that 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 Services for U.S. Companies at http://export.gov/Brazil/.

Local Professional Services

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For references to local service providers, please contact one of the U.S. Commercial Service's five offices in Brazil in Belo Horizonte, Brasília, Rio de Janeiro, São Paulo and Recife. For contact information, please visit: http://export.gov/brazil/contactus/index.asp.

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Ministry of Foreign Affairs Commercial Promotion site, Brasil Global Net:
http://www.brasilglobalnet.gov.br

Brazilian National Institute for Industrial Property:
http://www.inpi.gov.br

Intellectual Property Protection:
http://brazil.usembassy.gov/intelprop.html

American Bar Association:
http://apps.americanbar.org/intlaw/intlproj/iprprogram_consultation.html

U.S. Commercial Service – Brazil:
http://export.gov/Brazil/

Brazilian Franchising Association:
http://www.portaldofranchising.com.br

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

Commercial Sectors

Aerospace/ Aviation

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(in US$ million)	2010	2011	2012(estimated)
Total Market Size	3.4m	3.6m	4.1m
Total Local Production	1.2m	1.1m	1.3m
Total Exports	4.6m	4.6m	4.8m
Total Imports	2.2m	2.5m	2.8m
Imports from the U.S.	1.2m	1.5m	1.8m

* The above are unofficial estimates and assume an exchange rate of 1.67/US$.
Source: MDIC – Ministry of Development, Industry & Foreign Trade/ Embraer/ Brazilian Association of Aerospace Industry.

According to the International Air Transport Association (IATA), Brazil's aviation market grew by 19% in 2011 compared with 2010. The tremendous increase in demand in this sector is driven by the country's high economic growth. It is anticipated that the market

will continue to expand as a result of the 2014 Soccer World Cup and 2016 Summer Olympic Games.

Sub-Sector Best Products

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The Brazilian aircraft manufacturing company, Embraer, ended 2011 with a solid performance. Embraer closed the year with a firm backlog order of 1,941 aircraft, valued at approximately US$16 billion. (Embraer's exports are not included in the above noted statistics.)

Brazil will host the world's two most important international sporting events: the FIFA Soccer World Cup in 2014 and the Summer Olympic Games in 2016. Analysts predict that media coverage will promote investment confidence in Latin America, and that the visibility will generate new interest in tourism, business and infrastructure development in the region in general and Brazil in particular.

According to the Brazilian Association of General Aviation (ABAG), today Brazil has the second largest general aviation fleet in the world, with approximately 10,562 aircraft, 28% of which are concentrated in the state of São Paulo. In 2011, the helicopter market increased 15% and is expected to continue to grow in the next three years. For instance, the states of São Paulo, Rio de Janeiro and Belo Horizonte have the largest helicopter fleets of any Brazilian cities. The offshore oil segment presents significant new business opportunities for sale of aircraft due to the enormous investments the Brazilian government is making in the pre-salt oil-fields.

Opportunities

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As Brazil's aviation market continues to expand, import of parts and components will continue to increase, representing excellent business opportunities for U.S. suppliers. The products expected to have the most potential are airplane and helicopter 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 the 2016 Summer Olympic Games.

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- Embraer:www.embraer.com.br
- Ministry of Defense: www.defesa.gov.br
- Brazilian Aeronautic Committee in Washington: www.cabw.org
- AIAB - Associação das Indústrias Aeroespaciais 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
- Petrobras: www.petrobras.com.br

- For more market research reports, please visit:
  http://export.gov/mrktresearch/index.asp

- For more information, please contact US Commercial Service Industry Specialists
  - Daniele.Andrews@trade.gov

- Genard.Burity@trade.gov
- Marina.Konno@trade.gov

Agriculture Sectors: Food, Equipment & Services

Agricultural Sectors: Food

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Information on best prospects in Brazil's agricultural sector can be found at the link below:

http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Retail%20Foods_Sao%20Paulo%20ATO_Brazil_10-25-2011.pdf

The main point of contact in Brazil for U.S. food exporters is the Agricultural Trade Office (ATO), located in São Paulo. The ATO's contact information is below:

U.S. Agricultural Trade Office
U.S. Consulate General
Rua Henri Dunant, 700
04709-110 São Paulo – SP
Tel: (55 11) 5186-7400
Fax: (55 11) 5186-7499
E-mail: atosaopaulo@usda.gov
atobrazil@usdabrazil.org.br

Agricultural Equipment and Services Overview

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(in US$ million)	2010	2011 (est)	2012 (estimated)
Total Market Size	9,382	9,850	10,342
Total Local Production	9,716	10,201	10,711
Total Exports	2,313	2,428	2,549
Total Imports	1,979	2,077	2,180
Imports from the U.S.	1,325	1,391	1,460

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 equipment producers manufacture locally and export from Brazil to other South American countries, including Agco, Agrale, Caterpillar, John Deere, Komatsu, Valtra and CNH (Case, Fiat Allis and New Holland). Total installed production capacity in Brazil is 106,000 machines per year.

In 2010, according to Anfavea (Brazilian Automotive Vehicles Manufacturers Association), sales of agricultural machinery increased 23% in Brazil, in comparison with the previous year. Brazil produced 88,800 agricultural machines in 2010, 34% more than in 2009. Imports decreased 47% in 2010, reaching 854 units in 2010.

Exports of tillers, wheel tractors, crawler tractors, combines, loaders and backhoes were seriously affected by the devaluation of the Dollar against the Real and, in 2010, exports decreased 29% when compared to 2009, not even reaching 20,000 units. In 2011, the industry regained its growth momentum, resulting in a 5% increase in total exports

Sub-Sector Best Prospects

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Top U.S. export prospects in this sector include sophisticated, state-of-the-art machinery with higher efficiency levels including the following: post-harvest machinery, including 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

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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 being an agricultural 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 Brazil's 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, the sector is ideally suited to incorporate a wide range of American agricultural machinery and technology.

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

Web Resources

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- Anfavea: www.anfavea.com.br/
- For more market research reports, please visit: http://export.gov/mrktresearch/index.asp
- For more information about export opportunities in this sector, please contact US Commercial Service Industry Specialist Igly.Serafim@trade.gov

Airports

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The Brazilian federal government expects to invest approximately R$5.79 billion (around US$3.47 billion) to improve operations and installations at 11 airports located in the 12 host cities of the 2014 Soccer World Cup.

AIRPORT	LOCATION	CONSTRUCTION	INVESTMENT US$ MILLION
Afonso Pena	Curitiba	Expansion passenger terminal and tarmac	61
Confins	Belo Horizonte	Expansion passenger terminal, tarmac and runway, construct remote terminal	243
Eduardo Gomes	Manaus	Refurbishment and expansion passenger terminal	248
Galeão	Rio de Janeiro	Refurbishment of passenger terminal 1 and conclusion of TPS 2	393
Guarulhos	Sao Paulo	Construction of additional runway and third terminal, expansion tarmac	750
JK	Brasilia	Expansion remote passenger terminal and tarmac	375
Luis Eduardo Magalhaes	Salvador	Refurbishment passenger terminal, tarmac expansion and control tower	28
Marechal Rondon	Cuiaba	Refurbishment and expansion of passenger terminal, construction of remote terminal	52
Pinto Martins	Fortaleza	Expansion passenger terminal and tarmac	209
Salgado Filho	Porto Alegre	Refurbishment and expansion passenger terminal and tarmac, construction remote terminal	340
Viracopos	Campinas	Construction of remote passenger terminal, expansion of existing terminal	477

Source: Infraero website www.infraero.gov.br.
These values assume an exchange rate of 1.67R/US$ and are subject to change due to currency fluctuations.

Sub-Sector Best Prospects

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The Civil Aviation Secretariat (SAC) conducted the concession tenders for three major airports in Brazil on February 6, 2012: São Paulo Guarulhos International Airport, Brasilia International (JK) Airport, and the Campinas Viracopos Airport. The following concessionaires participated and won the tenders:

Guarulhos International Airport - Sao Paulo
Winner: Consortium Uinvepar ACSA
Total value: R$16, 2 billion Reais (US$9.5 billion)
www.invepar.com.br

Brasilia International Airport - Brasilia
Winner: Consortium InfrAmerica
Total value: R$4, 5 billion Reais (US$2.6 billion)
www.engevix.com.br

Viracopos Airport – Campinas
Winner: Consortium Aeroportos Brasil
Total value: R$3, 8 billion Reais (US$2.2 billion)
www.triunfo.com

Concessions for additional airports are expected to be auctioned later in 2012.

Even with the airport concession program, INFRAERO (the agency that handles public airport infrastructure) is still the leading end user of airport and ground support equipment in Brazil. INFRAERO buys all of its equipment through government public tenders that are published on its website (www.infraero.gov.br) 15-20 days prior to opening. In any tender with INFRAERO, three factors influence the final decision: First, the company must properly submit all of the requested documentation. Secondly, the company and its products must meet INFRAERO's quality standards. Finally, once the first two criteria are met, INFRAERO then chooses the company offering the lowest cost. International companies are welcome to participate in these public tenders. However, it is required that they have a local legal representative in Brazil.

Opportunities

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Brazil's airport infrastructure upgrades present significant business opportunities for U.S. companies to provide products such as passenger bridges, baggage handling systems, handling equipment, check-in conveyors, x-ray integration, baggage claim carousels, X-ray machines and other safety and security equipment. Also, companies with expertise in the areas of airport management and operations are encouraged to establish partnerships with local Brazilian companies to participate in the concession auctions. The experience requirements in the terms of the concession auctions have the effect of requiring the bidding airport management companies to be from outside of Brazil.

Web Resources

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- INFRAERO: www.infraero.gov.br
- ANAC - National Agency of Civil Aviation: www.anac.gov.br
- Ministry of Defense: www.defesa.gov.br
- Civil Aviation Secretariat: www.aviacaocivil.gov.br
- For additional market research, please visit: http://export.gov/mrktresearch/index.asp
- For more information, please contact US Commercial Service Industry Specialist Daniele.Andrews@trade.gov

Construction and Engineering Industry

Overview

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This report on the Construction and Engineering sectors and on opportunities related to it, focusing on the upcoming mega sport events: the 2014 World Cup and the 2016 Olympic Games.

The Federal Government launched, in 2007, the "Growth Acceleration Plan" (*Programa de Aceleração do Crescimento - PAC*), a national program that is designed to boost the country's economy and its growth rate to five percent a year.

In 2010, the Government launched the second phase of this program, "PAC 2", which forecasts investments of up to US$550 billion in infrastructure (including energy, transport and housing) between 2010 and 2014 and investments of about US$360 billion from 2014 on.

Part of this investment will be related to the construction and engineering sectors, as:

- Urban renewal projects: US$13 billion
- Low income Housing ("Minha Casa Minha Vida" program): US$158 billion
- Water, sanitation and electrification: US$17 billion
- Rail and Road Transportation: US$60 billion (out of which US$18 billion for projects related to mass transportation in the largest Brazilian cities)

Part of this amount will be spent in preparation for the upcoming mega sporting events to be hosted by Brazil. In 2014, the World Cup will take place in 12 cities throughout Brazil, including Rio de Janeiro where, in August and September of 2016, the Summer Olympic Games will take place. These events will generate numerous investment opportunities for U.S. companies in several sectors.

The Government of the State of Rio de Janeiro estimates that investments in the state from 2010-2016 will reach US$50 billion, in sectors including infrastructure, construction, transportation and others. Most of these investments will be done with both public and private moneys under Public-Private Partnerships (PPPs).

The procurement process for tenders related to the mega events is complex. Tenders are issued by the city and state of Rio de Janeiro, for example, for local transportation and infrastructure upgrades, while others, such as those related to public safety and security may be issued by the federal government in Brasilia. The Rio de Janeiro-based Olympic Committee will begin its procurement process related to the Olympic venues, such as the arenas, the Olympic Village and the broadcasting center, only after the conclusion of the London Olympic Games.

Market Data

According to local press and government sources, the forecasted investments for the mega-events include the following:

a) For the 2014 World Cup (across Brazil):

Stadiums:	US$ 3.2 billion
Urban Transportation:	US$ 6.6 billion*
Airport and Port renewals:	US$ 3.1 billion
Hotels:	US$ 1 billion
Total: US$	**US$13.9 billion**

(This figure does not include the proposed High Speed Train to connect the cities of Rio de Janeiro and São Paulo. The project is valued at US$20 billion, but is experiencing delays)

b) Investments in Sport Facilities for <u>Summer Olympic Games</u>

More than half of Rio de Janeiro's 2016 Olympic venues are already in place because the city hosted the 2007 Pan American Olympic Games. Additionally, about 20 new facilities will be built, including:

Aquatic sports stadium	US$ 40 million
Olympic Park (gymnastics, cycling, etc.)	US$200 million
Olympic Village	US$450 million
Olympic Tennis Center	US$ 45 million
Rowing stadium at Rodrigo de Freitas Lagoon	US$ 2 million
Copacabana Beach Volleyball Arena	US$ 7 million
Maracanã Stadium renovation	US$400 million before 2014

Maracanã Stadium will be used for the opening and closing ceremonies of the Summer Olympic Games, and for Olympic soccer matches; as well as for the 2014 World Cup closing ceremony.

c) Investments in Hotel/Hospital Facilities

According to sources in the hospitality industry, there are 120 new hotels with about 30,000 rooms planned to open countrywide between 2012 and 2014, 30 of which are in Rio, to handle increasing numbers of visitors both during and after the World Cup and Olympic Games. Of these planned hotels, 17 are already licensed to begin construction. In addition to the new hotels, several hotels are also being refurbished and upgraded. Tax incentives will create opportunities for refurbishing, building, acquiring or operating hotels.

Investments have also been confirmed in the health-care sector. Several public hospitals are being built throughout the country, as well as several private projects. Virtually all major cities, as well as all state governments Secretariats of Health have projects to build new or renew existing hospitals. Several private hospitals throughout the country are being built or planned, though there are no statistics readily available. Specifically for the Olympic Games, there will be an Olympic Village Medical Clinic built and 3 new state-of-the art hospitals Rio before the Games.

d) Investments in Infrastructure

As mentioned above, the investment in infrastructure forecasted by the Federal Government for Brazil in the next few years is over US$800 billion (US$550 billion between 2010 and 2014). The investment in infrastructure for the World Cup and the

Olympic Games is projected to reach US$50 billion, with US$5 billion of that to be invested in upgrades for seaports and airports.

The main projects include:

- Modernizing and enlarging airport terminals
- The widening of highways to accommodate “Olympic lanes”
- The Port of Rio revitalization to include a new 30,000 square meter leisure area featuring bars, restaurants, an amphitheater, museum, aquarium, a multi-use space and parking (R$4billion)
- Port dredging
- Two new subway lines (R$4billion)
- Bus Rapid Transit (BRT) systems in several cities, including the 12 World Cup venues
- Housing projects (including low income housing)
- Water sanitation projects.

e) Olympic Committee investments

The Brazilian Olympic Committee will have a budget of approximately US$2.5 billion. This amount will serve for the organization and the management of the Olympic Games.

This budget will be used for, among other things, the athletes’ food, rental of sports equipment, temporary sports venues (such as Beach Volleyball venues), athletes and delegations accommodations and security and access controls.

Tenders for these projects will only be issued after the conclusion of the London Olympic Games. As such, it is expected that no announcements on tenders will be issued by the Olympic Committee before mid – 2012.

Market Entry

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The Olympic Public Authority (“APO” acronym in Portuguese) in Brazil will be based on the London 2012 model. The APO will be in charge of the procurement for the Games.

In most cases the projects for the World Cup and for the Olympic Games are expected to be awarded to large Brazilian contractors, which will choose their sub contractors and suppliers. This is where we believe opportunities are strongest for U.S. companies. U.S. firms that have previous experience working with Olympic Committees or with large sports events will be the most competitive.

The Brazilian Constitution provides that all governmental purchases (at Federal, State and Municipal levels) should be contracted through public tenders. This is regulated by the Brazilian Bid Law (Law # 8,666, introduced in 1993). Sales to the private sector are not subject to this Law.

This law forbids different treatment of Brazilian and foreign companies offerings. However, when local and foreign competitors offer equivalent conditions in terms of price, quality and delivery time, the Law ensures preference for goods produced or supplied by Brazilian firms

As most of the sporting facilities and urban infrastructure-related equipment and services will be acquired through government, Bid Law 8,666 applies. Also, please note that foreign companies must have a local representative (commercial and legal) in order to participate in Brazilian government procurement processes.

In most cases, the U.S. Commercial Service recommends hiring a local representative, and a local agent or distributor for the company's products and services. It is up to the U.S. firm and its local agent or distributor to negotiate the type of representation; however, we suggest consulting with a Brazilian law firm before signing any type of agreement.

Best Prospects

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Best prospects for US companies include the following areas:

- Engineering/Construction products and services related to: stadiums, hotels, airports, ports, housing, museums: for both new buildings and renewal of existing facilities.

Opportunities

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Sectors that present opportunities in Construction and Engineering include:

- HVAC
- Flooring
- Roofing
- Lighting
- Insulation Systems
- Paving Technologies
- Residential/Commercial Automation
- Scaffolding Equipment
- Water Sanitation
- Sports Facilities Providers
- Realtors
- Hotel Chains
- Irrigation
- Solar Energy
- Innovative Technologies

Web Resources

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- Rio 2016 Organizing Committee: http://www.rio2016.com.br/en/home
- Rio promotion agency – Rio Negócios: http://www.rio-negocios.com/site/ (only in Portuguese)
- The Brazilian Architecture and Engineering Association (SINAENCO)'s link to the World Cup 2014: http://www.copa2014.org.br/ (also only in Portuguese so far)
- Brazilian Ministry of Sports (Ministério do Esporte: www.esporte.gov.br
- FIFA World Cup 2014: www.fifa.com/worldcup

- The U.S. Commercial Service Brazil World Cup and Olympics reports at: http://www.focusbrazil.org.br/siteUSA/index.htm.
    - Click at "*Highlights*" and at "*World Cup and Olympic Games in Brazil*".

For more market research reports, please visit: http://export.gov/mrktresearch/index.asp

- For more information about export opportunities in this sector, please contact US Commercial Service Industry Specialist: Patrick.levy@trade.gov

COSMETICS

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(in US$ million)	2010	2011	2012 (estimated)	2013 (estimated)
Total Market Size	16,530	18,679	21,107	23,850
Total Local Production	16,527	18,675	21,102	23,844
Total Exports	693	782	884	1,000
Total Imports	696	786	889	1,004
Imports from the U.S.	90	102	115	130

Exchange Rate: 1 USD 1.67
Total Market Size 2010 = US$16.530 billion
Data Source: Brazilian Association of the Cosmetic Toiletry and Fragrance Industry (ABHIPEC)

In the Personal Care, Fragrances and Cosmetics (CT&F) industry, Brazil's many competitive advantages have helped the country achieve a prominent position in the global scenario. According to industry reports published by Brazilian Association of the Cosmetic Toiletry and Fragrance Industry (www.abihpec.org.br), the country is currently ranked as the third most important market in the world for the industry, and the number one market for perfumes and fragrances. Besides the strong domestic market, the economic, political and recent social investment scenarios have been favorable points, allied with high technology and qualified professionals.

The Brazilian market requires that foreign suppliers have a high degree of quality and management certifications, such as ISO 9000 and ISO 14000, in addition to having clear concern for social responsibility and environmental conservation. There is an on-going demand for natural and organic products that use recyclable packaging materials. Brazilian beauty product suppliers see their challenge as increasing the number of small and mid-sized exporters, to create new jobs in the entire manufacturing chain. Exports grew 13 percent from 2010 to 2011. These are impressive results that attest to the vitality of the sector, to its readiness to take advantage of a more favorable exchange rate, and to its commitment to gain shares of foreign markets.

