



Doing Business in Brazil:

2015 Country Commercial Guide for U.S. Companies

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Chapter 1: Doing Business In Brazil

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Market Overview

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The Federative Republic of Brazil is Latin America's largest economy. With 3,290,000 square miles, bordering 10 other countries and with 4,650 miles of coastline, Brazil is the largest country in Latin America and fifth largest in the world. Brazil's 2014 Gross Domestic Product (GDP) of US\$2.3 trillion ranks Brazil as the world's seventh-largest economy. Annual growth during 2014 dropped to 0.1% due to reduced demand for Brazilian exports in Europe and Asia and modest consumer demand from Brazil's large middle class.

During the past two decades, the country has prioritized macroeconomic policies that control inflation and promote economic growth. Recently, inflation has increased, reaching 8.47% in May 2015. Urban unemployment was at 6.4% in April 2015, increasing from 4.9% in mid-2014; and wages continue to increase. Brazil's Central Bank has been steadily raising interest rates to combat inflation, from a historic low of 7.25% in October 2012 to 13.75%.

In 2014, the U.S. was the second largest exporter to Brazil, accounting for 15% of Brazil's total imported goods; behind China and followed by Argentina, Germany, and Nigeria. In 2014, Brazil imported over US\$229 billion of total goods, including US\$42.4 billion from the U.S. – a 3.7% decrease from 2013. Brazil ranked as the United States' ninth-largest export market for goods in 2014. Brazil is also a large market for U.S. services, accounting for an additional \$28 billion in exports in 2014. The United States maintains a trade surplus in services that has increased over the past decade, reaching \$17 billion in 2012, before dropping to \$11.9 billion in 2014.

Brazil represents an excellent export partner for experienced U.S. exporters. Major reasons to export to Brazil include:

- Brazil's population of 202 million is the fifth largest in the world, representing nearly 3 percent of global consumers.
- At the same time, Brazil has the highest per capita income of any of the BRICS, with more than half of its population defined as middle-class, earning between \$11,500 and \$29,000 per year.
- Brazil is also traditional leader among emerging markets. A BRICS member, it is now considered by many multi-national companies as an essential market for truly global businesses.
- Brazil has a natural affinity for the United States and a high regard for our products, brands and technology. Brazil's existing affinity for the United States

has been further reinforced through the Scientific Mobility Program, a government scholarship that has already funded 32,716 students to study for one year in the United States. One of the stated aims of the program is increasing science and technology cooperation between our countries.

- The Brazilian Government is actively cultivating relationships with international and U.S. businesses and prioritizing macroeconomic stability. President Rousseff's visit to Washington D.C. in June 2015 highlighted the shared commitment of the U.S. and Brazil to work together to grow trade and investment.

Market Challenges

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Brazil has a large and diversified economy that offers U.S. companies many opportunities to partner and to export their goods and services. Doing business in Brazil requires intimate knowledge of the local environment, including both the direct as well as the indirect costs of doing business in Brazil (referred to as "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 the lack of sufficient infrastructure to keep up with nearly a decade of economic expansion. In addition to tariffs, U.S. companies will find a complex customs and legal system.

The Government of Brazil (GOB) is the nation's largest buyer of goods and services. Navigating the government procurement process can be challenging. U.S. exporters may find themselves at a competitive disadvantage if they do not have a significant in-country presence – whether via established partnerships with Brazilian entities or some type of company subsidiary -- as well as the patience and financial resources to respond to legal challenges and bureaucratic issues.

The unfolding scandal connected to energy giant Petrobras poses another challenge to government and business, increasing uncertainty and creating a drag on growth. In response, senior government officials have pledged to support the on-going legal and investigative processes, and Petrobras has taken concrete steps to improve internal compliance mechanisms and restore confidence. While the economic and public relations consequences have been severe, Brazil may yet seize a silver lining: a comprehensive commitment to fight corruption could ultimately improve the business climate, benefitting local and international companies alike.

Market Opportunities

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On June 9, 2015, President Rousseff unveiled a new infrastructure concessions program, which is intended to draw US \$64 billion in investment over the next five years and beyond to upgrade and operate highways, railways, ports and airports across 20 states in Brazil. The new concessions will have less access to state bank financing than previous projects, as bidders will be expected to use private financing as well.

The first-ever Olympic Games in South America that will take place in Rio de Janeiro in the summer of 2016 are expected to generate numerous business opportunities for U.S.

companies in several sectors. The main projects include logistics upgrades at seaports, airport modernization, mass transit build-out, and water sanitation. The Government of the State of Rio de Janeiro estimates that investments in the State between 2010 and 2016 will reach US\$ 50 billion, in sectors including infrastructure, construction, transportation and others. Most of these investments will be done under Brazil's Public-Private Partnerships (PPPs).

The Rio de Janeiro Olympic Organizing Committee began their procurement process related to the Olympic Games in early 2014, but new opportunities will be released throughout 2015 and into 2016. For further information or to pre-register as a supplier, please visit <http://portaldesuprimentos.rio2016.com/en/>. Companies that are pre-registered through the portal will receive information as specific bids are announced.

Other promising areas for U.S. exports and investment include agricultural equipment, building and construction, aerospace and aviation, safety and security devices, IT, oil and gas, medical equipment, sporting goods, environmental technologies, retail, and transportation.

Market Entry Strategy

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Success in Brazil's business culture relies heavily upon the development of strong personal relationships, the keystone of productive business partnerships. In most cases, U.S. firms need a local presence and thus should invest time in developing relationships through frequent visits to Brazil. The U.S. Commercial Service encourages U.S. companies visiting Brazil to meet one-on-one with potential partners, and offers a slate of services such as our Gold Key Service (GKS), through which companies can meet with pre-screened potential clients or partners in personal meetings. We also lead delegations of Brazilian buyers to connect with U.S. businesses at more than 30 International Buyer Program trade shows in the U.S.

It is essential to work through a qualified representative or distributor when developing new business in the Brazilian market. Some firms may need to establish an office or joint venture in Brazil. It is difficult for U.S. companies to get involved in public sector procurement at the federal or state levels without a Brazilian partner, or a physical presence in Brazil.

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Chapter 2: Political and Economic Environment

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

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

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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 is essential. Companies trading with GOB are legally required to use a local representative. As in other countries, the selection of an agent requires careful consideration. Because of regional economic disparities, varying states of infrastructure, complex inter-state trade and taxation rules, and a host of other issues, it is often difficult to find one distributor that has complete national coverage.

The U.S. Commercial Service strongly recommends that exporters and representatives consult with a Brazilian legal representative before writing or signing an agreement. This will help exporters abide by Brazilian laws, particularly to limit liabilities, protect trademarks, better ensure payments, and define warranty terms. Clauses related to exclusivity, promotional obligations, service and support duties, localization and performance targets, among others, may be included within the agreement.

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 has become increasingly easier, as the Ministry of Development, Industry, and Foreign Trade (MDIC) has signaled a desire to simplify the process. According to MDIC, Brazilian authorities have significantly reduced the amount of time required to grant various licenses and registrations over the past few years. Based on the World Bank Doing Business Project's measurements, starting a business in 2014 will take 85 days, down from 120 days in 2012.

The Central Bank monitors acquisitions of existing companies. Corporations ("*sociedades anônimas*") and limited liability companies ("*limitadas*") are relatively easy to form. Brazilian 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 (see Chapter 6), or through Brazil's Ministry of External Relations' web resources.

Web Resources:

- Agência Brasileira de Desenvolvimento Industrial (ABDI)
<http://www.abdi.com.br/>
- Agência Brasileira de Promoção de Exportações e Investimentos (APEX Brasil)
<http://www2.apexbrasil.com.br/en>
- Brasil Global Net
<http://www.brasilglobalnet.gov.br/>
- Portal Brasileiro de Comércio Exterior
<http://www.comexbrasil.gov.br/>

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. Its research has shown that 74% of Brazilian consumers like receiving direct mail. With Brazil's large and growing middle class, direct marketing is an effective option to include in a company's marketing communications strategy.

Brazil continues to lead Latin America in direct marketing activities due to its 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.

Web Resources:

- Brazilian Association of Direct Marketing (ABEMD)
<http://www.abemd.com.br/>

Joint Ventures/Licensing

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Joint ventures are common in Brazil, particularly as an approach 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. For more information see Chapter 6 "Investment Climate" section.

All licensing and technical assistance agreements, including trademark licenses, must be registered with the Brazilian Industrial Property Institute (INPI).