Hair care products make up the largest segment of the Brazilian cosmetics and toiletries market. Shampoo sales, both imported and locally made, constitute about 50 percent of

domestic sales; they are divided evenly between Brazilian and well-known multinational suppliers.

Sub-Sector Best Prospects

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While the personal hygiene market in Brazil constitutes the majority of total sales in the cosmetics and toiletries sector, the cosmetics sector shows the greatest potential in Brazil. New and high-quality imported and domestic product lines for teenagers and women between the ages of 35 and 60 have especially good potential.

New Consumers by category (in millions):

Colognes and perfumes	33.0	Soaps	14.0
Sun protectors	6.5	Oral Hygiene	14.5
Conditioners	11.0	Nail polishes	6.5
Shampoos	19.0	Hair colors	9.0
Deodorants	14.0	Hair preparations	6.0
Lotions and creams	13.0		

Source: ABHIPEC

Best prospects for U.S. exports to the Brazilian cosmetics and toiletries market include bio-cosmetics, ethnic products, and cosmetics for men.

Bio-cosmetics: Imports of bio-cosmetics are gaining wide acceptance in Brazil. Market analysts believe that around 10 percent of these sales are attributed to male consumers.

The market in Brazil is changing and demand for products such as Cosmeceuticals (wrinkle fighters, anti-acne and similar products), is increasing. Nutriceuticals and Cosmeceuticals (vitamin supplements and skincare products containing special ingredients to nourish skin, representing the linking of nutrition and pharmaceuticals in the case of Nutriceuticals, and cosmetics and pharmaceuticals in the case of Cosmeceuticals) are another interesting growing market. Potential representatives with expertise in this new market sector are found mainly in larger urban centers in southeastern Brazil.

Ethnic Products: Several local companies are focusing on this market niche, and several Brazilian personalities have launched ethnic product lines. U.S.-made ethnic products are preferred because of manufacturers' experience, quality and brand recognition. Ethnic products comprise 25% of Brazil's total cosmetics and beauty care market."

Cosmetics for Men: According to ABIHPEC, Brazil's personal care industry association, the Brazilian market for men's products in 2010 was valued at US$3.28 billion, the second highest in the world. The perfume and fragrance market designated for the male consumer, for example, has increased 127 percent in the last ten years. This share of the cosmetic market in Brazil represents 31.4% of the total perfume sales in the country.

Opportunities

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The United States primarily supplies mass-market cosmetics to Brazil. These types of U.S. products usually have higher quality standards and higher prices than the mass-market products produced locally. The United States is Brazil's largest cosmetics supplier. Brazilian companies import a wide variety of U.S. cosmetics, which are then resold to all segments of the population.

Web Resources

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Brazilian Agency for Sanitary Health: www.anvisa.gov.br
Brazilian Association of the Cosmetic Toiletry and Fragrance Industry: www.abihpec.org.br

Major Trade Shows:

- FCE Cosmetique
  29-31 May 2012 São Paulo
  www.fcecosmetique.com.br

- Hair Brasil
  6-9 April 2012 São Paulo
  www.hairbrasil.com.br

- Beauty Fair
  8-11 September 2012 São Paulo
  www.beautyfair.com.br

- For more market research reports please visit: www.export.gov/marketresearch.html

- For more information about export opportunities in this sector contact US Commercial Service Industry Specialist denise.barbosa@trade.gov

Defense

Overview

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(US$ billions)	2010	2011	2012(estimated)
Total Market Size	3.9	4.5	4.8
Total Local Production	2.7	3.1	3.3
Total Exports	1	1.1	1.1
Total Imports	2.2	2.5	2.6
Imports from the U.S.	1	1.1	1.1

* The above figures are unofficial estimates and assume an exchange rate of 1.67/USD
Source: Ministry of Defense/ Brazilian Association of Aerospace Industry (AIAB)/ Brazilian Association of Defense Material (ABIMDE)

The Brazilian Government seeks to acquire a wide variety of defense projects as it modernizes its armed forces and focuses on protection of its borders and natural resources. Brazil is vast, geographically diverse and is home to the Amazon River and rainforests. The country has large reserves of natural resources and in recent years, has discovered substantial offshore oil reserves. The country's defense procurements are largely focused on the protection of these resources. The military budget proposal for 2012 is around R$ 63 million or approximately US$ 37 million.

Sub Sectors Best Products

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In 2008, the Brazilian Government published its National Defense Strategy, which presented medium- and long-term strategic plans focused on the restructuring of the Brazilian defense industry while promoting economic development. The Strategy also outlined a reorganization and modernization of the Brazilian Armed Forces and identified three areas as strategic priorities for Brazil's defense sector: space, cybernetics and nuclear. Some of the most important military projects being planned by Brazil's Armed Forces include the following (organized by branch of the military):

Brazilian Air Force: Brazil's most prominent ongoing acquisition program is the F-X2 program to purchase new fighters to replace first the Mirage IIIE/IIID and later on the F-5E/F. According to Minister of Defense Celso Amorim, the Brazilian Government should announce the winner of the F-X2 project around June 2012. Unmanned Air Vehicles (UAVs or "VANT," as they are called in Portuguese) are also part of the Air Force's new defense program.

Brazilian Navy: The Brazilian Navy is in the process of implementing a long-term modernization plan. The plan, which began in 2004 and is scheduled to be completed by 2019, includes an investment of R$7.5 billion or around US$ 4.4 billion. The main programs in the Navy's plan are PROSUPER (*Programa de Obtenção de Meios de Superfície*) and SISGAAZ (*Sistema de Gerenciamento da Amazônia Azul).* PROSUPER is a surface vessel procurement program, which projects the procurement of five 1,800-ton ocean patrol vessels, five 6,000-ton frigates and a single support vessel, all of which are to be built locally in cooperation with Brazilian companies according to specific requirements. SISGAAZ is Brazil's system for the surveillance of its Atlantic territorial waters, or what is often referred to as the "Blue Amazon." This will require microwave,

multiband and satellite terminals for communications links from Brazil's coast to 200 nautical miles into the sea. The program also includes capabilities for electronic warfare for border security, long range radars and satellite remote sensing systems.

Brazilian Army: The Brazilian Army's refurbishment program is called "*Estratégia Braço Forte*" and is subdivided into four projects. Two of the projects – *"Amazônia Protegida"* and *"Sentinela da Patria"* focus on the protection of the Amazon and the reorganization of Army troops in the region as well as increased surveillance via the creation of new operational posts throughout the Amazon. The other two programs – *"Mobilidade Estratégica"* and *"Combatente Brasileiro"* focus on procuring equipment that improves the Army's mobility. The following equipment has been identified as a priority for procurement: armored vehicles, weapons, radars, night vision goggles and UAVs. The Army's central program is called SISFRON (*Sistema de Vigilância da Fronteira),* which is a US$ 6 billion, multi-year integrated program designed to monitor and protect Brazil's borders in the Amazon region against drug trafficking, environmental crimes, smuggling and arms trafficking. The Brazilian Army is also charged with leading efforts on cyber defense.

Opportunities

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Defense equipment acquisition programs tend to move at a much slower pace in Brazil than in some parts of the world. To conduct business with the Brazilian Armed Forces, companies must be prepared for long and complex campaigns. Having a local office or a trusted and well-respected local representative with extensive contacts and a solid sales record is very helpful and often considered essential for success in the Brazilian market. In addition to the ever-present desire for offsets, U.S. firms must be prepared to transfer technology (subject to U.S. Government export laws) and engage in cooperative efforts with Brazilian companies in the production of components, assembly, etc.

The Brazilian Armed Forces have long-term acquisition plans that include: weapons, escort ship platforms, submarines, transport ships, offshore patrol vessels, tugs and hydrographic/oceanographic ships, UAVs, long range radars, helicopters, jetfighters, tactical radio communication systems and others. Additionally, the Government of Brazil recently announced R$2.2 billion (around US$1.2 billion) investments in the space program for the construction of a launch center, launch vehicles and satellites.

Web Resources

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- Embraer:www.embraer.com.br
- Ministry of Defense: www.defesa.gov.br
- Brazilian Aeronautic Committee in Washington: www.cabw.org
- AIAB - Associação das Indústrias Aeroespaciais do Brasil: www.aiab.org.br
- Ministry of Development, Industry and Trade Commerce www.mdic.gov.br

- For more market research reports please visit: www.export.gov/marketresearch.html

- For more information, please contact US Commercial Service Industry Specialist Daniele.Andrews@trade.gov

DRUGS AND PHARMACEUTICALS

Overview

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US$ billions	2010	2011	2012 (estimated)	2013 (estimated)
Total Market Size	20,632	25,600	30,000	35,000
Total Local Production	15,816	20,553	24,710	29,481
Total Exports	1,276	1,453	1,670	1,921
Total Imports	6,092	6,500	6,960	7,440
Imports from the U.S.	1,210	1,218	1,242	1,267

Exchange Rate: 1 USD 1.67
Total Market Size = US$ 25.6 billion
Data Source: Sindusfarma

The Brazilian pharmaceutical industry is comprised of 380 local and 20 international companies established in the country. This industry represented total market value of approximately US$ 25 billion in 2011, with an estimated 15% growth for 2012. Brazil is also among the five largest pharmaceutical markets in the world in terms of unit sales, and the eighth largest in market size. According to Brazil's Pharmaceutical Industry Syndicate (SINDUSFARMA), Brazilian pharmaceutical product imports in 2011 reached US$ 6.5billion, a 6.6% increase over the previous year's level. US exports account for approximately 18% of Brazilian pharmaceutical imports.

About 80% of pharmaceutical companies operating in Brazil are Brazilian-owned, 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 Brazilian government.

Currently, pharmaceutical patents are granted for a period of 11 years. 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 Brazilian government. The process aimed at reducing taxes on pharmaceutical production is slow and bureaucratic. According to government statements, however, taxes applied on pharmaceutical products are expected to decrease in order to make drugs more affordable for the population. This has been the case more on the state level rather than the federal, though.

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 more than 20% of sales in 2011. Nearly all generic production is purchased by the state's public health care systems as part of the federal government's program to distribute medicines to the poorest.

Sub-Sector Best Prospects

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Major imports of pharmaceutical products, in value, 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 related to modern lifestyle, such as contraceptive, erectile dysfunction, cholesterol, weight control, and diabetes; and other medicines for treatment of chronic diseases. Nutritional supplements, phytotherapeutic drugs and vitamins are also in high demand by Brazilian consumers.

Opportunities

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

Opportunities for US 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, there is major demand for equipment and services associated with the construction of pharmaceutical manufacturing plants, representing another opportunity for US exporters.

Due to patent expiration of several drugs in 2010 and 2011, 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.

Web Resources

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Brazilian Agency for Sanitary Health: www.anvisa.gov.br
Sindusfarma: www.sindusfarma.org.br

Major Trade Shows:

- FCE Pharma - The largest technology event in the pharmaceutical industry
  29-31 May 2012 - São Paulo
  www.fcepharma.com.br

- Hospitalar - The largest medical event in Latin America
  22-25 May 2012 – São Paulo
  www.hospitalar.com

- For more market research reports please visit: www.export.gov/marketresearch.html

- For more information about export opportunities in this sector contact US Commercial Service Industry Specialist Jefferson.Oliveira@trade.gov.

Education & Training

Overview

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In 2011, there were 8,777 Brazilian students studying in the U.S., and the number of students has been gradually increasing since 2005/2006. About 35% of Brazilian students participate in graduate programs and about 46% are enrolled in undergraduate programs.

The consensus is that these numbers will increase over the next few years. In 2011, under the administration of President Dilma Rouseff, the government launched its aggressive effort to address the lack of a qualified workforce in the science and engineering fields. The Brazilian government hopes to send 101,000 Brazilians to study overseas for at least one year at the best science, technology, engineering, and mathematics programs by the end of 2014, both at the undergraduate and graduate levels. For U.S. colleges and universities offering strong science and technology programs, the economic growth of the Brazilian middle class as well as the attention of the government on education initiatives to sustain this growth presents a rare opportunity to increase their Brazilian student enrollment. For instance, U.S. colleges and universities are seeking to receive up to half of these Brazilian students. On the other hand, the worldwide attention being paid to Brazil for the above reasons virtually guarantees that U.S. higher education institutions will face strong competition from higher education institutions worldwide.

Sub-Sector Best Prospects

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Undergraduate and short term ESL programs are attractive for the majority of Brazilian students who are seeking study abroad opportunities. In 2010, a total of 2252 students visited the U.S. for Intensive English Language programs. While Brazil ranked the fourteenth largest source of overseas students coming to the United States for education and training services, it ranked sixth for sending students to the U.S. for Intensive English Programs, according to the Institute of International Education.

Both graduate and undergraduate programs continue to be of interest for Brazilians. The sciences, engineering, business and economics have traditionally been popular with Brazilian students. In addition, the Brazilian government agency that administers the “Science without Borders” Program has identified the following specific areas of interest that will be heavily promoted through the scholarship program.

Engineering	Earth Sciences
Biology	Computer Science
Aerospace Engineering	Pharmaceutical Sciences
Agricultural Sciences	Oil, Gas and Mining
Renewable Energy	Minerals Technology
Nanotechnology	Natural Disaster Prevention and Technologies
Biodiversity	Marine Sciences
Industrial and Construction Engineering	Information Technology

Opportunities

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With sustained economic growth and increased availability of credit, Brazilian families have been able to plan and make longer term financial commitments. The country is experiencing growth in the purchase of homes, cars, and other durable goods. As the lower income portion of the market becomes more sophisticated and families become more aware of the importance of quality education, opportunities for educational service will grow. US schools interested in recruiting in Brazil should provide creative financing options, since cost (along with proficiency in English language skills) will continue to be the biggest challenge for students studying abroad.

The composition of states in Brazil varies widely and should be taken into account when planning recruitment efforts. São Paulo will have the largest applicant pool, and attracts the most talented students to its university campuses. The capital city of Brasilia has the highest GDP per capita in the country, at approximately $25,000 USD. This figure is over twice that of São Paulo, its closest competitor state. The state of Rio de Janeiro, home of the parastatal energy giant *Petrobras*, is the country's energy hub, attracting many engineering and science majors.

The education sector is one of President Dilma Rousseff's highest priorities. Brazil, a country with continental dimensions, has many challenges and needs to deliver a high standard of education for the population, and for that reason the government of Brazil has been investing in a wide range of programs. The government's new "Science Without Borders" Program will provide scholarships to undergraduate and graduate students from Brazil for one year of study at colleges and universities in the United States and other foreign countries. The program is administered by two federal government agencies. The Agency for the Improvement of Higher Education (CAPES) promotes and expands graduate and undergraduate education in the country. The Brazilian economy is currently experiencing a deficit of qualified graduates in certain technical and scientific areas. According to the CAPES website, students in these areas of study are especially encouraged to apply for the scholarships.

The second administering agency is the National Council of Technological and Scientific Development (CNPq) under the Ministry of Science, Technology, and Innovation. This agency is designed to promote scientific research throughout Brazil in order to increase the nation's competitiveness in scientific and technological advancements. Part of its role involves providing scholarships for graduate students and professors aiming to take part in scientific research programs overseas.

Candidates for the program are nominated by their Brazilian university and approved to participate by the Brazilian agencies responsible for the implementation of the program, CAPES and CNPq. CAPES and CNPq, through partnerships with educational organizations and universities, negotiate placement, tuition, and fees for the students and researchers. The final decision to accept a student in the Brazil "Science Without Borders" Program is made by the participating host institution.

The Brazilian government has partnered with the Institute of International Education (IIE) to administer the program for U.S. educational institutions. Accredited American colleges and universities interested in hosting students through the "Science Without Borders" program should register with IIE at: http://www.iie.org/en/Programs/Brazil-Science-Without-Borders.

Since 2007, the Education Ministry has been investing in the PROINFO, a program to promote technology as an important teaching tool. The program includes installations of technological labs in the public schools, laptops for teachers and students, digital boards, projectors and tablets. The budget will also be used to invest in classroom infrastructure and training for teachers. In 2012, the government will continue to invest in the technological program including purchasing tablets for teachers, computers for technological laboratories at schools and universities, smart and digital boards, projectors and other technologies.

Brazil's book purchasing program is also receiving increased attention. Currently, school books are purchased every three years, although the procurement process starts three years before the actual purchase. In 2011, the government bought 137 million books at a total value of R$ 1.2 billion (US$720 million). The book purchasing program is divided into three categories, books used in libraries, books for students, and books for teachers to use as reference materials.

The government is also investing in technical courses for high schools students and adults. In 2011, the government invested R$1.8 billion (US$1 billion). These numbers are expected to increase in 2012. The intention is to help 600,000 students pursue careers after leaving school. This money is invested in classroom infrastructure, teachers, equipment, books and other items. Companies and educational institutions interested in participating in these programs should consider partnering with local companies or universities.

Brazil recognizes the need to improve English language skills across the country. The country is set to host the soccer World Cup during the summer of 2014 in 12 cities. However, the majority of the population, including those employed in the tourism sector, lack basic English language skills. There are many programs both at the federal and local level, designed to start addressing this deficiency. For example, CAPES recently launched a program providing scholarships for intensive English language training in the U.K. to Brazilians that are certified in teaching English. The State of Bahia is sponsoring free English classes for taxi drivers. Private English language schools throughout the larger cities are abundant.

Still, the challenge for many students applying for study abroad programs is their lack of English language skills. Institutions that can address this issue by providing conditional acceptance tied to English language training may have a competitive advantage.

Education Fairs and Trade Shows

Education fairs are one of the most efficient means to recruit Brazilian students. Brazil has quite a few education fairs that run throughout the year. In September 2012, for the first time ever, the United States Department of State and the Department of Commerce will host a joint Education trade mission to Brazil. The trade mission will be held in Brasilia, São Paulo and Rio de Janeiro. Accredited universities interested in joining the trade mission should visit the Education USA office in Brazil or:
http://export.gov/industry/education/eg_main_045847.asp

Web Resources

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- Institute of International Education - Open Doors: http://www.iie.org
- EducationUSA Brazil: http://educationusa.org.br
- Brazilian Ministry of Education: http://www.mec.gov.br

- Proinfo: http://www.proinfo.gov.br
- FNDE: http://www.fnde.gov.br/
- For additional market research, please visit: http://export.gov/mrktresearch/index.asp For more information, please contact US Commercial Service Industry Specialists - http://export.gov/industry/education/index.asp
- For more information about export opportunities in this sector, contact U.S. Commercial Service Industry Specialist Ligia.Pimentel@trade.gov

Electrical Power and Renewable Energy Industries

Overview

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(in US$ million)	2010	2011 (estimated)	2012 (estimated)
Total Market Size	$ 5,828	$ 7,348	$ 8,814
Total Local Production	$ 6,050	$ 7,200	$ 8,424
Total Exports	$ 740	$ 650	$ 540
Total Imports	$ 518	$ 798	$ 930
Imports from the U.S.	$ 66	$ 120	$ 140

Exchange rate: R$1.77 to US$1.00

The estimated 2012 market for Brazil's power generation, transmission, and distribution (GTD) equipment market is projected to be around US$8.8 billion (**) of which US$930 million is projected to be imported with about US$140 million of that total forecasted to be from U.S. sources. In 2011, GTD-related imports increased 54%, when compared to 2010. The Brazilian Electrical and Electronics Industry Association (ABINEE) projects a 17% growth in the GTD local production figures in 2012 in comparison with 2011 as a result of the continuation of the federal government's "Light for All" rural electrification program and expected equipment orders following the recent power generation and transmission auctions.

** Note: These market estimates do not include GTD services (operational and maintenance expenses), which would add at least another 40% to the value of the market. As a result, the market sizes in this table are likely to be underestimated. Additionally, the figures noted in the table above are partially based on ABINEE's statistics. 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.