Web Resources:

- Brazilian Industrial Property Institute (INPI)
<http://www.inpi.gov.br/>

Selling Financial Services

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The largest in South America, Brazil's financial system is highly developed, efficient, and offers a wide range of services. The National Financial System regulates banking and financial services, as well as insurance, and maintains strict accounting and operational supervision.

Financial services in Brazil, including banking, leasing and insurance services are authorized under the Brazilian Constitution through the establishment of the National Financial System (SFN, as it is represented in Portuguese). This system, headed by the Ministry of Finance, is organized as follows:

Regulatory Agencies

- **National Monetary Council** (CMN as it is represented in Portuguese), an official body whose primary functions are to maintain control of the medium of exchange and the circulation of money; to establish directives for exchange policy and dealings in gold; to discipline credit and the provision of guarantees; to regulate the establishment, operation and control of financial institutions; to protect the liquidity and solvency of financial institutions; and, guide the applications of resources so as to promote the orderly development of the country.
- **Central Bank**, a federal agency entrusted to execute the policies established by the CMN for the improvement and stability of the SFN. Its functions include control of the money supply, the physical issuance of currency, the regulation and control of financial institutions, the control of foreign capital flow, credit policy, managing market liquidity levels, monitoring interest and exchange rates, and maintaining savings at levels compatible with the country's needs.
- **The Brazilian Securities Exchange Commission (CVM**, as it is represented in Portuguese) directly regulates the stock exchanges, brokers, distributors, pension funds, mutual funds and leasing companies.
- **The National Council of Private Insurance** (CNSP as it is represented in Portuguese), comprised of the Ministry of Finance, the Superintendence of Private Insurance (SUSEP as it is represented in Portuguese), the Brazilian Reinsurance Institute (IRB), the Central Bank, representatives of the Ministries of

Justice and Planning, and four private insurance companies. The CNSP's responsibilities include setting insurance policy guidelines and rules; regulating private insurance firm creation, organization, activities and supervision; establishing guidelines of insurance contracts; establishing reinsurance rules; and keeping general accounting and statistical records.

- **The Superintendence of Private Insurance (SUSEP)**, an independent agency subject to the Ministry of Finance via the CNSP. It monitors the insurance and private pension market through the solvency index; establishes operational risk limits; supervises technical reserves; and regulates open pension funds (equivalent to the U.S. KOLC) and insurance brokers.

Classification of institutions under the SFN

a) **Financial Institutions:** Banking and Non-Banking

- Banking: Multiple banks; commercial banks; saving & loan banks; cooperative banks and credit cooperatives.
- Non-Banking: Investment banks; development banks; finance companies, saving & loan companies and mortgage companies.

b) **Ancillary Institutions:** Security dealers and stockbrokers.

c) Other entities (not considered financial institutions but subject to CMN and Central Bank supervision): Consortium management; commercial leasing companies; advancement and development agencies; investment funds and companies; saving and loan associations; small business credit companies and factoring companies.

d) Insurance and capitalization companies and private pension funds: These organizations are not considered to be financial institutions and are not part of the SFN, however, the CMN has the authority to regulate their investment portfolio.

Brazil's largest banks in assets - Public and private

The results obtained in 2014 by Brazilian banks place the two biggest private banks, Bradesco and Itaú, among the ten most profitable in Latin America.

BANK	TOTAL ASSETS (US\$ Million)
Banco do Brasil	441
Itaú	370
Caixa Econômica Federal	354
Bradesco	294
BNDES	290
Santander	194

Source: Central Bank (December 2014)

Note that Banco do Brasil, Caixa Economica Federal (the Federal Savings Bank), and the National Bank for Economic and Social Development (BNDES) are owned by the federal government. Itaú and Bradesco are Brazilian-owned private banks. Santander is Spanish-owned.

Market Trends

According to a survey held by the Brazilian Bank Federation (Febraban), the banking industry is not very optimistic about 2015. Projections indicate that growth of credit operations will remain steady: for individuals, a 10% growth rate is expected, and for total portfolios, a rate of 12%.

U.S. Participation

U.S. commercial and investment banks have been in Brazil since 1915. In terms of assets, Citibank, and JP Morgan were among the top 50 institutions in the country as of December 2014.

Main U.S. banks in Brazil in assets (US\$ billion):

Citibank	20.3
J.P. Morgan	11

Web Resources

Brazilian Bank Federation (Febraban)

<http://www.febraban.org.br/>

Central Bank

<http://www.bcb.gov.br/>

The Superintendence of Private Insurance (SUSEP)

<http://www.susep.gov.br/>

The Brazilian Securities Exchange Commission (CVM)

<http://www.cvm.gov.br/>

Selling Franchises

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The Brazilian franchise sector is among the world's largest and most sophisticated markets, in terms of business practices and in adapting concepts from both foreign and domestic franchisors. The sector has consistently grown faster than Brazil's economy overall - especially during this period of stagnation - and has become one of the economy's main growth engines. In addition, even traditional retail companies are adding franchising to their channel expansion strategy. U.S. franchisors encounter strong competition in this robust market, from Brazilian franchisors offering a variety of product and service solutions, more than what they might encounter in other Latin American markets.

Selling Professional Services

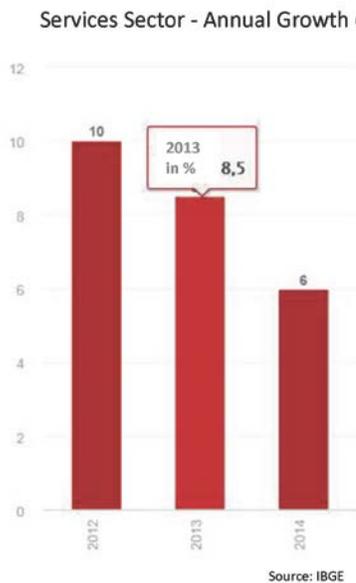
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The rapidly expanding service sector is Brazil's largest employer, accounting for more than half of the labor force. It is composed of private and government services, including national and local bureaucracies, public utilities, and a host of special agencies. In the private sector, the majority of workers are employed in hospitality industries (hotels, restaurants, and bars) and service and repair shops of various kinds. Retail sales and

personal services account for most of the remaining private-sector workers. Employment is growing most rapidly in the field of information technology.

According to the Monthly Survey of Services (“Pesquisa Mensal de Serviços – PMS”) published by the Brazilian Institute of Geography and Statistics (IBGE), in 2014 services sector revenues closed the year with a nominal growth of 6.6 %, vs. 2013, when the sector grew 8.5%. It is the lowest annual rate in the indicator series since its beginning in January 2012.

For 2015, the unknown factor for this sector is how the labor market will react to three consecutive years of low GDP growth.



Notable Sectors

The segment of hospitality services provided to families, such as lodging, food services, recreational/cultural services and personal services showed the highest growth in the period, with an increase of 9.2% vs. 10.2% in 2013.

Another segment that stood out in 2014 is professional, administrative and ancillary services, which increased by 8.5 %. This services sub-sector was the only one to record higher rate than that registered in 2013, when it stood at 8.1%. The remaining segments analyzed by the Monthly Survey of Services also showed growth: other services (6.8%) and transportation services (6.4%).

The lowest rates came from information and communication services, an increase of 3.4% over the previous year. Within this segment, IT services grew 2.9% and audiovisual services, publishing and news agencies, 6.3%.

Growth by Region

Among Brazil's 27 states, the highest increases in sales of professional services in 2014 were observed in Bahia (17.4 %), Ceará (11.6%), Espírito Santo (8.7%), Mato Grosso do Sul (6.6%) and Santa Catarina (6.3 %). The states that experienced the weakest growth

rates were Piauí (2.6%), Roraima (2.3%), Acre (-1.5%), Amazonas (-1.1%) and Maranhão (-1.1%).