Brazil is the 10th largest generator of electrical power in the world. Brazil's electricity generation is largely in the hands of the federal and state governments. The federally-owned power company, Eletrobras, controls over 36 percent of Brazil's installed generation capacity, while other energy companies, owned by various state governments, control approximately 26 percent of generating capacity. The remaining 38 percent of capacity is in the hands of private companies.

According to statistics released in January 2012 by Brazil's National Electric Energy Agency, (ANEEL), Brazil has 2,544 operational power projects with 116,884 megawatts (MW) or 116,884,000 kW of installed capacity (excluding imports). Hydroelectricity, including imports, accounts for about 72% of the total electrical power supplied in the country, as shown in the table below:

Operating Units as of January 2012							
Type		Installed Capacity		%	Total		%
		Qty of Plants	(MW)		Qty of Plants	(MW)	
Hydro		966	82,319	65.85	966	82,319	65.9
Gas	Natural	102	11,424	9.14	140	13,213	10.6
	Processed	38	1,789	1.43			
Oil	Fuel oil	890	3,852	3.08	922	6,984	5.6
	Residual oil	32	3,132	2.51			
Biomass	Sugar cane biogas	345	7,194	5.75	424	8,917	7.1
	Black liquor	14	1,245	1			
	Wood	42	374	0.30			
	Biogas	15	71	0.06			
	Rice Rind	8	33	0.03			
Nuclear		2	2,007	1.61	2	2,007	1.6
Mineral Coal	Mineral Coal	10	1,944	1.56	10	1,944	1.6
Wind		72	1,451	1.16	72	1,451	1.2
Imports by Brazil from:	Paraguay		5,650	5.46		8,170	6.5
	Argentina		2,250	2.17			
	Venezuela		200	0.19			
	Uruguay		70	0.07			
Total		2,536	125,005	100	2,536	125,005	100

Source: ANEEL (National Electric Energy Agency, Brazil's power regulator)

According to national government's Power Expansion Plan (PEP) for 2011-2012, published by Brazil's Power Energy Research Company (EPE), the government is forecasting the percentage of capacity supplied by hydroelectricity to be reduced from 72.4% (the combined numbers of domestically-produced and imported from neighboring countries) to 67%, while increasing the percentage of power produced by natural gas to 15%, as a direct result of the recent large oil and gas finds in Brazil. Other renewable energy sources such as small hydro, wind and biomass plants are forecasted to increase to 16% of the country's energy supply by 2020.

Assuming an annual GDP growth rate of 4.7 percent through 2020, Brazil's electricity consumption is projected to increase from 479,000 GWh (2011) to 730,000 GWh (2020), while the country's installed capacity is expected to reach 171,138 MW (or 171 GW) in 2020. To meet this future demand for power, EPE's 2011-2020 PEP calls for investments of R$190 billion (approximately US$105 billion), to bring an additional 62,000 MW of power generation capacity into Brazil's power grid. About 143 power plants are currently under construction (13 hydro; 35 wind power; 50 small hydro; 44 thermal; one nuclear). ANEEL has also authorized an additional 519 power plants, on which construction has not yet begun.

In 2012, Eletrobras plans to invest R$13 billion (US$7.3 billion), up 44% from the R$9 billion (US$5.1 billion) invested in 2011. Eletrobras will invest R$6.8 billion (US$3.8 billion) in power generation, R$3.87 billion (US$ 2.1 billion) in power transmission, and R$1.86 billion (US$1.0 billion) in power distribution.

Renewable Energy

Wind. According to ANEEL, total wind power capacity in Brazil rose from 602 MW in 2009 to 1,450 MW by the beginning of January 2012. By 2020, EPE projects that wind power will reach 6.7% (11.532 MW) of Brazil's power generation capacity.

In 2011 power generation auctions organized by the federal government, wind power was a major attraction, as its average cost (BRL $99.58 per MW) was offered at a lower rate than hydro, natural gas, or other thermal power plants (e.g. coal and biomass). EPE noted that the cost per MW that was achieved marks a significant drop in price and increases the viability of wind power as an energy source in Brazil. In 1994, when the renewable energy program Proinfa was launched, prices per megawatt of wind power were above BRL $300 per MW while in 2009 prices had fallen to BRL $164.

Solar. Solar energy through photovoltaic technology (PV) is a competitive alternative to grid extension, but has been limited to remote areas of the country and to applications that promote social interests such as electricity supply to schools, hospitals, water pumping systems, and other uses (e.g. telecommunications). The technology is still considered costly, and the required maintenance is sometimes complex.

However, the scenario for solar energy has been changing lately, due to the operation of the first grid-tied solar project by MPX Energia (1 MW) and recent applications of solar energy at soccer stadiums and other facilities that have been built or are being renovated for the 2014 World Cup. Additionally, the launch of the Solar/PV Power Declaration in August 2011, with proposals to foster distributed energy and utility-scale solar photovoltaic power projects, has triggered significant discussions around solar energy in Brazil. Most Brazilian states already exempt solar/PV and wind power equipment from VAT tax.

Additionally, in 2008 the state of Rio de Janeiro implemented Decree Number 41318, which calls for renewable energy generation or energy efficiency projects whenever a thermal (fossil fuel) power plant is installed in the state.

In August 2011, ANEEL launched a strategic PV research and development program ("Chamada 13"), aimed at reducing PV costs, inserting PV into the Brazilian energy matrix, increasing technical capacity, and further developing the domestic PV supply chain. Power utilities presented about 20 projects under this program. These projects will enable ANEEL to design a PV regulatory framework and propose fiscal incentives to make PV more economically viable. As a result, EPE may propose specific solar power

auctions in the future. A recent solar energy market report can be viewed by logging into our market research library at http://export.gov/mrktresearch/index.asp

Brazil has over 150 manufacturers of solar water heaters producing energy for residences as well as hotels, hospitals and swimming pools. The overall construction trend in Brazil and specific government-funded low income housing projects should help grow this market segment over the next few years.

Power Transmission

Between 2011 and 2020, the power transmission subsector will require investments of R$46.4 billion (approximately US$26 billion), of which R$30 billion (approximately US$17 billion) will be dedicated to transmission lines and R$16.4 billion (approximately US$9 billion) for new substations. During this period, the amount of power transmission lines (PTL) is forecasted to grow from 100,000 km to 142,000 km.

The construction of the world's largest high-voltage, direct-current PTL to connect the Madeira River hydro power plants to the southeastern states of Brazil will consist of a 2,300 km-long power line. The project will include construction of 5,000 transmission towers and will require 20,000 km of cables, 433,000 insulators, and many other types of equipment.

The ANEEL link below shows the results of the power transmission lines (PTL) that were auctioned from 1999 to 2011:
http://www.ANEEL.gov.br/arquivos/PDF/SCT_RESULTADO_LEILÃO_INTERNET_06jan2012.pdf

For a listing of additional PTLs that will be auctioned off by ANEEL in 2012, visit:
http://www.ANEEL.gov.br/area.cfm?idArea=57

Market Challenges

Import duties, specific local content requirements for selected types of equipment, and the public procurement legislation for government-owned power companies can be considered market challenges. Additionally, as with other industry sectors, the government is considering adopting local content requirements as part of future power auctions in the solar energy sector. Specifically in the power distribution segment, possible revisions to methodologies to calculate electrical power distribution tariffs may adversely affect the utilities' ability to make future investments.

In the generation, transmission, and distribution (GTD) sector as a whole, it is yet to be determined if the power concessions that will expire in 2015 will be automatically renewed. The Brazilian Ministry of Mines and Energy is evaluating the pros and cons of rebidding these concessions, as rebidding could result in higher prices for consumers.

Sub-Sector Best Prospects

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In the power generation subsector, best sales prospect opportunities include the supply of control and supervision equipment, rectifiers, converters, inverters, 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. Solar energy related equipment can also offer longer-term opportunities in Brazil, including liquid pumps for photovoltaic generation, air cooling systems, photovoltaic panels, solar inverters and batteries, as well as all related parts.

Best equipment sales prospects for the power transmission subsector include compact sub-stations, SF6 - gas insulation transformers, glass and polymer 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 with a legal presence in Brazil may participate in future power auctions that will be held in 2012 and the following years.

The power distribution subsector offers equipment sales potential for monitoring systems to upgrade underground vaults, switches (15 kV tension capacity; 125 Bil, with open, closed and grounded positions), power transformers (500 kVA), lightning arresters, ground and surge protection systems, relays, insulated electric conductors, surge suppressors, and innovative technologies to reduce technical and commercial losses, including smart grid technologies.

Industry sources predict that Brazil will need to invest about US$16 billion to implement a smart grid network to increase Brazil's interconnected power grid's efficiency and reliability (e.g. to reduce power black-outs).

Estimates by the Acende Brasil Institute show that Brazilians pay a total of R$120 billion a year (approximately US$68 billion) for their electrical power. As about 47% of this amount is made up of federal, state, and municipal taxes, it is estimated that the power distribution subsector's gross revenues amount to approximately US$32 billion per year.

Opportunities

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Although there are no official statistics showing planned investments by the power distribution subsector, the "Light for All" rural electrification program launched in 2004 is one of this subsector's most important programs. Total investment under this program thus far is estimated at R$19 billion (approximately US$7.6 billion). By October 2011 more than 2.8 million homes had been connected to Brazil's power grid, reaching a total of 14.3 million Brazilian citizens previously living without electricity in rural areas throughout Brazil. From 2011 to 2014, the program is expected to connect an additional 495,000 Brazilian homes to electric power, with an additional investment of approximately R$5.5 billion.

Electrical power distributors will continue to invest in power distribution system upgrades and more efficient operational and management systems to make their companies more competitive and to meet more stringent regulations concerning client satisfaction and client servicing. Companies will also be required to invest 0.5 percent of their annual net revenues in energy efficiency and R&D programs.

Market Entry

In addition to approaching the power utilities, U.S. suppliers of GTD equipment and services are encouraged to establish contacts with main equipment suppliers, as well as engineering and civil contractor companies for sub-contract/turnkey opportunities. Public-private partnerships (PPPs) are expected to be the best means of market access for new-to-market U.S. companies interested in future power transmission and power generation auctions. To establish a presence and to be competitive in Brazil, CS Brazil recommends also partnering with qualified Brazilian firms to participate in these PPPs.

Key Suppliers

The participation of foreign equipment suppliers has increased over the past year and is projected to remain steady over the next years if the Brazilian Real currency remains strong in relationship to the U.S. dollar. ABINEE reports that the local industry is concerned because foreign suppliers have been actively supplying equipment and services for important projects, such as the Rio Madeira power generation plant and the Tucurui-Manaus transmission line. On the other hand, the strongest competition for US suppliers of GTD equipment originates from locally established large multinationals (e.g. ABB, Siemens, Areva, Toshiba, etc.). A list of domestically established GTD suppliers is available at http://www.abinee.org.br/ing/

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- Brazilian Electrical and Electronics Industry Association (ABINEE): www.abinee.org.br
- Eletrobras: www.eletrobras.com.br
- EPE (Empresa de Pesquisas Energéticas): 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

- For more information about export opportunities in this sector, please contact US Commercial Service Industry Specialist Igly.Serafim@trade.gov

Environmental Technologies

Overview

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US$ Billions	2010	2011 (estimated)	2012 (estimated)
Total Market Size	10.00	10.50	11.00
Total Local Production	8.00	8.40	8.80
Total Exports	0	0	0
Total Imports	2.00	2.10	2.20
Imports from the U.S.	0.60	0.63	0.66

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 US$11 billion, of which US$6.0 billion is related to the water and wastewater subsector; US$4 billion for solid waste management and US$1 billion for air pollution control. The actual market size is only a fraction of the market potential, which is estimated at 1 to 7% of Brazil's GDP of US$2.5 trillion.

Sub-Sector Best Prospects

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In Brazil, there is currently 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 rainwater 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-, and 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 increasing numbers.

Opportunities that are arising include solutions related to water distribution systems, including services and equipment; since the water loss rate in Brazil corresponds to about 40% 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 of 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. The Brazilian government plans to invest R$ 1.5 billion (US$ 870 million) in solid waste treatment projects, replacement of garbage dumps, introduction of selective waste collection services, and

financing of cooperatives of waste collectors. The Brazilian government expects that recycling activities income will increase from R$ 2 billion (US$1.1 billion) to R$ 8 billion (US$ 4.7 billion).

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

Opportunities

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One of the most important issues affecting the environmental sector in Brazil in recent years has been was the Brazilian National Solid Waste Policy of August 2010 (Law 12,305), whose objectives are to stimulate recycling activities and the appropriate management of waste with high contamination potential. A positive aspect of the solid waste policy is the social inclusion of individuals that informally collect waste in Brazil. The law requires that households in municipalities that offer "selective collection services", sort their domestic waste. In order to receive any government funding for urban cleaning and waste management activities, municipality will need to have a waste management plan in place.

The law has yet to be implemented, and companies will need time to adapt to the new requirements and to determine the appropriate treatment for each type of material.

Major Items of the National Solid Waste Policy

1- Prohibits creation of garbage dumps;

2- All municipalities have to build sanitary landfills that will only allow products that are not appropriate for reuse or composting;

3- Prohibits imports of any type of waste;

4- Using "reverse logistics" manufacturers, distributors and retailers are obliged to collect used packages. This rule applies to the following products: agricultural chemicals, batteries, tires, lubricant oils, all types of lamps, and electronic products;

5- Should manufacturers, importers, distributors and retailers delegate their responsibility for reverse logistics to the state, they will be charged accordingly;

6- Responsibility for the waste is shared among the Brazilian society, companies, municipalities, state and federal governments;

7- Recycling industries will have priority in government financing;

8- Activities related to solid waste management need to follow the priority order as follows: non-generation, reduction, reuse, recycling, treatment, and adequate final disposal;

9- Waste should be used for energy generation, once technical and environmental feasibility studies indicate the appropriateness. The emission of toxic gases has to be monitored;

10- The law also foresees that companies that operate with hazardous waste have to register in the "National Registry of Hazardous Waste Operators" and prove their technical capability.

Water/Waste Water Sector:

The Brazilian government's goal is to provide sanitation coverage to all Brazilians. The amount of investments required to reach this objective is R$178 billion by 2020. (about US$89 billion). The table below shows the investments needed by geographic region:

Regions/Investments In billion US$	2020
North	US$ 8.1
Northeast	US$ 18.6
Southeast	US$ 37.1
South	US$ 16.5
Center-West	US$ 8.7
Total Brazil	US$ 89.0

About 30% of the US$ 89 billion will be needed for replacement of equipment, 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 of 2007, 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 water and wastewater utilities. Tenders for these projects are awarded to the lowest bidder as required in the Brazilian Bid Law (Law 8666). This discourages local water / wastewater product from offering sophisticated technologies, because they involve more expensive products.

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

The Brazilian Association of Water and Sewage Public Services Concessionaires – ABCON – estimates 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 currently has two sewage treatment contracts with municipalities in the state of São Paulo (Ribeirao Preto and Moji Mirim), foresees further investments in waste treatment projects. OHL has investment plans of US$276 million and plans to bid on five new concessions in the near- to medium-term.

The municipal water utility in Campinas, SANASA, will build two sewage treatment plants using Membrane Bioreactor (MBR) technology.

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- ABETRE- Brazilian Association of Solid Waste Treatment Companies: www.abetre.org.br
- ABRELPE - Brazilian Association of City Cleaning and Waste Treatment Companies: www.abrelpe.org.br
- CETESB – Environmental Authority of the State of São Paulo: www.cetesb.sp.gov.br/
- IBAMA – Brazilian Environmental Institute – www.ibama.gov.br

- For more market research reports, please visit: http://export.gov/mrktresearch/index.asp

Industry Trade Show

FIMAI – International Industrial Environmental Trade Show: www.fimai.com.br
Date: November 6-8. 2012
São Paulo, Brazil
Organizer: Editora Tocalino
Comments: Traditional annual trade show with focus on environmental technologies for the industrial market.

- For more information about export opportunities in this sector, please contact US Commercial Service Industry Specialist Teresa.Wagner@trade.gov

IT Hardware and Software

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Despite the turbulence that marked the Brazilian 2011 software market, the sector is expected to show strong growth in software sales in 2012.

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 trend in this sector is the increase of data communication in cellular telecommunications, which is expected to continue growing for the next few years.

Demand for IT software products and services is forecast to grow 10% during 2012, making Brazil one of the best-performing global IT markets. A low computer penetration rate and a growing middle class should keep the software market on an upward path. A personal computer penetration rate of less than 25% indicates plenty of room for software market growth.

Infrastructure investments following the award of the 2016 Olympic Games to Rio de Janeiro are expected to drive new spending on software. As a result, Brazil's software services market, which already has the fastest rate of growth in the Latin American region, is projected to exceed 10% a year until 2015.

According to Gartner Inc., Brazil's accelerating economy and technology adoption make it an outstanding market for technology and service providers seeking opportunities for global expansion. The domestic market for IT investments is forecasted to be at US$16.15 billion in 2012, representing an increase of 13% from 2011

The industrial and financial sectors represent almost 50% of the user market, followed by services, trade, government, agriculture and others. This market is operated by nearly 8,500 companies, dedicated to the development, production and distribution of software and services. Of those companies that work in the development and production of software, 94% can be classified as micro and small companies.

USD millions	2010	2011	2012 (estimated)*
Total Market Size	$13.26	$14.7	$16.15
Total Local Production	$8.73	$9.9	$10.8
Total Exports	$1.74	$1.8	$1.85
Total Imports	$6.27	$6.6	$7.2
Imports from the U.S.	$4.0	$4.2	$4.5

- Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

- ** Statistical data are unofficial estimates from trade sources. 2011/2012 figures are estimates.*

Sub-Sector Best Prospects

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According to IDC Brazil, businesses with hardware needs should represent the largest share of spending, accounting for 54.5% of total revenue in the sector. Software will

contribute 13.5% and the remaining 33% will be spent on services, an area that is growing in companies which are opting to outsourcing.

The demand for telecommunications software is expected to grow as a result of the convergence of data, voice, and conventional and mobile telecommunication. The most significant trend in this sector is the increase of data communication in cellular telecommunications, which is expected to continue growing for the next few years.

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 perspectives 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 catch up with the rest of the world. Although a large number of Brazilian and multinational companies have made significant investments to develop e-business platforms, results indicate more time is needed for this segment to take hold in Brazil.

Market Trends – Software

For the first time, notebook sales are greater than those of desktops in the Brazilian market. The demand will motivate the launch of more specific software applications. The new generation of smart phones with high processing power will increasingly become the computer of the future.

In Brazil there are an increasing number of companies seeking information and knowledge on cloud computing. Demand for international collaboration, security, CRM, storage, and productivity will accelerate in 2012. Virtualization and consolidation of infrastructure investment will continue as a priority in business. New solutions will lead to a profound change in the operation and delivery of IT solution as suppliers will release specific and targeted offers for the Cloud environment in 2012, with the rapid proliferation of offering of Platforms as a Service (PaaS) and Infrastructure as a Service (IaaS).

The following represent **key Brazilian local suppliers:**

Company	Main areas of operation
Akwan	Search engines; systems for organizing information

Apyon	Productivity solutions for application development process
CMP	Business intelligence data warehouse
Cyclades	Out-of-band management platforms
Cyrnel	Solutions provider for financial institutions
Disoft	Management of credit operations via the internet
Easycae	Automation and optimization of the engineering design process
Epsoft	Information processing
EverSystems	Development of financial transactions solutions
Impactools	IT solutions for the insurance industry
Itautec	Finance systems
Light Infocon	Web solutions related to document management
Microsiga	Corporate management systems (ERP/CRM)

Market Entry

A low level of customer service still exists on the part of vendors. Delivery delays are common, often without a formal explanation to the client, or without the retailers assuming responsibility. Given this environment, companies with high quality customer service standards will certainly have an advantage over many of their local competitors.

The majority of computer distributors in Brazil are Brazilian companies, but foreign distributors have been arriving in Brazil since 1995 and are joining Brazilian dealers/re-sellers to become more competitive.

A strong financial partner is important for computer hardware/software distributors in Brazil; therefore, a number of Brazilian distributors are collaborating with strong banking partners to solidify their financial position. The increased financial resources of these distributors allow them to offer better financing and improved payment terms to their re-sellers. In Brazil, due to the high interest rates on loans, this ability is a distinct competitive advantage.

As the number of re-sellers, value-added re-sellers (VARs), and agents grows and their capabilities improve, more distributors will adhere to the two-tier distribution model. Below is a description of the one and two-tier distribution models that operate in Brazil.

One-Tier Distribution Model

Under this model, the supplier delivers the product to the end-user via agents, VARs, and systems integrators. The supplier does not rely on a distributor to supply re-sellers, who are in direct contact with the end-users. In special cases, the supplier may sell directly to the end-user.

Two-Tier Distribution Model

The two-tier distribution model is the same as the one-tier model regarding the role of the VARs, agents, and systems integrators; but with an additional intermediary. In the two-tier model, the supplier provides the product to the distributor, who then passes the product to an intermediary distribution channel, such as a VAR, agent or systems integrator that has access to the end-users.

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The growing Brazilian market will increase the need for system upgrades to absorb a greater volume of business in general. The strong currency rate will favor imports, and we will see positive impacts in the environment of infrastructure with a focus on IT consolidation and optimization.

Server virtualization, which is already a reality in the medium-sized and large enterprises, will continue growing in 2012. Research shows that 89% of medium and large companies expect to invest in server virtualization over the next years.

Storage and Memory: In order to absorb a volume of data that grows 30% per year, the proliferation of virtual machines, and the increased use of new applications such as CRM and business intelligence, Brazilian companies will invest heavily in memory and storage solutions.

Network: The increase in data traffic arising from the expansion of virtualization and the use of mobile devices in corporate networks will positively affect the market for switches and wireless LAN networks in 2012. The security of mobile devices will also become a priority. ICT Vendors will have to seize the opportunities created by Brazil's hosting of the 2014 World Cup and 2016 Summer Olympic Games, especially for command and control center and intelligent transportation solutions.

Web Resources

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- Brazilian Association of Software: http://assespro.org.br/
- Brazilian Association of Software Companies: http://www.abes.org.br/

Computer Hardware

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Brazil is the second-largest IT market within emerging economies after China. Brazil shows the most balanced IT market segments among the BRIC (Brazil, Russia, India and China) countries, relative to its size, macroeconomic strength, growth, and the balance maintained between consumer and business IT spending.

According to trade sources, IT end-user spending in Brazil is expected to grow during the next few years, approaching $134.2 billion in 2014. Since 2011, the most desired product is the computing tablet, and this trend will continue for the next two to three years at least. It has been announced that over one million tablets and smart phones were sold in Brazil in 2011.

(USD millions)	2010	2011 (estimated)	2012 (estimated)	2013 (estimated)
Total Market Size	23.87	26.084	29.214	32.700
Total Local Production	21.67	23.582	26.369	29.445
Total Exports	.207	.217	.227	.215
Total Imports	2.405	2.719	3.072	3.470
Imports from the U.S.	.274	.318	.338	.381

Source: Abinee – Brazilian Association of Electro-electronic products
Exchange Rate US$1 = R$ 1.67

These figures reflect a very positive scenario for Brazil. Among all BRIC countries, Brazil is second only behind China in terms of investments in information technology. It is also estimated that investments in IT in Brazil will grow more rapidly than the country's GDP (predicted by the federal government to grow by 5% in 2012).

Brazil will also face strong investments in IT due to the 2014 World Cup and the 2016 Summer Olympic Games. Infrastructure must be built and upgraded for both major events, which will also require investments in tourism facilities, transportation, security and the environment.

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Perspectives for 2012 are positive, despite the economic crisis that is currently affecting the global economy. The Brazilian Electric-Electronic Association believes that the industry will continue on its growth path, and will grow more rapidly than the country's GDP in 2012.

According to industry forecasts, 2012 should remain the "Year of the Tablets," as mobile computer sales will continue to grow. The Government of Brazil has created mechanisms and incentives to attract manufacturers of tablets to install production plants in Brazil (Law 12.507). There are now 11 manufacturers authorized to manufacture tablets in Brazil with the tax incentives offered by the government and this number is expected to increase, as there are a total of 28 companies that have requested the benefit.

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In addition to the benefits of manufacturing the tablets in Brazil, the Ministry of Education, since 2007, has invested in the PROINFO, a program to promote technology as an important tool to teach. The program includes installations of technological labs in the public schools, laptops for teachers and students, digital boards, projectors and tablets. The budget will also be used to invest in classroom infrastructure and training for teachers. In 2012, the government will continue to invest in PROINFO, which will include the purchase of tablets for teachers, computers for technological laboratories at schools and universities, smart and digital boards, and projectors, among others.

Brazil is considered the 5th largest PC (personal computer) market in the world. It also drives Latin America's PC market, with a 41.5% share. In the long term, Brazil is forecast to continue experiencing the largest growth rates in this region until at least 2014.

Brazil's trade policy has clearly favored domestic production of PCs over the importation of complete systems. Tariffs for complete PC systems remain high, and despite policy changes, the trend will likely continue, compelling foreign vendors to establish manufacturing facilities within Brazil. Government policy in Brazil also stipulates that PC manufacturers need to maintain a minimum ratio of R&D investment to revenue. This ratio has been raised to 3%, from 2%, and effectively encourages domestic manufacturers to innovate and remain competitive against foreign products.

According to Gartner, Brazil's PC market is forecast to grow an average of 16.7% per year until 2014, with the bulk of growth centering on mobile PCs. This form factor will grow an average of 28% over the same period due to the relatively low current penetration rate, an increase in local production by Brazilian manufacturers, lower-cost application service providers (ASPs), more easily available credit, an increase in Brazilians' average income and more foreign direct investment. Desk-based PCs will grow 8.6% for similar reasons, as well as to meet demand from business replacement cycles.

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

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- ABINEE: www.abinee.org.br

For more information about export opportunities in this sector, please contact US Commercial Service Industry Specialist: patricia.marega@trade.gov

MEDICAL EQUIPMENT

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Unit: USD millions	2010	2011 (estimated)	2012 (estimated)	2013 (estimated)
Total Market Size	5,047	6,056	6,964	8,009
Total Local Production	2,013	2,415	2,898	3,477
Total Exports	633	759	910	1,092
Total Imports	3,667	4,400	4,976	5,624
Imports from the U.S.	1,100	1,320	1,493	1,687

Exchange Rate: 1 USD 1.67 Data Sources: ABIMED, ABIMO

Brazil is the largest medical equipment market in South America. The total market for medical equipment in Brazil should continue to expand by approximately 15% through 2012. 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 2011 reached an estimated US$6.056 billion, which represents an increase of 20% 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 electronic medical equipment is around US$200 million, which represents approximately 50% of total sales in Latin America. In 2011, imports for in vitro diagnostics reagents and devices increased approximately 20%.

There are few high-quality Brazilian manufacturers of advanced medical products, so the country'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 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. Approximately 80% of all products used in hospitals are not manufactured in the country and must be imported. New opportunities for US exporters abound, particularly for:

- More advanced medical equipment
- Disposables
- Diagnostic devices

- Implants and components.

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The market for home health care products has been increasing in recent years. Brazilian health insurance companies are responsible for paying 99% of the costs related to home care treatment, and as such, the U.S. Commercial Service sees the market for home health care products growing dramatically during the coming years. Brazil's Regional Nursing Council is currently developing procedures on how to regulate this market, including standards for health professionals.

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

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Brazilian Agency for Sanitary Health: www.anvisa.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 reports, please visit: http://export.gov/mrktresearch/index.asp

Industry Trade Show

- Hospitalar – The largest medical event in Latin America: www.hospitalar.com
  Date: May 22-25, 2012 São Paulo, Brazil

For more information about export opportunities in this sector, contact US Commercial Service Industry Specialist jefferson.oliveira@trade.gov.

Mining

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Brazil has one of the largest mining markets of the world, but there is very strong local competition from subsidiaries of multinational companies that have local factories, as well as from many Brazilian companies that manufacture all sorts of mining equipment and components.

Brazil is the world's fifth largest mineral producer and has one of the world's largest mining equipment markets. In 2009, Brazilian output of most minerals fell by more than 10% due to the downturn in the international market. However, during the last two years it has consistently increased, and the production volume for most minerals are back near the record year of 2008.

As prices for most mineral commodities exported by Brazil also recovered in 2011, most local mining companies had a very good year. This recovery depends basically on the international demand for raw materials. China has played a very important role for Brazilian mining companies in the last years, as it has become the largest importer of Brazil's minerals, especially iron ore, which is Brazil's most important mineral. Most of the new projects developed in Brazil in the last years are for supplying China with iron ore, and for this reason the Brazilian mining sector has become very dependent on China's economy.

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 to 7 years.

Brazil's largest installed mining operations are for iron ore, with 2010 output at 372 million metric tons/year (Mt/y), representing nearly 17% of the world's total. Brazil also produces:

- bauxite (32 Mt/y in 2010, or 15% of the world's total),
- gold (58 t/y in 2010 or 3% of the world's total),
- kaolin (3 Mt/y or 6% of the world's total in 2010),
- manganese (2.6 Mt/y of concentrate or 20% of the world's total in 2010),
- niobium (80,000 t/y in 2010, with 94% of the world reserves and 96% of the output),
- potassium chloride (KCl) (700,000 t/y),
- phosphate concentrate (6.5 Mt/y of concentrate in 2010),
- zinc (288,000 t/y of metal content in 2010 or 2.4% of the world's total)
- lead (25,000 t of primary lead and 142,000 t of recycled lead),
- copper (213,000 t of ore in 2010, planed to reach 660,000 t/y in 2015.)
- tin (12,000 t of Sn content in 2010),
- nickel (66,200 t of Ni content in 2010),
- uranium (180 t of U3O8 concentrate),
- construction aggregates (450 million t/y in 2010)
- and raw materials for cement (55 Mt/y of cement in 2010).

The total value of Brazilian mineral output in 2010 was US$50 billion. It was concentrated in the central state of Minas Gerais (48% of the total), and in the northern state of Pará (in the Carajás mining area, in the Amazon region, with 28% of the total).

Brazil's coal production is relatively small and has been stagnant for the last 20 years. The output in 2010 was only 7 Mt/y of steam coal (compared to 5 Mt/y in 1991 and 13.8 million t/y in the record year 2000), but it is planned to reach 12 Mt by 2015, 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 1,400 MW, equivalent to only 1.3% of the country's total electricity generation capacity. 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 imports approximately 16 million metric tons/year (US$2 billion) of metallurgical coal. The main supplying countries have been Australia, the United States, Canada, and South Africa. 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 7 million t/y of coal in these countries during 2010. Vale's total deposits in these countries 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, which is expected to start producing 4.8 Mt/year in 2012.

Market Data

USD millions	2010	2011	2012 (estimated)
Total Market Size	4,450	4,670	4,750
Total Local Production	4,900	5,100	5,200
Total Exports	800	800	830
Total Imports	350	370	380
Imports from the U.S.	100	100	110

Exchange rate US$1.00 = R$1.67.
** Statistical data are unofficial estimates from trade sources and press reports.*

The U.S. has always been one of the largest exporting countries to the Brazilian mining market, with a share of 20% to 30% of Brazilian imports. Official statistics show that the U.S. has exported hundreds of types of components for mining machinery to Brazil. Other very strong exporters and competitors have been Germany, Sweden, Canada, China, France, Italy, Finland, and Japan.

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Brazil has a very limited market for turnkey machinery in general, as a large number of leading multinational manufacturers have their own factories in country, with many of them even exporting their products made in Brazil. These companies, though, provide

excellent opportunities for U.S. manufacturers of hundreds of parts and components for most types of mining equipment, such as earth-moving machines, belt conveyors, crushers and grinding equipment, laboratory instruments, drill bits and geological survey. Products (or components) that are not made in Brazil are the ones with the best prospects. Otherwise, the imported product will need to offer much higher technology or a better cost/benefit ratio than the locally-made ones, as local companies tend to prefer buying locally even if the products are of lower quality.

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Key Suppliers

The Brazilian market for mining equipment is very competitive. Most large multinational manufacturers have factories in Brazil, where they manufacture for the domestic market and frequently also export from Brazil to many other countries. For example, Caterpillar has a huge factory in Brazil, with total sales of more than US$2 billion/year, and it exports more than 50% of its Brazilian-made machines all over the world.

The same applies to many other world market leaders, such as Cummins, P&H MinePro, Ingersoll Rand, GE, Goodyear, Terex, 3M, Eaton, ITT, Bucyrus Erie, Timken (US), Volvo, Scania Vabis, Tamrock, Sandvik, Asea Brown Boveri (ABB), Atlas Copco, SKF (Sweden), Case New Holland, Iveco, FIAT (Italy), Siemens, Liebherr, Schenk Process, Voith, Mercedes Benz, Wehr, Thyssen Krupp, Kuttner, Koch, MAN, Schaeffler (Germany), Michelin Tires, Alstom, Saint Gobain (France), Komatsu, Toshiba, NSK (Japan), Metso, Outokumpu (Finland), Orica (Australia), and JCB (UK).

There are many Brazilian companies that have developed their own technologies. The largest ones are Randon, Villares, Bardella, Dedini, Jaraguá,and Isomonte. There are also hundreds of medium-sized Brazilian companies that specialize in manufacturing all types of parts and components for the suppliers of turn-key equipment, which is why opportunities for U.S. companies to export turnkey machinery are fairly limited.

Companies manufacturing in Brazil have the natural advantage of the proximity to their end-users. Foreign manufacturers on the other hand, in addition to language and cultural barriers, have to cope with high import taxes and long import procedures, which often make their products too expensive for the local end-users.

Prospective Buyers

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 US equipment suppliers. VALE produces nearly 90% of Brazil's iron ore output; 100% of potash, 85% of manganese, 43% of kaolin, and 80% of bauxite, and it is also the top player in aluminum, copper, and nickel production. The output of its main minerals in 2010 was 308 million metric tons (Mt) of iron ore, 49 Mt of iron ore pellets, 1.7 Mt of manganese ore, 223,000 tons of ferro-alloys, 179,000 tons of nickel, 14.3 Mt of bauxite, 6 Mt of alumina, 198,000 tons of copper, 717,000 tons

of potassium chloride, 780,000 tons of kaolin, and 7 Mt of coal. Data for 2011 is not available yet, but it is expected to show a small increase in output. 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 also the largest Brazilian consumer of electricity. In the last seven years, VALE has become very internationally diversified, having bought the Canadian company INCO (the world's largest nickel producer); plus coal projects in Australia and Mozambique, besides exploring 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, the situation changed dramatically in the international mining market and Vale was also hard hit like most other mining companies. Since the end of 2009, however, the situation has been slowly improving again, Vale's commodities prices have been increasing steadily in the international market, and its output has been steadily increasing again.

Anglo American has two large iron ore projects in Brazil. The first one is located in Amapá (in the north of Brazil) and is planned to expand output from currently one to four million tons in the next 3 years. The second one is in Minas Gerais, planned to start up in 2012 with an output of 26 million tons. Anglo also has a big nickel project named "Barro Alto," started up in 2010 with an output of 36,000 kt/year in ferro-nickel alloys.

AngloGold Ashanti is the second largest gold producer in Brazil, with an output of 480,000 troy ounces in 2010, and projects to increase its output in Brazil to 670,000 troy ounces in the next three years.

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 10 million t/y of iron ore, and has a new "Bom Sucesso" project for 9 million t/y of iron ore for start-up in 2014.

Usiminas, Brazil's largest steel manufacturer, also has an output of currently 7 Mt of iron ore, and has a project to expand it to 29 Mt by 2015, in a joint venture with the Japanese company Sumitomo.

CSN: 25 Mt/y of iron ore, with a project to expand its output to 40 Mt/y. It is the second largest Brazilian steel producer.

ArcelorMittal with an output of 4 Mt of iron ore in 2010, being expanded to 10 Mt in 2013. This company is also Brazil's third largest steel producer.

Samarco: 17 Mt/y of iron ore pellets (belongs 50% to CVRD and 50% to BHP).

Gold Sector: The total Brazilian output of gold is expected to expand from 58 t/y in 2010 to 90 t/y of gold metal in 2013, according to the Brazilian Ministry of Energy and Mines. The Canadian Kinross Group became Brazil's largest gold producer in 2008, when it started up a new project of US$ 550 million and increased its output of gold metal from 5.4 to 17.2 metric tons / year. The largest producers of gold in Brazil in 2010 were Kinross with 29% of the total output, AngloGold Ashanti with 22%, Yamana Gold with 17%, Jaguar Mining with 7%, other companies 13%, and individual prospectors with 13%.

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.

MRN is the argest producer of bauxite in the world, with 18 Mt/y. It belongs to Vale (40%), BHP Billiton Metals (14.8%), Alcan (12%), CBA (10%), Alcoa (13,58%), Norsk Hydro (5%), and Abalco (4,62%).

Market Entry

In order to have good relations with the local mining companies, it is absolutely necessary for foreign manufacturers of equipment to have some degree of a local presence in Brazil. Most multinational manufacturers of mining equipment already have factories in Brazil, as explained above. Smaller companies that cannot afford to establish a local subsidiary must at least have a good Brazilian representative that can supply or subcontract technical maintenance and some degree of local assembling.

The mining companies, even the very large ones, prefer to contact the Brazilian representative and do all the import procedures through them, instead of contacting the foreign suppliers directly. This is especially due to the language barrier and to the long bureaucratic import procedures.

Price and just-in-time delivery for components are the key factors for most importers. Some large mining companies have their own bonded warehouses, where they keep imported products in Brazil, locked under customs agreement. These products will go through customs and duties will be paid only when they really need to be used. Labor is relatively cheap in Brazil, compared to the U.S., so that equipment that replaces large numbers of employees are not necessarily financially attractive to Brazilian companies.

U.S. companies looking for a good occasion to meet Brazilian mining companies should consider the Brazilian mining show Exposibram, as listed below. Mining officials from all over Brazil attend this event.

Market Issues & Obstacles:

Import tariffs in Brazil are very high when compared to other international markets. Import duty on mining equipment is normally between 5 to 12%, calculated based on the CIF (cost, insurance and freight) price. These import duties are adopted as a single tariff structure for the Mercosur free trade area, which also includes Argentina, Paraguay, Uruguay, Chile and Bolivia.

There are also the following taxes:

- IPI Industrialized Products Tax: federal tax calculated on top of the CIF price plus Import Tax, it is 5% to 8% for most products

- ICMS Merchandise and Services Circulation Tax: state government, value-added tax calculated based on the CIF price plus import duty plus IPI tax. It is 18% for most states and products
- PIS/COFINS, Social Integration and Social Security Financing Contributions: 9.25%, but can represent up to 12.63% of the CIF price due to complex calculation formulas
- Additional Miscellaneous Taxes and Fees: Warehousing, handling charges at port, transportation, etc.