Web Resources:

- Brazilian Institute of Geography and Statistics
<http://www.ibge.gov.br/>
- National Confederation of Trade in Goods, Services and Tourism (CNC)
<http://www.cnc.org.br>

For more information about export opportunities in this sector, please contact the U.S. Commercial Service's Industry Specialist Luciana Escobar: luciana.escobar@trade.gov

Selling Retail Concepts

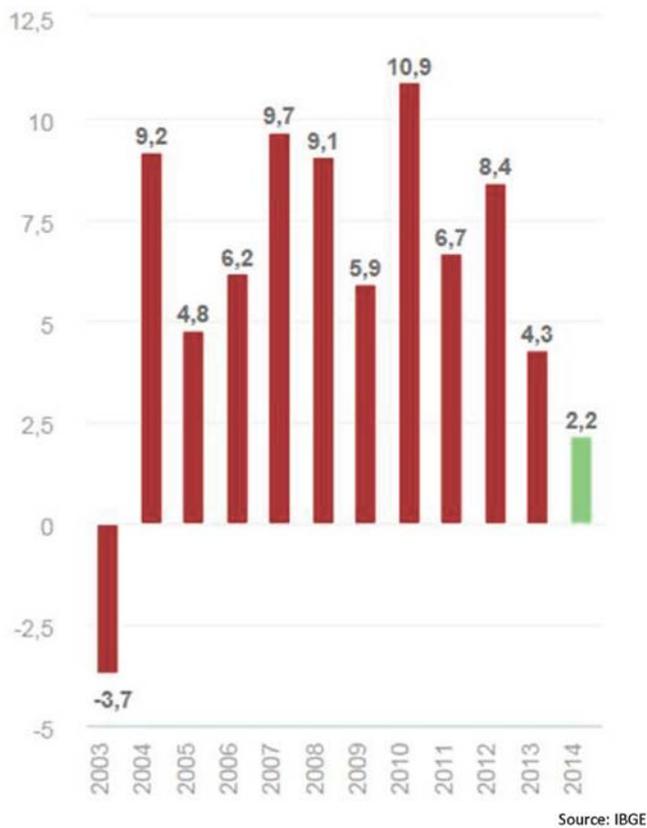
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The importance of retail in the Brazilian economy has been increasingly recognized and highlighted. Besides being the nation's largest generator of formal jobs, in the last four years the sector has shown significant numbers of revenue growth and consistent indicators of modernization. Brazil became a hot destination for investors since it found a place for itself in the now famous BRIC group of emerging economies. While some of Brazil's bigger counterparts ran for cover during the financial crisis of 2008-09, Latin America's largest economy managed to keep its head above water, thanks to the purchasing power of its population, especially the expanding middle class.

Brazil's retail industry sector has grown 106 % in the last 10 years, outpacing that of the country's overall GDP growth of 44 % in the same period. The growing number of consumers in the middle and upper-income classes led to an increase in the competitiveness of the Brazilian retail market, which was responsible for the creation of 3.7 million formal jobs over the past 10 years. Even so, the share of retail in the Brazilian GDP is still small, only 26%; therefore, there is still much room to grow.

Brazilian retail sales grew just 2.2% in 2014, according to data released by the Brazilian Institute of Geography and Statistics (IBGE). This was the worst annual growth since 2003, when the sector contracted by 3.7%. The result, although positive, was just half of 2013 growth, when sales volume grew 4.3%.

Retail Sales Growth, Year by Year (2003-2014) – in %



Sectors

Among the retail segments analyzed by the IBGE, one that had the greatest contribution to the sector growth was "other articles of personal and domestic use", a sub-sector that encompasses segments such as department stores, eyewear, jewelry, sporting goods and toys. The rate of growth in this area was 7.3%, compared to 2013, which was 10.8%.

In sequence, according to the order of importance of the sectors when calculating growth in the retail sector, appear "pharmaceutical, medical, orthopedic and perfumery" segment, with a combined share of 9%.

The segment of hypermarkets, supermarkets, food products, and beverages and tobacco retail increased 1.3% in 2014. According to IBGE, despite the growth of the hypermarket segment, between 2014 and 2013 there was a decline in the rate of expansion,, since in 2013 the increase was 1.9% compared to 2012.

During 2014 there was also an increase in sales in the fuel and lubricants, through the retail gas stations and auto maintenance store channel, of 2.6%; while retail sales of furniture and white good appliances accounted for 0.6%

Despite a drop of -1.7%, the segment of equipment and office supplies, computer and communication had no significant impact on retail sector results.

Two sub-sectors had a negative influence on the growth of this sector, both exerting the same magnitude of impact: textiles, apparel and footwear, with a rate of -1.1% vs. previous year; and books, newspapers, magazines and stationery, at -7.7 %.