Trade Events

Exposibram, the Brazilian mining show, is held every year, alternatively in Belo Horizonte and in Belem. It is sponsored and organized by the Brazilian Mining Institute, IBRAM, with support from most local mining companies and manufacturers of mining equipment.
The next show will be in Belem, November 5-8, 2012. In 2013, it will be held in Belo Horizonte, in the last week of September. The show in Belo Horizonte is bigger than the show in Belem.
Website: http://www.exposibram.org.br

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- 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.br
- 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

- For more market research reports, please visit:
  http://export.gov/mrktresearch/index.asp

- For more information about export opportunities in this sector, contact US Commercial Service Industry Specialist mauricio.vasconcelos@trade.gov

Oil and Gas Industry

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(US$ million)	2010 (estimated)	2011 (estimated)	2012 (estimated)
Total Market Size	$ 50,285	$ 55,335	$ 60,620
Total Local Production	$ 29,415	$ 30,885	$ 33,975
Total Exports	$ 3,000	$ 3,000	$ 3,000
Total Imports	$ 23,870	$ 27,450	$ 29,645
Imports from the U.S.	$ 11,935	$ 13,725	$ 14,230

Exchange rate: R$1.77 to US$1.00

The 2012 estimate for purchases in Brazil's oil and gas equipment and services market is approximately USD$60.6 billion. Of that amount, nearly US$30 billion will likely be imported, with approximately US$14.2 billion being imported from the United States.

These investment statistics are based on Petrobras' and other oil companies' planned investments and are contained in a Booz & Company August 2010 sector study. The Booz study predicts that total expenditures (investment and operation) in Brazil's oil and gas E&P subsector will reach US$400 billion through 2020. The domestic industry will likely supply approximately 40 to 50 percent of this total demand, depending upon how competitive their products and services are compared with those of international suppliers. In this regard, the Brazilian Petroleum Institute (IBP) hired Bain Company to conduct a study about the domestic oil and gas industry's capacity to meet ongoing and upcoming demands of the oil companies. This study will be a key component regarding IBP's proposal to the Brazilian government regarding specific adjustments to Brazil's current local content policy.

Although Brazil ranks 15th globally in proven oil reserves and 11th in oil production, it is not a member of the Organization of Petroleum Exporting Countries (OPEC). However, that will likely change with the large offshore oil and gas discoveries that Petrobras made in late 2007. These large finds, called the *pre-salt fields*, are located 200 miles off Brazil's southern coast and lie approximately 7,000 feet below the ocean surface. As these logistically and technologically challenging discoveries are exploited, Brazil will likely become a major oil and gas exporter.

Brazil's 2011 proven oil reserves reached 15.7 billion barrels and proven gas reserves reached 423 billion cubic meters (14.9 trillion cubic feet). Industry sources estimate that Brazil has probable reserves of 50 billion barrels of oil and possible reserves of 100 billion barrels. From January to October 2011 (data available at the writing of this report), Brazil produced 2.11 million barrels of oil per day (bpd) and 66 million cubic meters of gas per day. About 90 percent of Brazil's oil production in 2011 came from offshore fields, mostly at extreme depths, but only 2% of production came from the pre-salt fields. By 2015, however, these fields are expected to account for 18% of Brazil's oil production. In 2011, Brazil's gas production came primarily from the offshore fields (74 percent) as well.

Petrobras' oil and gas production accounts for 91 percent of Brazil's total production. Petrobras' website shows its domestic and international proven oil and natural gas reserves at 16.4 billion barrels in 2011. From January to October 2011, Brazil exported 180,712,744 barrels of oil (approximately 602,236 bpd). About 40% of Brazil's oil exports went to the United States, the largest consumer of Brazil's oil, with China coming in at second place with the consumption of 26.4% of Brazil's oil exports. During the same period, Brazil refined about 1.9 million bpd, with 356,391 bpd being light oil that was imported to mix with Brazil's predominantly heavy crude.

From the third quarter of 2010 to the third quarter of 2011, Petrobras' sales of gasoline in the domestic market grew by 28%, which forced Petrobras to import 10,310,699 barrels of gasoline from January to November 2011.

In July of 2011, the company announced that it would invest US$224.7 billion (or approximately US$44.8 billion/year) from 2011 through 2015, with 57% of this investment being destined for exploration and production (E&P). Additionally, because Petrobras will become the sole operator in future offshore pre-salt tenders, most business opportunities for U.S. firms lie in offering services or products to Petrobras.

According to the Brazilian Petroleum Institute's (IBP) calculations, other oil companies (e.g. Shell, Statoil, Anadarko, Repsol/Sinopec, OGX, etc) are expected to invest an additional US$43 billion in Brazil from 2011 until 2015 (or about US$9 billion a year). The E&P segment will receive about US$ 30 billion of this investment amount.

Market Challenges

On August 31, 2009, the Brazilian government unveiled the pre-salt regulatory regime, which was approved by former President Lula on December 22, 2010. Future pre-salt fields and areas judged strategic for the Brazilian government will be ruled through production sharing agreements (PSAs). The new regulatory regime establishes that all future-tendered pre-salt reserves will belong to the Brazilian government. The exploration of the fields will be done through consortia, where Petrobras will hold at least 30 percent equity in each oil block. Additionally, Petrobras will be the operator in all future oil fields. In specific cases, as decided by the Brazilian National Energy Council, Petrobras may be called upon to explore selected pre-salt oil fields without a tender process. To date, 29 percent of the pre-salt area has been auctioned off through the previous concession regime. The new PSA legislation will regulate the remaining 71 percent of the pre-salt fields. The consortia will share the produced oil with the Brazilian government and will pay royalties. The division of the oil royalties among the 26 Brazilian States and the Federal District (formed by Brasilia, the capital of Brazil, and surrounding cities) is yet to be determined by the Federal Government, as political debate continues.

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According to the IBP, longer-term equipment and service procurement and operational expenses from all oil companies (Petrobras and others) could reach one trillion dollars to develop and operate all of the wells in the Brazilian pre-salt fields. As an example, a field like "Lula", with estimated reserves of eight billion barrels of oil, will require an approximate investment of US$50 billion through the lifecycle of that field.

Petrobras' critical needs in the E&P sector can be broken down into the following supplies and services. The products and services were announced by Petrobras as critical areas where international companies would be able to supply Petrobras' needs.

Petrobras E&P Critical Equipment: Opportunities for Foreign Suppliers	
• Production pipelines alloy coatings (13 Cr, Super 13 Cr) • Turbo compressors (6-10 Mw) • Polyester mooring cables • Mooring systems • Drilling pipelines • Fiberglass pipelines • Electrical cables for CSP	• Control systems for well control, oil and gas metering systems, drilling activities • Offshore drilling rigs • Gravel packing • Drilling bits • Steam generators (25-50 x 10^6 BTU/d) • Special submarine valves
Petrobras E&P Critical Services: Opportunities for Foreign Suppliers	
• Drilling • Work over services • Flexible lines and umbilical laying service • Support to diving	• Support to ROV • Support to mooring activities • Special vessels • Submarine interconnection services
*Source: Petrobras Presentation: Gas & Energy Business Segment, Paulo Sergio Rodrigues Alonso	

Petrobras Future Vessel and Equipment Demand

Critical Resources	As of Dec 2010	Delivery Plans (to be contracted) (accumulated amounts)		
		2013	2015	2020
Drilling Rigs Water Depth Above 2,000 m	15	39	37 [1]	65 [2]
Supply and Special Vessels	287	423	479	568
Production Platforms SS & FPSO	44	54	61	94
Others (Jacket and TLWP)	78	80	81	83
SOURCE- Petrobras 2020 Strategic Plan	1- The contracts for 2 rigs reallocated from international operations expire in 2015 2- L-T demand to be adjusted as of new assessments			

More detailed information on the amounts of equipment and materials that Petrobras will require between 2011 and 2016 can be seen in several presentations by Petrobras, available at Commercial Service Brazil's energy webpage:

http://export.gov/brazil/industryhighlights/energy/eg_br_023986.asp

In the downstream segment (refineries, etc) the following types of equipment and services are also considered critical by Petrobras:

- 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

By measuring equipment demand against the competitiveness and production capacity of local suppliers, four areas pose a significant challenge for the local suppliers to meet Petrobras' demand. Hence, Petrobras is calling for foreign firms to install production capacity in Brazil and is promoting technology transfer. These four areas for potential investment are:

Areas of Significant Need For Supply by Foreign Firms	
• Instrumentation and Measurement	• Centrifugal Compressors
• Gas Turbines	• Electrical Motors

Opportunities

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Petrobras´ Importance Petrobras is Brazil's largest company. In January 2011, PFC Energy, a U.S. energy research firm, ranked Petrobras as the third largest energy company in the world. In 2011, Petrobras recorded a net income of R$33.3 billion (or US$20.1 billion). Net revenue in 2011 reached a total of R$242.2 billion (or US$145.9 billion), 21% above 2010 primarily due to the increase in oil and gas production in Brazil (2%), the increase in international oil price, higher domestic diesel price, and higher sales volume. . Petrobras' investments in 2011 reached R$84.7 billion, which represents 10.7% increase in spending from the same period in 2010. Petrobras ended 2011 with nearly 80,942 full-time employees, and is expected to reach 103,030 by the end of 2015.

Between 2011 and 2015, Petrobras will spend US$224.7 billion (or approximately US$44.8 billion/year). About 95 percent (US$213.5 billion) of that total spending will be invested in projects in Brazil. The company's oil production is projected to reach 3.9 million bpd by 2015, and 4.9 million bpd by 2020. The E&P segment will command the highest level of spending with approximately US$127.5 billion to be invested through 2015.

Furthermore, investments in the refining, transportation (pipelines, oil and gas terminals, etc), and oil byproducts are estimated at US$70.6 billion. The plan is to increase refining capacity in line with the expected demand for oil products in the domestic market, which is projected to grow at an annual rate of between 3.8% and 4.5% per year through 2020. As a result, US$35.4 billion (50.1%) will be invested in expanding and modernizing refining capacity. Operational improvements, fleet expansion and logistics will receive US$17.6 billion in investments during that 5-year period. Oil product quality (lower sulfur content in order to meet local legislation) is budgeted at US$16.9 billion.

The petrochemical segment will receive investments of US$3.8 billion, and the biofuels segment will absorb US$4.1 billion of investments, with US$1.9 billion of that total invested in ethanol production.

The company also plans to devote US$13.2 billion in the gas & power segment. Most investment in this division (around US$9 billion), are intended for expansion of gas-fired thermal plants and plants that chemically convert natural gas into fertilizers. The remaining amount will mostly be directed at the construction of LNG re-gasification and natural gas liquefaction/processing terminals.

Finally, US$4.2 billion will be invested in health, safety, energy efficiency and environmental concerns where new corporate goals are to minimize the potential environmental impacts of the company's activities). Six new environmental indicators were added as goals, the most important being the carbon emission index.

Market Entry

Since state-owned Petrobras' monopoly ended in 1998, 72 firms - half of which are foreign companies - started doing business in Brazil and competed for the 819 oil blocks awarded through ten annual oil-concession licensing rounds. The last auction occurred in December 2008 (next auction is expected for 2012 and yet to be confirmed). With Petrobras winning the majority of these concessions, interested suppliers need to register at www.petrobras.com.br - "Suppliers Channel Guide" in order to sell to Petrobras.

In 2009, China extended a US$10 billion credit line to Petrobras to develop off-shore oil resources that will be repaid through the export of oil, effectively making China Brazil's first client for its pre-salt oil. Additionally, Chinese companies such as Sinopec and Sinochem have recently expanded their market share into Brazil by acquiring significant participations in Repsol's and Galp's oil fields.

In 2009, the U.S. Ex-Im Bank issued a US$2 billion preliminary commitment to Petrobras that will facilitate exporting U.S. oil and gas equipment and services to Brazil. U.S. companies interested in learning more about the various financial supports offered by Ex-Im Bank should visit their website at: http://www.exim.gov/.

Key Suppliers

Multinationals such as FMC Energy, Cameron, Marine/Oceaneering, National Oilwell Varco (NOV), Weatherford, GE Vetco Grey, the Swedish/Swiss ABB, the Norwegian Aker Kvaerner and the British Rolls Royce, among others, have plants and service facilities in Brazil and hold a significant market share in their respective sub sectors. A good listing of such international companies, as well as of Brazilian oil and gas manufacturers, can be found in the Oil and Gas Directory published by *Brasil Energia* magazine. The translated listing can be found at this website http://www.guiapetroleo.com.br/. The Brazilian National Organization Industry (ONIP) also has an extensive databank of local suppliers at http://www.onip.org.br/index.php

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- Petrobras: www.petrobras.com.br
- Petrobras slide presentations: www.slideshare.net/petrobrasri.

- Ministry of Mines and Energy (MME): www.mme.gov.br
- ANP – National Petroleum Agency: www.anp.gov.br
- The Brazilian Petroleum Institute: www.ibp.org.br/main.asp

- For more market research reports, please visit: http://export.gov/mrktresearch/index.asp

- For more information about export opportunities in this sector, please contact US Commercial Service Industry Specialist Regina.Cunha@trade.gov

Safety and Security Industry

Overview

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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 revenue for manufactured goods and services at around US$29 billion. Brazil's preoccupation with personal security has increased the demand for security equipment and services, and its public safety and security market is expected to continue growing in 2012.

The market for imported electronic security equipment is estimated at US$1.5 billion as of 2011, while the value of locally-manufactured equipment is also estimated at US$1.5 billion. According to a study compiled by the Brazilian Association of Electronic Security Companies (http://www.abese.org.br/), the electronic security market has registered average annual growth rates of 21% for several years and is expected to continue at this pace for some time.

U.S. products represent approximately 15% of electronic security equipment imports. This equates to sales worth roughly US$225 million. Major foreign competitors include companies from Israel, Korea and Japan, together responsible for about 60-75% of the import market share.

USD millions	2010	2011	2012 (estimated)
Total Market Size	$24,000	$29,000	$36,000
Total Local Production and Services	$22,700	$27,495	$34,200
Total Product Imports	$1,300	$1,500	$1,800
Imports from the U.S.	$190	$225	$260

- *Exchange rate **by the end of 2010** R$ 1,70/US$ 1,00. Exchange rate **by the end of 2011** R$ 1,67/US$ 1,00. Estimate for **2012**: R$ 1,75/US$ 1,00*

- *Statistical data are unofficial estimates from trade sources*

- **2011/2012 figures are estimates*

Sub-Sector Best Prospects

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

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

Port and airport security is another high-quality segment. Having continuously implemented improved security measures, these agencies 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, carjackings occur every few hours. Additionally, cargo robberies are a problem.

Despite decreasing but still alarmingly-high crime rates, Brazilian government officials are confident that tens of thousands of police and major investments in high-tech equipment will provide adequate security for the 2014 World Cup and subsequently for the 2016 Olympics Games. Based on the security investment for the Athens, Sydney, and Beijing Olympic Games, Brazil expects to invest US$1,4 billion for security of the World Cup and Olympic venues.

Security and Safety

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 5 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 2011 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 system integrator who can offer after sales and maintenance services, replacement parts, and repairs.

The following represent key Brazilian local suppliers**:**

GRABER – Soluções Integradas
VIP Security

Surcom Internacional Importação e Exportação
Sectra
Montrel
SMH Sistemas
Sanlia Tecnologia
SecurMeta Telecom Comercial
Securiton
Spark Controles
Semaseg

Prospective Buyers

The Brazilian government will also invest heavily in high tech equipment to provide adequate security for the 2014 World Cup in Brazil. The Brazilian federal government will be in charge of managing World Cup security, and anticipates that there will be numerous investment opportunities for security improvements for the games and the host cities. As with the 2007 Pan American Games, the Ministry of Justice's National Secretariat of Public Security (NSPS) will be responsible for the World Cup security program.

NSPS will begin planning the security program early, due to problems with late security implementation in the 2007 Pan American Games. According to local trade contacts, the Brazilian government does not have specific technical standards or requirements for electronic security equipment; however, U.S. equipment, with U.S.-issued certifications, is more widely accepted by high-end clients (such as financial institutions and some industrial and commercial establishments).

Technical literature must be translated into Portuguese. Although there are neither official regulations nor technical standards for electronic security equipment, ABESE issues sector-specific certification called the "Yellow Stamp of Quality". The certification is issued by ABESE to companies in the electronic security sector, including manufacturers, distributors, and service companies.

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

When signing an agent or distribution contract with a Brazilian firm, it is important to use the services of local law firms that are familiar with Brazilian legislation. Commercial distribution contracts are regulated by general Brazilian commercial laws and not by specific legislation; however, there is special legislation that regulates the relationship between a foreign company and Brazilian agents or sales representatives. According to this legislation, if a distribution contract with a local agent is broken, terms will usually favor the local agent.

Due to the size of the country, 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 important that the U.S. company consider providing financial support for some of these activities. U.S. companies that have seen the greatest successes in Brazil have worked closely with their agents and distributors, investing heavily in market development, product promotion, and personnel training.

Web Resources

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- Brazilian Association of Electronic Security Equipment: http://www.abese.org.br/
- ASIS International, Brazil Chapter: http://www.asisbrasil.org.br/
- ABSEG – Brazilian Association of Security Professionals: www.abseg.com.br

For more market research reports, please visit:: http://export.gov/mrktresearch/index.asp

- For more information about export opportunities in this sector, please contact US Commercial Service Industry Specialist Genard.burity@trade.gov

Telecommunications Equipment & Services

Overview

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With about one third of the region's population, Brazil is Latin America's largest telecom market. The outlook for 2012 is very promising. According to the Brazilian Central Bank, in 2011 the telecom sector attracted US$6.6 billion in foreign investments, ten times the US$656 million that entered the country in 2010.

Gross revenue for the telecom industry as of September 2011 was US$90.4 billion, and the market estimates this will reach US$120 billion in 2013. Services continue to drive the sector with total revenues of US$81.9 billion split among fixed carriers (38.0%), mobile carriers (41.1%), pay TV (8%) and trunking (4%). Manufactured products account for US$8.5 billion (9%).

Sales of manufactured products experienced an 8% decrease compared to the previous year, mainly due to the exchange rate. Most of the large telecom OEMs have manufacturing facilities in Brazil, giving the country one of the region's best telecom infrastructures.

Telecom Sector - Gross Revenue (as of September 2011)

US$ Billion	2009	2010	2011 (3rd quarter)
Telecom Equipment	10.8	9.8	8.5
Fixed Telephony	44.9	44.9	34.2
Wireless Telephony	39.7	43.3	37.1
Pay TV	6.3	7.1	6.8
Trunking	2.6	3.6	3.7
Total	104.4	108.8	90.4

Source: Telebrasil (Associacão Brasileira de Telecomunicações) http://www.telebrasil.org.br/ and Teleco (Inteligencia em Telecomunicações) http:// www.teleco.com.br

Telecommunication Market - General Indicators – # of Subscribers

US$ Millions	2009	2010	2011 (3rd quarter)
Wireline Telephony	41.5	42.0	42.7
Wireless Telephony	174.0	202.9	227.4
Pay TV	7.5	9.8	11.9
Broadband	11.4	13.8	16.2
Others	2.5	3.3	3.9
Total	236.8	271.9	302.1

Source: Telebrasil Association and Teleco

Telecommunications Equipment Market

US$ millions	2009	2010	2011	2012 Est.
Market Size	10,804	9,832	11,464	12,610
Local Production	9,432	8,145	9,179	1,097
Exports	1,001	787	635	698
Imports (Global)	1,372	1,686	2,285	2,510
Imports from U.S.	970	1,067	962	1,058

Source: ABINEE - Brazilian Electrical and Electronics Industry Association

With a promising economic outlook and rising prosperity, demand for broadband in Brazil is expected to soar. Broadband operators have been struggling to keep up with the growing demand, which has led to problems of system overload. Brazil's government has been drawing up plans to spread broadband across the vast country in one of the world's largest infrastructure projects. Two major factors have inhibited the growth of broadband in Brazil: shortage of fixed-line infrastructure, and broadband prices, which are too high for the Brazilian socio-economic environment. On the other hand, the growth of mobile broadband in Brazil has been nothing short of spectacular, attracting more than four million subscribers. Moreover, the telecom carriers have already started to invest in physical and optical fiber access in order to prepare the country for the deployment of Long Term Evolution Technologies (LTE) to be auctioned in June 2012.

The largest wireless telecom carriers are: Vivo (Telefonica) – 29.7% market share; Tim (Telecom Italia (26.6%); Claro (America Movil) 24.8% and Oi (Private Brazilian Funds and Portugal Telecom) 18.6%.

Sub-Sector Best Prospects

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With the spending power of Brazilian consumers on the rise and the upcoming 2014 World Cup and 2016 Summer Olympic Games, strong demand can be expected for fixed and mobile broadband, mobile telephony, and other wireless products such as smart phones and mobile applications. Brazil’s telecommunications industry regulator Anatel has an ambitious agenda to overhaul the country’s regulatory framework. The General Plan for Updating Telecom Regulations, known as PGR, includes lists of actions to be carried out in the short term, medium term, or long term. Among others, there are plans to develop open networks in the country through local loop unbundling and through structural or functional separation regulations.

Cellular Phone Services: The digital gap between Brazil and developed regions like Europe is closing, and Brazil will not be far behind its US and European counterparts in launching Long Term Evolution Technologies (LTE). The arrival of LTE will bring opportunities for equipment suppliers to provide new solutions that will leverage the main benefits of technology, spectral efficiency, improved signaling capacity and increased energy efficiency. Telecom operators recognize the need to broaden their offerings in order to win the loyalty of new customers, retain existing users, and benefit from the

market potential of non-voice services. Price cutting and value-added services including faster data transmission, enhanced multimedia capabilities, and improved new types of media are the most critical strategies for luring customers.

Satellite: After years of stagnation, the satellite market grew 9% in 2011. 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. Market analysts are witnessing strong growth in demand for backhaul - not only from telecom companies, but also from the financial services and retail segments - while there is also potential with government-driven universal access initiatives. New compression technologies will force the reduction of prices for this type of services and as a result of that, regional broadcasters are planning to change the current microwave distribution infrastructure for satellite solution. There are good prospects for trunking services for regions where there is no optical fiber, distance learning, corporate TV (with media and sales points), and municipalities that are interested in building their own Internet network.

Broadband: As of September 2011, Brazil had approximately 16.2 million subscribers, a significant increase from the previous year. The Brazilian government unveiled Brazil's national broadband plan (NBP) aimed at addressing the country'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. Goals include 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. Local experts predict government investments in the NBP as 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$26.5 billion and US$49 billion in private investment.

Pay TV : The Brazilian market for pay TV generated gross revenue of US$6.8 billion as of September 2011 with approximately 16.2 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 the country.

Auctions of 4G (Long Term Evolution (LTE): Brazil's telecommunications regulatory agency, ANATEL, is planning to auction the 2.5 GHz and 450 MHz soon. OEM's and local carriers are waiting for the 2.5GHz auction to upgrade their networks for LTE technology. Auction of 3.5 GHz band is expected for the second half of 2012, while a decision about the 700MHz auction is still on hold. All segments in the industry (radio, TV, telecom carriers) are looking for the 700MHz, but the Brazilian government decided not to discuss use of this band before digitalization of all Brazilian channels is wrapped up, slated for July 2016.

Opportunities

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Opportunities for U.S. suppliers exist in the areas of 3G-network maintenance, LTE 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 US suppliers include all type of solutions to improve the broadband market via cable modem and wireless, home networking platforms and video-on-demand services, among others.

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- ABINEE: www.abinee.org.br
- ANATEL: www.anatel.gov.br
- Telebrasil: www.telebrasil.org.br

Trade Events

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- Futurecom - http://www.futurecom.com.br
  8-11 October 2012 - Rio de Janeiro
- Broadcast & Cable - http://www.broadcastcable.com.br
  21-23 August 2012 - São Paulo

For more information about export opportunities in this sector, please contact US Commercial Service Industry Specialist Ebe Raso: ebe.raso@trade.gov

Transportation (other than aviation)

Overview

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Brazilian transportation infrastructure faces many challenges. Roads and ports need to be upgraded. Trucks hauling cargo on roads is the most common method of transportation. Despite the existence of several rivers, waterways are rarely used. The exception is the Amazon region, where rivers are usually the only way of access to many isolated villages. Railroads are few and uncompetitive. The use of trains for long distance transportation of passengers is restricted to a few urban tourist routes, while cargo transportation is mostly restricted to minerals.

According to the National Logistics and Transport Plan (PNLT) established in April 2007, the investments needed to reduce bottlenecks in the transportation sector for the medium and long term may reach US$180 billion between 2010 and 2025. Investments include extension of highways, the interconnection of the North-South regions with the Southeast; ferries to cover North-South regions; and port construction.

The National Plan for Logistics and Transport (PNLT) in Brazil provides a framework for the evaluation of public and private initiatives to increase the competitiveness of the logistics sector, with a time horizon of 20 years. The specific objectives are:

- Integration of waterway network with highway and railway networks
- Expansion of road capacities
- Improvement of signage
- Control of axle load on trucks
- Expansion of railway network

The overall aim is to shift freight transport from the highways to more sustainable modes, especially rail transport. The development of the rail infrastructure network will support this strategy. The PNLT sets out clear, measurable objectives for the modal shift to occur by 2025. The use of sustainable modes of transport will further contribute to achieving the environmental targets.

Brazil must act quickly to improve its transportation infrastructure in time for the World Cup, which it will host in 2014. The Brazilian government has pledged billions of dollars to improve the urban transit system in the twelve host cities. Brazil is developing new concessions and public-private partnerships, leveraging the private sector in a way that aims to mutually beneficial to investors and the government.

Projected Transportation Investments 2010-2025 (US billion)

Projected Transportation Investments 2010-2025 (US billion)	
Total Projected Transportation Investments	89.8
Highways	22.6
Railways	48.5
Hydro ways (ports and waterways)	17.8
Total	178.7

Source: National Logistics and Transport Plan – Ministry of Transportation
Exchange Rate: 1USD X R$ R$1.67

Sub-Sector Best Prospects

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Waterway: Brazil's use of waterway transportation is small when compared with other countries. For example, 25% of cargo is transported by river in the United States and 35% in Canada. In Brazil, only 13% of cargo is transported by this mode. Brazil has enormous potential for river traffic with approximately 63,000 km of rivers and lakes, of which 40,000 km are navigable. However, the potential is still largely untapped, with navigation occurring in only 13,000 km, with a greater concentration in the Amazon region. Lack of storage facilities, limited access and few terminals are the main problems faced by this segment. Currently, the largest share of investments comes from the public sector, representing 97% of the funds (or about $3 billion per year). This situation is expected to change by the end of 2022, when mixed investments (private and public) may reach an average annual total of $2.6 billion.

Ports: The limited use of port services originates from old problems of infrastructure: (a) difficulties in accessing ports by road and railways, (b) lack of strategic planning that causes cargo to pile up in ports, and (c) lack of investment in the existing ports. New investments are expected to be made in this segment to increase the participation of water transportation from the current 13% to 29% in 2025. This growth will enable the reduction of tariffs and freight cost and will contribute to reducing the flow of trucks on highways.

Railways: By 2015, the Brazilian federal government plans to invest US$40 billion in rail transportation, mainly expanding the network of 30,000 kilometers to 35,000 kilometers. Moreover, by 2023, investment in sector projects could reach US$81.0 billion. Compared to emerging countries, Brazil has less than half of the number of railroads as China and six times less than India.

The government's goal is to make railways the main means of transporting freight in the country. Today, roads represent 58% of total freight, while railroads comprise 21%. Transport by rail can be up to 30% cheaper and more efficient than paved roads. One freight car has nearly ten times the capacity of one truck.

Logistics: Brazil has one of the highest logistics costs in the world. In 2010, the World Bank estimated that the distribution cost structure includes approximately 31.8% of logistics cost. This includes administration, warehousing, inventory, legal requirements

and transportation costs. The same report shows that logistics costs represent an average of 20% of Brazil's GDP (twice that of the United States).

World Cup 2014: Brazilian cities must invest heavily in the modernization and expansion of their transportation systems, and the 2014 World Cup is the incentive that the country needs. Brazil plans to invest in the construction of new metro lines, the implementation of light rail vehicles (LRV) and Bus Rapid Transit (BRT), and other infrastructure projects to modernize its transportation system..

Currently, metropolitan rail systems in all Brazilian cities transport about 6 million people daily. That should total the number of people transported by rail in the metropolitan area of São Paulo alone. According to a study done by ANTP (National Association of Public Transportation), the social cost incurred by the city of São Paulo due to its current insufficient public transportation system is about R$40 billion a year (US$22 billion). Furthermore, the study showed that 63% of the cities with more than 300 thousand people use illegal, unsafe and unreliable means of transportation, with millions of people spending 3 to 6 hours a day traveling to and from work or school.

Opportunities

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While there are many challenges associated with the country's current transportation system, this also means there are a lot of opportunities for growth and investment, including for U.S. companies.

That said, U.S. manufacturers face strong competition from European and Asian manufacturers. Best prospects for the transportation sectors include: intelligent transportation systems, logistics intelligent systems, passenger terminal solutions at the ports, and parts and equipment for trains, among others. U.S. companies interested in the transportation market in Brazil need to work closely with the federal government and with each state's public transportation secretariat.

Market Entry

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Privatization in the transportation sector has increased over the last 20 years. Many antiquated and burdensome state management structures that operated in the sector have been dismantled. The Brazilian railroad industry has been privatized through concession contracts ranging from 30 to 60 years, and the ports sector is experiencing similar, albeit less expansive, privatization. In response to the dramatic deterioration in the national highway system, the federal government has granted concessions for existing highways to private companies, which in turn promise to restore, maintain, and expand these highways in exchange for toll revenues generated.

Brazil has historically invested in other sectors to the detriment of infrastructure. Now, the country faces an infrastructure deficit. Recent growth and a number of opportunities arising in Brazil will be the thrust the country needs to shift its focus to its transportation infrastructure. International and domestic pressure to successfully host the World Cup in 2014 should compel Brazil to finally develop a modern transport infrastructure, generating high returns on investment while providing development and benefits to the population. With the government creating new concessions and public-private partnerships, it has never been easier to enter Brazil's transportation market.

Market Issues & Obstacles

Import Costs: All imports in Brazil are subject to a number of taxes and fees, which are usually paid during the customs clearance process. There are four main taxes that account for the bulk of importing costs:

Import duty: federal tax levied on foreign products that enter Brazilian territory and calculated on top of the CIF value. For the transportation sector, import duty ranges from 2 to 20 percent depending on the product. The average duty rate is 15 percent.

Industrial Products Tax (IPI): federal tax levied on both domestic and imported manufactured products. It is assessed at the point of sale by the manufacturer in the case of domestically produced products, but at the point of customs clearance in the case of imports. The IPI is calculated on top of the CIF value plus import duty. The IPI for the transportation sector varies from 10 to 20 percent.

Merchandise Circulation Tax (ICMS): state government value-added tax, applicable to both imported and domestic products. The ICMS tax on imports is assessed on the CIF value, plus import duty, plus IPI as its calculation base. The calculation of this tax is done in a way that the ICMS tax is added to the basis of subsequent calculations. The ICMS rate varies among states. In the state of São Paulo it is 18 percent, but in most states it is 12 percent.

PIS and Cofins: fees applicable to both domestic and imported products and services. They are calculated in an extremely complex way and added to the basis. In general, the total effect of these fees sums up to approximately 12.63 percent of the CIF.

Brazilian manufacturers must also pay the above taxes, but American companies should keep in mind that, as the taxes are calculated in a compounding manner over the CIF value plus the import duty, the overall IPI, ICMS, PIS and Cofins of an imported product will be significantly higher than that of a locally manufactured product. Also, when distributors and trading companies sell the product, they are compensated for those taxes collected at the time of import.

Web Resources

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- ANTP: National Association of Public Transportation**:** www.antp.org.br
- NTU: National Association of Urban Transportation Companies: www.ntu.org.br
- FABUS: National Association of Bus Manufacturers: www.fabus.com.br
- ATR: Association of Rail Transportation of Brazil: www.atrbrasil.com.br

Trade Events

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- Intermodal South America – Logistics, Transportation and International Commerce Fair.
  http://www.intermodal.com.br

10-12 April 2012 São Paulo

- Transpo-Sul – Logistics and Transportation Fair and Congress
  http://www.transposul.com/

4-6 July Porto Alegre

- Expo Logistica Rio de Janeiro – Logistics Products, Services and Solutions Fair
  http://expologistica.com.br/

20-22 August Rio de Janeiro

Transportation contact

For more information about export opportunities in this sector, please contact US Commercial Service Industry Specialist Ebe Raso: ebe.raso@trade.gov

Travel & Tourism

Overview

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Brazil became the 4th **largest source of overseas** visitors to the United States in 2011, and is the top arrivals market for South America, accounting for more than 30 percent of arrivals from the continent.

With only 5 million outbound travelers from a population of 190 million, and the country's economic growth prompting more middle-class travelers, growth seems likely to continue for many years. In **2009,** Brazil had a double-digit increase of 16% in the number of visitors to the United States over 2008, with 892,000 Brazilian visitors. In **2010**, the U.S. Department of Commerce's Office of Travel and Tourism Industry (OTTI) reported that Brazil had a **34% increase** in the number of arrivals to the United States, reaching the record number of **1,197,000 visitors**. The rate of growth continued in 2011, when 1,508,279 Brazilians visited the United States, representing an increase of 26% over the previous year -- another record number.

Brazil's spending in the United States continues growing every year, and a record-breaking $5.9 billion in 2010 or $ 4,940 for each visitor. Brazilians travelers rank first in per capita spending among the top ten groups of foreign visitors to the U.S.

The Commerce Department expects the total number of Brazilian visitors will be even higher in 2012. Recently, the United States Department of State added more consular officers at its consulates in Brazil, to speed up the visa process for Brazilians wishing to visit the US.

There were 944,000 visas issued in Brazil in 2011, a 51% increase over 2010 total numbers.

President Obama signed an executive order in January 2012 giving the Departments of Homeland Security and State 60 days to come up with a plan to process visa applications from Brazil and China more quickly. The order calls for shortening the process to a maximum of three weeks.

Top 20 Countries

	2011		
RANK	COUNTRY OF RESIDENCE	NUMBER OF ARRIVALS	% CHANGE
1	Canada	21,028,177	5.3
2	Mexico	13,414,020	-0.4
3	United Kingdom	3,835,300	-0.4
4	Japan	3,249,569	-4.0
5	Germany	1,823,797	5.7
6	***Brazil***	***1,508,.279***	***25.9***
7	France	1,504,182	12.1
8	South Korea	1,145,216	3.4
9	People's Republic of China (EXCL	1,089,405	35.9

	HK)		
10	Australia	1,037,852	14.8
11	Italy	891,571	6.4
12	Spain	700,183	9.5
13	India	663,465	1.9
14	Netherlands	601,013	5.4
15	Venezuela	561,080	14.1
16	Argentina	512,258	17.4
17	Colombia	496,814	0.4
18	Switzerland	476,502	22.0
19	Sweden	438,972	18.0
20	Ireland	346,879	-3.8
	TOTAL TOP 20 FOR Y-T-D	55,324,534	4.4

The U.S. as a Destination

The U.S. is Brazil's second most popular destination, behind only Argentina, competing for Brazilian travel dollars with Argentina, Europe, Australia, Canada and Asia. More Brazilians are traveling to the U.S. because of promotions offered by U.S. companies and the Brazilian Real's increased value.

Brazil ranked 6th in country of origin for visitors to the US during 2011, based on an increased number of direct flights to U.S. destinations, and on a constant strengthening of its currency – the Real –playing an important although small role in the U.S. travel and tourism industry. In 2010, among top activities of Brazilians when visiting the U.S., shopping accounted for 89% of their preferences, followed by dining in restaurants (88%), visiting historical sites (47%) and amusement/theme parks (43%). The most popular destinations for Brazilian visitors in the U.S. are Florida (Miami and Orlando), New York/New York City, California (Los Angeles), and Las Vegas. Washington, DC, New Orleans, Massachusetts, San Francisco and Texas are popular secondary destinations.

Brazil's typical visitor to the U.S. has visited at least once before. The high season for Brazilian travel to the U.S. is December through January, and then during school holidays in July. Shorter trips during public holidays are also very popular. Although not as popular as before, fly and drive trips still attract Brazilian families wishing to drive through Arizona, California, Nevada, Colorado, Florida, Louisiana or New England.

Australia, Argentina, Brazil, Colombia
Non-Resident Visitation to the U.S.
By world region/country of residence 2011

MONTH/QUARTER	AUSTRALIA		ARGENTINA		BRAZIL		COLOMBIA	
	COUNT	% CHANGE	COUNT	% CHANGE	COUNT	% CHANGE	COUNT	% CHANGE
JANUARY	71,293	26.6	42,557	19.2	144,981	27.8	29,225	5.0
FEBRUARY	52,808	22.5	43,055	19.3	85,868	7.7	21,129	2.1
MARCH	64,574	13.7	36,279	8.4	112,486	53.1	28,651	-32.7
1ST QUARTER	*188,675*	*20.8*	*121,891*	*15.8*	*343,335*	*28.7*	*79,005*	*-13.3*
APRIL	92,512	32.5	43,179	32.7	112,678	28.3	43,305	45.4
MAY	100,609	25.8	47,607	10.2	111,594	20.8	34,522	-4.6
JUNE	104,942	17.0	37,200	22.4	112,377	33.8	65,051	7.8
2ND QUARTER	*298,063*	*24.5*	*127,986*	*20.6*	*336,649*	*27.4*	*142,878*	*13.1*
JULY	89,529	10.8	51,071	8.3	153,223	21.4	53,977	-0.6
AUGUST	91,467	10.1	40,643	21.6	106,410	30.0	35,374	0.7
SEPTEMBER	122,370	14.5	51,663	22.4	133,387	33.1	36,075	2.0
3RD QUARTER	*303,366*	*12.0*	*143,377*	*16.8*	*393,020*	*27.5*	*125,426*	*0.5*
OCTOBER	83,015	0.9	45,806	15.7	145,286	25.0	48,203	-3.3
NOVEMBER	66,504	2.9	34,676	22.3	119,235	27.7	41,570	2.6
DECEMBER	98,229	8.1	38,522	13.0	170,754	14.6	59,732	-3.8
4TH QUARTER	*247,748*	*4.2*	*119,004*	*16.6*	*435,275*	*21.4*	*149,505*	*-1.9*
YEAR-TO-DATE	***1,037,852***	***14.8***	***512,258***	***17.4***	***1,508,279***	***25.9***	***496,814***	***0.4***

Brazil's Travel & Tourism Distribution System

While wholesalers are key travel distributors, Brazil's 10,000 travel agencies, 60% of who issue international tickets, are most important. Many tour operators start out as travel agencies, so many provide both services, with stiffer competition prompting many to upgrade technologies and improve efficiencies. Associations are important in Brazil's travel industry. The Brazilian Tour Operators Association (Braztoa), formed by 70 operators, is the main association of tour operators. The Brazilian Travel Agencies Association (ABAV) has approximately 3,500 members responsible for just over 80% of travel sales. The majority of Brazil's visitors to the U.S. go through a travel agency, while others go directly to airlines, through the Internet, or use state/city travel offices.

Promotion to Attract Brazil's Diverse Travelers

Travel and tourism promotion in Brazil has seen success over the past decades. Brazil's large and diverse population means the country has a diverse set of interests from which U.S. destinations can recruit travelers. For a U.S. destination, finding the hook for potential Brazilian travelers could lead to great returns.

The U.S. Commercial Service/Brazil organizes the **VISIT USA** shows. This is the most effective and affordable vehicle for the U.S. travel trade industry to increase its market exposure in Brazil. **VISIT USA 2011.** Brazil took place in Rio de Janeiro and São Paulo in April of 2011, and was visited by over 1,400 select travel agents, tour operators and media members in both cities.

VISIT USA 2012 will be held in São Paulo and Rio de Janeiro in May 2012.

Source: U.S. Department of Commerce's Office of Travel & Tourism Industry – OTTI

For more market research reports, please visit: http://export.gov/mrktresearch/index.asp

For more information about export opportunities in this sector, please contact US Commercial Service Industry Specialist **Jussara Haddad:** jussara.haddad@trade.gov

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Chapter 5: Trade Regulations, Customs 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 (Mercosul) partners, Argentina, Paraguay and Uruguay, implemented the Mercosul Common External Tariff (CET) on January 1, 1995. Each country maintains a separate exceptions list of items for tariffs.

In 1995 Brazil implemented the Mercosul Common Nomenclature, known as the NCM (*Nomenclatura Comum do Mercosul*), consistent with the Harmonized System (HS) for tariff classification. Information about the NCM can be found at:

http://www.brasilglobalnet.gov.br/frmprincipal.aspx

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 online registry creates electronic import documents and transmits information to a central computer. More information is available at:

http://www.receita.fazenda.gov.br/Principal/Ingles/VerSão2/default.asp

Import Duty

The Import duty (abbreviated in Portuguese as II) 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.brasilglobalnet.gov.br/frmprincipal.aspx

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. As part of the federal government's efforts to support local producers, IPI rates between imported and domestically produced goods within the same product category may differ. 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://www.receita.fazenda.gov.br/Principal/Ingles/VerSão2/default.asp

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 the price charged for the merchandise. The ICMS tax due to the state government is based upon taxes collected on sales by a company, minus the taxes paid in purchasing raw materials and intermediate goods. The ICMS tax is levied on both intrastate and interstate transactions and is assessed on every transfer or movement of merchandise. The rate varies among states: in the State of São Paulo, the rate 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 exempted.

Import Requirements and Documentation

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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. For instance, 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/

For information on controls on exports of defense articles, see the State Department's Directorate of Defense Trade Controls (DDTC) at:

http://www.pmddtc.state.gov

Labeling and Marking Requirements

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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, are 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 the 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, sanitation, 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

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It is essential to have all Customs documents in complete order. Products can get delayed 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 its discretion. For further information on customs regulations, visit:

http://www.fedex.com/us/international/irc/profiles/irc_br_profile.html?gtmcc=us.

or

http://www.cbp.gov

STANDARDS

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Overview

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

http://www.inmetro.gov.br/inmetro/conmetro.asp

Standards Organizations

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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 CONMETRO, the Council that oversees INMETRO's activities. INMETRO is responsible for certification of 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. More information about ABNT can be found at: http://www.abnt.org.br/

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:

http://www.nist.gov/notifyus/

Conformity Assessment

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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.

Product Certification

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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 sometimes require 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

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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

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INMETRO and CONMETRO use their websites to inform the public about updates to technical regulations. Please see the *Contacts* section below for the site address.

Labeling and Marking

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The Brazilian Consumer 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.

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

Contacts

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Contacts of main Standards organizations in Brazil 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

Trade Agreements

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Brazil is a member of the Mercosul trading bloc, 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 Mercosul standards. Adopted and proposed Mercosul standards are listed on Mercosul's website: http://www.amn.org.br.

The Executive Secretariat of the Mercosul Standards Organization is located in São Paulo, Brazil.

Web Resources

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Brazilian country profile 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 widely-read newspaper, *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 Mercosul Common Nomenclature:
http://www.brasilglobalnet.gov.br/frmprincipal.aspx

Brazilian Ministry of Foreign Trade:
http://www.mdic.gov.br/sitio/interna/interna.php?area=1&menu=434

U.S. export control information:
http://www.bis.doc.gov/

Brazilian IPI and other tax rates:
http://www.receita.fazenda.gov.br/guiacontribuinte/consclassfiscmerc.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

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Brazil is open to and encourages foreign investment. Foreign direct investment (FDI) into Brazil was predicted to grow to approximately US$60 billion in 2011, nearly a 25 percent increase over 2010 (see final page of Chapter 6 for a historical chart of FDI inflows). Brazil is consistently the largest FDI recipient in Latin America and typically receives close to half of all South America's incoming FDI. The United States is a major foreign investor in Brazil; according to the Central Bank of Brazil, the United States has the highest stock of FDI into Brazil as of 2010, with $104 billion. 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 (GOB) generally makes no distinction between foreign and national capital.

Supported by strong domestic demand, global demand for commodity exports, a growing middle class, and prudent macroeconomic policies, Brazil weathered the global financial crisis better than most major economies, emerging with 7.5 percent GDP growth in 2010 and 2.7 percent growth in 2011. Independent analysts' predictions anticipate that growth in 2012 will settle around 3.5 percent, but government officials have set a target of 4.5 percent. Brazil's president, Dilma Rousseff, is now in her second year in office.

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. Brazilian Central Bank figures report that in 2011, foreign banks comprised three of the top ten Brazilian banks in terms of total assets, representing 12.8 percent of total financial assets less brokerage.

Insurance: U.S. companies wanting to enter Brazil's insurance and reinsurance market must establish a subsidiary, enter into a joint venture, or acquire or partner with a local company. Market entry for banks may occur on a case-by-case basis. The Brazilian reinsurance market was opened to competition in 2007. In December 2010 and March 2011, however, the Brazilian National Council on Private Insurance (CNSP) effectively rolled back market liberalization through the issuance of Resolutions 225 and 232, which disproportionately affect foreign insurers operating in the Brazilian market. Resolution 225 requires that 40 percent of all reinsurance risk be placed with locally-licensed companies. Resolution 232 allows insurance companies to place only 20 percent of risk with affiliated reinsurance companies. In December 2011, the CNSP issued Resolution 241, which walks back some of the restrictions of Resolution 225 by allowing the 40 percent requirement to be waived if local reinsurance capacity does not exist.

Privatization: Foreign investment has played a significant role in Brazil's privatization programs. From the early 1990s through 2009, Brazil completed US$87.8 billion worth of privatizations, and another US$18.1 billion in related debt transfer off the government accounts. Foreign investment accounted for about US$42.1 billion of the privatizations. Of this foreign investment, U.S. investors accounted for one third or US$14.0 billion. After a slowdown in privatization activity in the early 2000s, the Lula administration, which took office in 2003, revived the program with three important transactions: the 2004 privatization of the State Bank of Maranhao for US$26.6 million, the 2005 privatization of the State Bank of Ceara for US$ 297.9 million, and the 2006 privatization of Paulista Electric Energy Transmission Company for US$230 million. In 2007 and 2008, large scale infrastructure projects were auctioned, including federal highways, high speed rail, and airports. In later 2011 and early 2012, the authorities auctioned concessions to manage five airports, including three of the country's largest. Additional auctions of infrastructure concessions, including ports and additional airports, are expected for 2012-2015.

Ownership Restrictions: A 1995 constitutional amendment terminated the distinction between foreign and local capital in general, but 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 proposed legislation still requires passage by the Brazilian Senate, followed by presidential approval, before it can become law.

On December 9, 2011, The National Land Reform and Settlement Institute (INCRA) published a set of new rules covering the purchase of Brazilian land by foreigners. These rules follow an August 2010 Attorney General's opinion that similarly

limited foreign agricultural ownership in Brazil. Under the new rules, the area bought or leased by foreigners cannot account for more than 25% of the overall area in its respective municipal district. Additionally, no more than 10% of the land in any given municipal district may be owned or leased by foreign nationals from the same country. The rules also make it necessary to obtain congressional approval before large plots of land can be purchased by foreigners, foreign companies, or Brazilian companies with the majority of shareholders from foreign countries. These restrictions and the accompanying uncertainty of how they will be applied in practice may be discouraging U.S. investment in Brazilian land.

Media: Open broadcast (non-cable) television companies are subject to a regulation requiring that 80 percent of their programming content be domestic in origin. President Dilma Rousseff signed a law in September 2011 covering the subscription television market, including satellite and cable TV. Under the new law, telecom companies will now be allowed to offer television packages with their service. The law also removed the previous 49% limit on foreign ownership of cable TV companies. New content quotas will be introduced that will require every channel to air at least three and half hours per week of Brazilian programming during primetime. Additionally, one-third of all channels included in any TV package will have to be Brazilian. The regulations covering the quotas were expected to be finalized by March 2012, but are still pending. 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. A bill pending in the Chamber of Deputies (PL6716) would increase that ceiling to 49 percent. The Government of Brazil held its first airport concession auction for the airport that services the city of Natal, Rio Grande do Norte state in August 2011. Additional airport concession auctions for three larger airports-- Brasília; Viracopos (São Paulo); and Guarulhos (São Paulo)—took place in February 2012.

The United States and Brazil liberalized cargo and passenger services in June 2008. In March 2011 representatives from both governments signed an Air Transport Agreement (ATA) that will lead to an Open Skies relationship between the United States and Brazil. The agreement must be approved by Brazil's congress, which could take up to several years. Both parties also signed a Memorandum of Consultation (MOC) that phases in increases in flights between both countries in the meantime. Twenty-eight new routes were already added in October 2011, and additional flights are scheduled to increase every year until 2015, when all limits will be removed, if Brazil's congress has ratified the ATA.

Investment Goals: In August 2011, Brazil announced a new industrial policy, *Plano Brasil Maior* (the "Bigger Brazil" plan), to support domestic producers, encourage investment, and spur innovation. The plan, covering the period of 2011-2014, sets targets for investment spending to reach, by 2014, 22.4 percent of GDP from a 2010 baseline of 18.4 percent. Private investment in R&D is to reach 0.90 percent of GDP by 2014, from the 2010 figure of 0.59 percent. *Brasil Maior* also sets targets for making the economy more energy efficient, reducing the amount of petroleum used per unit of GDP by 9%, and nearly tripling broadband internet penetration from 13.8 million households in 2010 to 40 million households in 2014.

In October 2011, the OECD released an Economic Survey for Brazil which includes sections on regulatory environment, licensing, sectoral analysis, and impediments to investment.

Selected indicators from reputable third party sources:

Measure	Year	Brazil Rank*/Total
TI Corruption Perceptions	2011	73/183
Heritage Economic Freedom	2011	113/179
World Bank Ease of Doing Business	2012	126/183

*The lower the number, the better the ranking.

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, 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 an IOF, a tax on financial operations, of 5.38 percent, while those of longer maturity, profits and FDI remittances must pay an IOF of 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.

The Government of Brazil (GOB) imposes an IOF tax on capital inflows by foreigners for portfolio investments. In October of 2010, the GOB imposed two consecutive increases to the IOF tax on capital inflows from abroad for short-term fixed income investments from two percent to four percent, and then from four percent to six percent. In addition, in March 2012, the GOB changed the IOF rules to narrow the definition of short-term investment from those with a two year duration to those with a five year duration. The IOF does not apply to direct investment inflows. In October of 2010, the GOB also raised the tax foreigners must pay on margin deposits for futures market trades from 0.38 percent to six percent. The taxes on financial flows were imposed primarily in an attempt to curb increases in the value of the Brazilian currency.

In October of 2009 the Government of Brazil (GOB) imposed a two percent IOF tax on capital inflows by foreigners for portfolio investments, and 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. In October of 2010, the GOB imposed two consecutive increases to the IOF tax on capital inflows from abroad for fixed income investments; from two percent to four percent, and then from four percent to six percent. The IOF does not apply to direct investment inflows. In October of 2010, the GOB also raised the tax foreigners must pay on margin deposits for futures market trades from 0.38 percent to six percent. The taxes on financial flows were imposed primarily to try and curb increases in the value of the Brazilian currency, and increases in the IOF or additional measures to restrict inflows are possible.

Exchange Rates

Brazil's strong macroeconomic fundamentals and high real interest rates had driven, at one point in 2011, nearly a 40 percent appreciation of Brazil's currency (the real) against the dollar over the last two years. The fall 2011 European banking crisis and other external factors have, relatively speaking, weakened the real from its high mark of summer 2011, when Brazil had, according to the 2011 Economist Big Mac Index, the most overvalued currency in the world when adjusted for GDP. This trend has continued into 2012 when, in May 2012, the Real traded at approximately 2.0 Reais/USD, a sizable depreciation over 2011 levels.

Expropriation and Compensation Return to top

There have been no expropriation actions in Brazil against foreign interests in the recent past, nor have there been any signs that the current government is contemplating such actions. In the past, some claims regarding land expropriations by state agencies have

been judged by courts in U.S. citizens' favor. However, compensation has not always been paid, as states have filed appeals to these decisions, 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 2012 World Bank “Doing Business” survey found that on average it takes 45 procedures and 731 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 the 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 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 appeals of federal judges’ 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 domestic and foreign investment. For the 12-month period ending October 2011, BNDES lending surpassed US$79 billion, making it the largest development bank in the world, outpacing the lending of even the World Bank. BNDES actively promotes development in traditionally underserved regions of the country and other potentially marginally profitable ventures, but the majority of lending takes place in the more developed regions of the country. In the same period in 2011, the Southeast has benefited the most from BNDES financing, having received 48 percent of funds distributed, followed by the South (22 percent), the Northeast (12 percent), and the Mid-West and the North (9 percent each). The majority of the funding (63 percent) has gone to large companies. A 2004 Public-Private Partnership (PPP) investment law promotes joint ventures in otherwise marginally profitable infrastructure investments.

In 2010, the Brazilian government announced a US$400 billion expansion to the 2007 Program to Accelerate Growth (PAC), the government's national initiative of major infrastructure projects. While the implementation and efficiency of the PAC and follow-on PAC-2 have been subject to national debate, major projects have been completed and are in process throughout the country. Even in a tighter fiscal environment, the projected PAC spending in 2011 of R$27.8 billion was on pace to greatly surpass 2010 spending of R$19.5 billion. The government continues to indicate it is interested in attracting foreign investment to fund infrastructure projects, and the US$800 billion PAC-2 program will drive infrastructure projects through 2014.

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. In June 2011, the Brazilian Supreme Court ruled that the tax benefits granted by 14 states are unconstitutional, as they were implemented without unanimous consent from the National Council of Fiscal Policy (Confaz). Tax reform legislation that would limit states' ability to offer special tax incentives to attract investment away from other states has been awaiting congressional action since August 2009.

In September 2011, in an effort to protect companies producing in Brazil, the Government of Brazil announced Decree 7567, a 30 percent increase in the Industrial Products Tax (IPI) on any car not sourced with at least 65 percent of parts from Mercosul countries or Mexico. Analysts predict that the cumulative effect of the measure will be an increase of up to 28 percent in the prices of all imported cars, drastically reducing their competitiveness against those manufactured locally. The decision is a clear move to encourage foreign car producers to invest in local, Brazilian production capacity rather than exporting cars to Brazil. In addition to the content requirement, in order to be exempt from the IPI hike, producers must invest at least 0.5% of after-tax income in research & development in Brazil and must perform at least 6 of 11 pre-determined assemblies in 80 percent of their Brazilian production lines. The measures have raised questions regarding WTO compliance, as imported cars would face

restrictions different than that of local producers. Decree 7567 is set to expire on December 31, 2012.

In December 2011, the Government of Brazil passed Law 12546, which introduced the Special Regime for the Reinstatement of Taxes for Exporters, dubbed the Reintegra Program. Exporters covering 8,630 tariff codes – representing R$80 billion of exports – will receive a subsidy of 3 percent of the value of their exports, to be used either as a credit against their income tax or as a cash payment. To qualify, the imported content of the exported goods must not exceed 40%, except in the case of high-tech goods, such as pharmaceuticals, electronics, and aircraft and parts, which are permitted to have up to 65% of inputs imported. In addition, Reintegra exempts exporters from so-called indirect taxes on capital expenditures, including the PIS/Cofins social contribution taxes and the IOF tax on financial transactions. The Reintegra Program expires on December 31, 2012.

In May of 2010, the government placed state-owned communications firm Telebras at the head of a National Broadband Plan which incorporates fiscal incentives, private sector participation, and regulatory reform to build-out Brazil's next generation communication infrastructure network. While the plan provides commercial opportunities for the private sector, including foreign investors, there is strong government support to leverage the plan to advance Brazilian technology. This includes favorable BNDES financing for acquisition of telecom equipment that utilizes Brazilian technology, tax exemptions on the purchase of IT equipment that uses Brazilian technology, as well as favoring national technology in the procurement process. Nonetheless, foreign firms have already begun to participate in the National Broadband plan.

As of October 1, 2011, internet companies in Brazil began to offer broadband for as low as R$35.00 (US$19) per month. The "Internet for the People" initiative is part of Brazil's National Broadband Plan which aims to bring high-speed connections to 40 million homes, part of the government's efforts to increase digital inclusion throughout Brazilian society. President Rousseff seeks to connect all Brazilian municipalities to the internet no later than 2014. In addition to cutting the price of internet connections in half, the Brazilian government will provide free internet access to 59,000 public elementary and high schools. In the most marginal communities including rural settlements and indigenous communities, the Ministry of Communication will establish 13,000 Telecenters to boost digital inclusion.

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 have operations in Brazil or 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 earning subcontracting arrangements with larger Brazilian firms that won the original government bid.

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.

In 2010, then-President Lula signed a provisional measure that later was approved by the Congress and became law (No. 12,349, December 15, 2010), giving preference to firms that produce in Brazil -- whether foreign-owned or Brazilian -- that fulfill certain economic stimulus requirements such as generating employment or contributing to technological development, even when their bids are up to 25 percent more expensive than competing foreign-owned firms. In August 2011, this system of preference margins was folded into Plano Brasil Maior. Government procurement is just one of thirty-five components under Brasil Maior intended to support Brazilian exporters and protect domestic producers, particularly the labor-intensive sectors threatened by exports from abroad. The textile, clothing and footwear industries – one of the few sectors to have lost jobs during the current growth period -- were the first to benefit from Brasil Maior when, in November 2011, the Ministry of Development, Industry and Commerce implemented an 8 percent preference margin for domestic producers in these industries when bidding on government contracts.

Decree 7174 (2010), 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 and goods or services with technology developed in Brazil 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

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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, nonetheless, 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 the 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 is inconsistent with Articles 27.1 and 28.1 of TRIPs. In May of 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 article 229-C of law 9279, as amended by Law 10196 (2001), which includes a requirement for National Health Surveillance Agency (ANVISA) approval prior to the issuance of a pharmaceutical patent by the National Industrial Property Institute (INPI). ANVISA's role in reviewing pharmaceutical patent applications remains less than transparent and has contributed to an increasing backlog in the issuance of patents. In addition, conflicting opinions on patentability between INPI and ANVISA has left 145 patent applications unissued. On October 16, 2009, the Brazilian Federal Attorney General (AGU) analyzing the institutional role of ANVISA in the patent application process, presented Opinion No. 210 stating that ANVISA should examine pharmaceutical patent applications only from a public health perspective. The opinion states that INPI is the only agency with the competency to review the patentability requirements of such applications. On January 10, 2011, the AGU issued another opinion noting ANVISA's limited role: "ANVISA may not refuse the granting of the prior consent of art. 229-C of IP Law based on patentability requirements." AGU´s Opinions are not binding, and the Federal Government has created an Inter-Ministerial Working Group to study how to best implement such document.

An ongoing concern is the backlog of pending patent applications at INPI. It currently takes an average of six years to receive a patent in Brazil. However, INPI has increased its hiring and training of new patent examiners in an effort to decrease pendency. In

2012, INPI is looking to begin rolling out an electronic filing system for new patent applications, which would enable inventors to apply for a patent via an online system.

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 (from one percent to five percent), which consequently acts as a de facto cap on licensing fees (Act No. 436 of 1958).

Brazil's 1998 copyright law generally conform to international standards, yet piracy of copyrighted 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. 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 U.S. Trade Representative's 2007 Special 301 Report, Brazil was downgraded from "Priority Watch List" to "Watch List," in recognition of its improved anti-piracy enforcement efforts. Since then, Brazil has remained on the "Watch List" of the Special 301 Reports. Anti-piracy enforcement has continued to improve, especially in the major cities of São Paulo, Rio de Janeiro, and Brasília.

Transparency of Regulatory System

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In the 2012 World Bank "Doing Business" report, Brazil ranked 126th out of 183 countries in terms of overall ease of doing business, an regression of six places over the 2011 study. According to the study, it takes an average of 13 procedures and 119 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 186 hours in the OECD high-income economies. According to this same study, the total tax rate for Brazil's medium-sized business is 67.1 percent of profits, compared to 42.7 percent in the OECD high-income economies. Business managers often complain of not understanding tax regulations, despite best efforts including large tax and accounting departments.

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.

In April 2011, President Rousseff created the Secretariat for Civil Aviation (SAC), a cabinet-level agency that subsumed Brazil's civil aviation regulator, ANAC, and airport authority, INFRAERO, under one ministry. President Rousseff created SAC to better coordinate and improve Brazil's civil aviation infrastructure, as the country prepares to handle the expected annual increase in passenger traffic, as well as the surge in travelers during the 2014 World Cup and 2016 Olympic Games. As an indication of the priority that President Rousseff places on infrastructure development, she appointed Wagner Bittencourt Oliveira, the former director of infrastructure at Brazil's national development bank, BNDES, to head the new ministry.

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, including the tariff review process. Additionally, some industries have reported challenges in obtaining licenses from IBAMA, the environmental regulator, citing unpredictability in IBAMA's licensing requirements, though the process has reportedly become more streamlined since 2008. Brazilian private sector organizations, which often include foreign companies, are vocal and involved in industry standards setting.

On November 30, 2011, law 12,529 was adopted 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). This new government body, the "Super CADE", will be responsible for enforcement of competition laws, consumer defense, and combating abuse of economic power. The law will also revise the country's licensing and anti-cartel system.

Recent Changes and Concerns in Legislation Regulating Business Operations

In 2010, Brazil's Congress approved and then-President Lula signed a series of laws that will govern development of the promising deep water "pre-salt" oil and gas reserves found off Brazil's coast. (President Lula vetoed, however, portions of the legislation that would address division of royalties between state and municipal governments.) The new regime replaces Brazil's former concessions model for exploration and production of pre-salt reserves with a production sharing system. The legislation creates a new government entity to represent the government in any agreements, gives lead operator

status and a minimum 30 percent stake to the parastatal oil company Petrobras for any pre-salt project, and establishes a social fund to administer the government's proceeds. A law also enabled the government to engage in an oil-for-shares swap with Petrobras, which not only increased government ownership in the parastatal, but also facilitated Petrobras' US$67 billion public share offering in September 2010.

U.S. companies wanting to enter Brazil's insurance and reinsurance market must establish a subsidiary, enter into a joint venture, or acquire or partner with a local company. Market entry for banks may occur on a case-by-case basis. The Brazilian reinsurance market was opened to competition in 2007. In December 2010 and March 2011, however, the Brazilian National Council on Private Insurance (CNSP) effectively rolled back market liberalization through the issuance of Resolutions 225 and 232, which disproportionately affect foreign insurers operating in the Brazilian market. Resolution 225 requires that 40 percent of all reinsurance risk be placed with Brazilian companies. In addition, Resolution 232 allows insurance companies to place only 20 percent of risk with affiliated reinsurance companies. As of November 2011, a Congressional bill (PDC-369/2011) to suspend CNSP Resolutions 225 and 232 was in the Finance and Tax Committee of the Chamber of Deputies.

In October 2010, the Brazilian tax and customs authority, Receita Federal, launched a new automated system for express delivery customs processing. The new Sistema Remessa will allow for paper-free electronic clearance for express delivery goods. This is an important first step, but companies continue to express concern over remaining regulatory challenges that they face, including high import taxes, low maximum value limits for express export and import shipments and the possible approval of a proposed postal reform law that could undermine current levels of market access for private express delivery service companies.

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

Chamber of Deputies:
http://www.camara.gov.br/sileg/default.asp

Federal Senate:
http://www.senado.gov.br/sf/atividade

Records of approved legislation are available via:
http://www4.planalto.gov.br/legislacao

Efficient Capital Markets and Portfolio Investment

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The Brazilian financial sector is large and sophisticated. Banks lend at Brazilian market rates, which have declined in recent months but remain extremely high. Reasons cited by industry observers include high taxation, repayment risk, concern over inconsistent judicial enforcement of contracts, high mandatory reserve requirements, and administrative overhead.

The financial sector is concentrated, with 2011 Central Bank data indicating that the 10 largest commercial banking institutions account for approximately 72 percent of financial sector assets, less brokerages (approx. US$2 trillion). Three of the five largest banks (in assets) in the country -- Banco do Brasil, Caixa Economica Federal, and BNDES -- are federally owned. Lending by the large banking institutions is focused on the largest

companies, while small and medium-sized 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

Brazil's credit market has grown significantly over the past several years. Real interest rates, however, remain among the highest in the world, leading large enterprises operating in Brazil to access financing on international markets. While local private sector banks are beginning to offer longer credit terms, BNDES, the government national development bank, is the traditional Brazilian source of longer-term credit, and also provides export credits. FINAME (the Special Agency for Industrial Financing) provides foreign and domestically owned 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 the "OPIC and Other Investment Insurance Programs" section for more information on credit availability).

Equity Market

All stock trading is performed on the São 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 what is now the fourth largest exchange in the Western Hemisphere, after the NYSE, NASDAQ, and Canadian TSX Group exchanges. 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 2011 there were 125. (Note: A majority of the Initial Public Offerings are listed on the New Market). In 2010, there were seventeen new IPOs and follow-ons representing R$ 18.0 billion in raised capital; approximately 55 percent of this amount was foreign capital. IPO activity in Brazil has slowed in recent years, however. In May 2012, investment banking giant BTG Pactual went public, making it only the second company in Brazil to do so since July 2011. In total, there were 11 IPOs in Brazil in 2011, representing $4.4 billion in raised capital.

The total number of companies listed on the BOVESPA has fluctuated in recent years, showing no clear trend. There were 394 companies in 2006, 424 in 2008, 386 in 2009, 471 in 2010 and 375 in 2011. Total daily trading average volume has risen from R$ 2.4 billion in 2006 to R$ 5.9 billion in 2011.

Trading is highly concentrated, with the top ten stocks accounting for nearly half of the 2011 trading volume. A total of 83 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 stocks and derivatives of publicly held companies on established markets. At year-end 2011, foreign investors accounted for 35% of the total turnover on the BOVESPA. Domestic institutional investors were the second most active market participants, accounting for 32.8 percent of activity. Individual investors comprised 22% of activity, followed by financial institutions (8%), and other companies (1.8%). Since 2001, Law 10303 has limited preferred shares for new issuances to 50%.

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. For more information on CADE, please refer to the section on 'Transparency of the Regulatory System.'

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

In recent years, the government has sought to control appreciation of the Brazilian currency with the introduction of new taxes on capital inflows (see the "Conversion and Transfer Policies" section above).

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 many 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 levels, 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 publicly traded companies on the Brazilian and other stock exchanges.

The 2010 pre-salt legislation, described above in “Recent Changes and Concerns in Legislation Regulating Business Operations” gives the parastatal oil company Petrobras lead operator status for the development of the new oil discoveries. The terms and conditions of the new regime favor Petrobras as the lead operator, although foreign firms are still anticipated to play a role in the pre-salt oil fields.

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 it is authorized to invest outside of Brazil. In 2010, the government confirmed that the SWF was authorized to buy U.S. dollars, including in the futures market, creating a new tool for the government to intervene in foreign exchange markets to curb the appreciation of the Brazilian currency. 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 group of more than 100 American companies established in Brazil. Additional information on how the partnership supports public and private alliances in Brazil can be found on their website:

www.maisunidos.org

The private sector in Brazil is increasingly engaging in public-private partnerships for investments in environmental, educational, and socio-economic development initiatives. Currently *Mais Unidos*, in partnership with USAID, has two joint projects in the areas of education and environment. The education/English Language project is implemented in Rio de Janeiro, with support from the Rio de Janeiro State government, and benefits 1,000 disadvantaged youth per year. The environment project is implemented in the Brazilian Amazon and contributes to preserve the biodiversity of the region.

Political Violence

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Political and labor strikes and demonstrations occur occasionally in urban areas and may cause temporary disruption to public transportation. In addition, criminal organizations in São Paulo have in the past staged campaigns against public institutions. While U.S. citizens have not been 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. For the latest U.S. State Department guidance on travel in Brazil, please consult www.travel.state.gov.

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/

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. 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 March 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 is a signatory to the OECD Antibribery Convention, having signed the Convention in 1999 and enacted the implementing legislation in 2002.

UN Convention: The UN Anticorruption Convention entered into force on December 14, 2005, and there are 158 parties to it as of November 2011 (see http://www.unodc.org/unodc/en/treaties/CAC/signatories.html). 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. Brazil is a signatory to the UN Anticorruption Convention, having signed the Convention in 2003 and enacted the implementing legislation in 2005.

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, among other things, 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 April 2012, the OAS Convention has 34 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 49 member States (48 European countries and the United States). As of December 2011, the Criminal Law Convention has 43 parties and the Civil Law Convention has 34 (see www.coe.int/greco).

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 anti-bribery 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 in the Anti-Corruption resources section.

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 a challenge to investment in Brazil. In 2011, Brazil ranked 73rd (out of 183 countries) in Transparency International's Corruption Perceptions Index. In South America, Brazil ranked below Chile and Uruguay, and ranked above Colombia, Peru, Argentina, Suriname, Bolivia, Ecuador, Guyana, Paraguay and Venezuela. With regard to major emerging economies in the BRICS grouping, Brazil ranked ahead of China (75th), India (95th), and Russia (143rd), but behind South Africa (64th).

Corruption scandals are a regular feature of Brazilian political life. President Rousseff made headlines in her first year in office by dismissing six ministers under suspicion of diverting public funds and/or influence peddling. Corruption investigations, involving politicians from both opposition and government coalition parties, have been conducted over the course of the last several years.

Brazil's anti-money laundering mechanisms and relatively independent prosecutorial and oversight institutions have played useful roles in the investigation of such cases. In June of 2010, the President signed into law Complementary Law 135, known as the "*Ficha Limpa*" law, which prohibits candidates convicted of crimes, including abuse of public office, from running for office, whether at the federal, state or local level. The Electoral Courts implemented the 2010 *Ficha Limpa* law, but the Brazilian Supreme Court ruled in 2011 that the law could not be applied to the 2010 elections. A final Supreme Court decision is now pending on how the *Ficha Limpa* law will be applied to the 2012 municipal elections.

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 at the local government level. U.S. companies operating in Brazil are subject to the U.S. Foreign Corrupt Practices Act.

In September 2011, Brazil and the United States co-founded the Open Government Partnership (OGP), a multilateral initiative that aims to secure concrete commitments from governments to promote transparency, empower citizens, fight corruption, and harness new technologies to strengthen governance. In April 2012, Brazil hosted the first annual OGP high-level meeting.

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://archive.transparency.org/policy_research/surveys_indices/cpi/2010. 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://archive.transparency.org/publications/gcr.

- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 213 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/index.asp. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: http://data.worldbank.org/data-catalog/BEEPS.

- 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/s?s=global+enabling+trade+report.

- 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 106 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

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Brazil does not have a Bilateral Investment Treaty with the United States or any other country. While in the 1990's Brazil 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 have been approved by the Brazilian Congress. Brazil also has not approved the Mercosul investment protocol.

Brazil has no double taxation treaty with the United States, but it 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 was approved by the Brazilian Chamber of Deputies in December 2009 and currently 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 92.7 million strong Brazilian labor force comprises a wide range of skills covering a broad array of occupations and industries. Slightly more than three fifths, or 61 percent, 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 22 percent.

Brazil is signatory 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 Brazilian Institute of Geography and Statistics (IBGE) release (2005). Strikes occur periodically, particularly among public sector unions. Unions in various sectors engage in industry-wide collective bargaining negotiations mandated by federal regulation. 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 IBGE estimated unemployment in the major metropolitan areas as of March 2012 at 6.2 percent (versus 6.5 percent in March 2011). With low unemployment, there is currently a shortage of highly-skilled workers. Unemployment levels range significantly across regions.

IBGE reports show that real wages have trended higher in recent years. The average monthly wage in Brazil's six largest cities was around 1,612 Reais in October 2011 (approximately US$910 based on average exchange rates for that month). The minimum monthly wage has regularly been increased in recent years from 380 Reais in 2007 to the 545 Reais that the government announced in January 2011. In January 2012, the GOB increased the minimum to R$622.73. Earnings vary by region and industry, and there is significant income 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 Brasília.

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. For the ten months ending October 2011, the companies of the Manaus industrial area generated US$34.3 billion in revenues, an increase of 20% over the same period in 2010. Most of these free trade zones aim to attract investment to the country's relatively underdeveloped North and Northeast regions. In October 2011, President Rousseff signed a constitutional amendment which extends Manaus's status as an industrial zone status for another 50 years.

Foreign Direct Investment Statistics

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According to the Central Bank's most recent foreign-capital census (2010), the United States had the largest share of accumulated foreign-capital stock in Brazil, with 18.0 percent of the total. (Spain had 14.7 percent, while Belgium had 8.7 percent, and Brazil 8.3 percent). Investment inflows between the years 2006 and 2011 have amounted to about US$245 billion, exclusive of depreciation and capital repatriation.

According to a Brazilian Central Bank market survey report, FDI inflows to Brazil are anticipated to have reached US$60.0 billion in 2011. According to the U.S. Bureau of Economic Analysis, FDI inflows from the United States to Brazil were US$2.7 billion in 2010 and the stock of FDI from the United States to Brazil was US$66.0 billion as of the end of 2010.

Total FDI into Brazil as a Percentage of Brazilian GDP:

Year	FDI (USD Billions)	Percentage of GDP
2011 (est.)	60.0	2.6
2010	48.4	2.3
2009	25.9	1.6

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://www.mdic.gov.br/sistemas_web/renai/

Apex Brasil (the Brazilian Agency for the Promotion of Exports) also promotes inbound investment. Information about their programs and services can be found at:

http://www.apexbrasil.com.br/portal/

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Chapter 7: Trade and Project Financing

How Do I Get Paid (Methods of Payment)

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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 and 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

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The Brazilian banking system today is 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 five largest 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); five are Brazilian (Bradesco, Itaú, Unibanco, Votorantim and Itaú BBA); two are foreign (Banco Santander from Spain, and HSBC Bank from England), and one is jointly owned (ABN AMROI Real, a Brazilian-Dutch partnership).

Of the top 50 banks in Brazil, 20 are foreign owned or controlled, ranked by net equity as follows (as of 2011):

Country	**# of Banks**	**Banks (ranking)**
Netherlands	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)
U.K.	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, accounts can only be kept in local currency (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 the 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.

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.

Project Financing

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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 Bank also offers a variety of trade and project finance options.

Web Resources

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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 (Overseas Private Investment Corporation): http://www.opic.gov

USTDA (U.S. Trade and Development Agency): http://www.tda.gov/

SBA (Small Business Administration) Office of International Trade:
http://www.sba.gov/oit/

USDA (U.S. Department of Agriculture) Commodity Credit Corporation:
http://www.fsa.usda.gov/ccc/default.htm

USAID (U.S. Agency for International Development): http://www.usaid.gov

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Chapter 8: Business Travel

Business Customs

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Business visitors should be aware of several business conditions specific to Brazil. Compared to the United States, the pace of negotiations is slower and is heavily based on personal contact. It is rare for important business deals to be concluded by telephone, email, 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, ideally involving multiple visits / meetings with the same person or group of people. The Brazilian buyer is also concerned with after-sale service provided by the exporter.

The Brazilian approach to time is somewhat 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. It is not uncommon for a local contact to stand very close while speaking, pat a business contact on the shoulder or even hug that person. 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 – this is a sign of interest in the subject, not of disrespect.

Travel Advisory

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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 can be found at: http://www.consbrasdc.org/.

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

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

U.S. Embassy in Brazil: http://brazil.usembassy.gov/

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 services run very well, though U.S. citizens are recommended, for safety reasons, not to simply hail a taxi 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 also available, though in major metropolitan areas, it can often be unsafe.

Language

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Portuguese is Brazil’s official language. English proficiency varies among Brazilian business persons. It is usually a good idea to have an interpreter accompany you to meetings and on 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 and Safety

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Yellow fever vaccination is recommended by the World Health Organization if the traveler's destination in Brazil includes any of the following States: Acre, Amazonas, Amapá, Federal District (Brasília), 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.

Crime rates throughout Brazil are high, especially in large 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 and 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 places.

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

Local Time, Business Hours, and Holidays

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Brazil observes daylight savings time 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 often lasts two hours.

January, February, and July are difficult months in which to schedule business meetings with high-level decision-makers. Schoolchildren are on holidays, so many families choose this time to take their long vacations. Brazilians go back to work after the Carnaval holiday (which usually falls in late February or March).

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 will 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, and the GOB will need to identify a Brazilian agency to act as guarantor.

Under Brazil's temporary import program, the Import Duty (II) and Industrialized Product tax (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 in the table below shows that taxes due are proportional to the time frame the imported product will remain in Brazil. This also applies to temporary entry of personal belongings.

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

Brazilian Embassy in the U.S.:
http://www.brasilemb.org/

U.S. Embassy in Brazil:
http://Brasília.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

Contacts

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U.S. Commercial Service Brasília
Principal Commercial Officer. Devin Rambo (Devin.Rambo@trade.gov)
Ph: 011-55-61-3312-7403
U.S. Embassy Brasília

U.S. Commercial Service São Paulo:
Deputy Senior Commercial Officer Rick de Lambert (Rick.deLambert@trade.gov)
Ph: 011-55-11-5186-7191
U.S. Consulate General São Paulo

U.S. Commercial Service Rio de Janeiro
Principal Commercial Officer: Alan Long (Alan.Long@trade.gov)
Ph: 011-55-21-3823-2000
U.S. Consulate General Rio de Janeiro

U.S. Commercial Service Belo Horizonte
Commercial Assistant: Robert Pohl (Robert.Pohl@trade.gov)
Ph: 011-55-31-3213-1571

U.S. Commercial Service Recife
Commercial Specialist: Adierson Azevedo (Adierson.Azevedo@trade.gov)
Ph: 011-81-3416-3075
U.S. Consulate in Recife

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 on the site is required, and is free.

Trade Events

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Please click on the link below for information on upcoming trade events worldwide, including Brazil:

http://www.export.gov/tradeevents/index.asp

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Chapter 10: Guide to Our Services

The President's National Export Initiative aims to double exports over five years by marshaling Federal agencies to **prepare U.S. companies to export successfully**, **connect them with trade opportunities** and **support them once they do have exporting opportunities**.

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. 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
- Gain access to the full range of U.S. Government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click on the following link: www.export.gov

For more information on the services the U.S. Commercial Service offers to U.S. exporters, please click on the following link: http://export.gov/brazil/

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE.**

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