	Group	Revenue in 2013	# of stores	# of employees
1	Grupo Pão de Açúcar - Companhia Brasileira de Distribuição	R\$ 64.405.475.962,00	1.999	156.342
2	Grupo Carrefour	R\$ 34.012.572.214,00	241	64.776
3	Grupo Walmart Brasil	R\$ 28.477.467.543,00	544	75.475
4	Lojas Americanas - LASA	R\$ 15.455.800.000,00	838	18.775
5	Cencosud Brasil Comercial Ltda	R\$ 9.811.363.497,00	221	35.133
6	Magazine Luiza	R\$ 9.692.400.000,00	744	24.000
7	Máquina de Vendas**	R\$ 9.150.000.000,00	1.057	26.370
8	O Boticário**	R\$ 8.000.000.000,00	3.755	6.000
9	Makro**	R\$ 7.434.308.480,00	78	8.650
10	Raia Drogasil	R\$ 6.464.103.000,00	967	21.482
11	Casas Pernambucanas	R\$ 6.002.504.000,00	303	17.000
12	C & A Modas Ltda**	R\$ 5.750.000.000,00	261	17.000
13	Lojas Renner S.A	R\$ 5.705.530.000,00	278	16.367
14	Drogarias DPSP	R\$ 5.600.000.000,00	803	21.163
15	Grupo Guararapes - (Riachuelo)	R\$ 5.587.175.000,00	212	24.060
16	Dia Brasil Sociedade Ltda	R\$ 4.649.248.800,00	669	7.875
17	Mc Donald's**	R\$ 4.030.000.000,00	812	50.000
18	Leroy Merlin**	R\$ 3.876.000.000,00	31	7.000
19	Companhia Zaffari Comércio e Indústria	R\$ 3.765.000.000,00	30	9.691
20	Lojas Marisa	R\$ 3.722.193.000,00	407	16.000

Source: IBEVAR
 **Estimated value

Market Trends

There are five major trends we observe for Brazil. The first one is market consolidation, with mergers and acquisitions enabling companies to seek greater economies of scale, conquer new markets and consumers and increase their geographic coverage. The second trend is the growth and maturity of emerging companies and their transition to become more complex organizations (e.g., with an IPO or investor entry). The third is an intensive search for productivity growth, which will give greater efficiency to the supply chain, using more technology and tax planning. Innovation in products, business models and distribution channels ("omnichannel") is the fourth trend. And last but not least, the growing demands for more sustainability and social responsibility by retailers and wholesalers and their providers.

Looking Ahead

Analysts in the retail sector, which showed growth rates higher than the national GDP in the last decade, are doubtful that the coming years will be so prosperous. According to the National Confederation of Trade in Goods, Services and Tourism (CNC), 2014 was particularly difficult for the Brazilian retail market, due to the convergence of several unfavorable factors such as high inflation, consumer credit being extended at record

levels, and deceleration of payroll through layoffs. The increase of 3% projected for 2015 will be mainly due to the softening, already under way, of prices in the retail sector.

Web Resources:

- Institute for Retail Development
<http://www.idv.org.br/>
- Brazilian Institute of Business Retail and Consumer Markets
<http://www.ibevar.org.br/>
- Brazilian Institute of Geography and Statistics
<http://www.ibge.gov.br/>

For more information about export opportunities in this sector, please contact the U.S. Commercial Service's Industry Specialist Luciana Escobar: luciana.escobar@trade.gov

Selling to the Government

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The Government of Brazil (GOB) is the nation's largest buyer of goods and services. However, winning contracts with the government can be challenging. U.S. exporters may find themselves at a competitive disadvantage if they do not have a significant in-country presence – whether via established partnerships with Brazilian entities or some type of company subsidiary -- as well as the patience and financial resources to respond to legal challenges and bureaucratic delays. To be considered a local firm, that firm's capital, decision-making authority, and operational control must be majority Brazilian-owned. Since the open period for bidding is often as short as one month, it is advisable to have a resident partner in Brazil.

Government procurement policies apply to purchases by government entities and "parastatal" companies such as Petrobras (i.e., quasi-governmental organization, corporation, business, or agency). Government procurement regulations contained in Bid Law 8666 establish an open and competitive process for major government procurements. Under this law, price is the overriding factor when selecting suppliers. Tenders are open for international competition, whether 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 provide unique technical requirements. In case of a bid tie, nationally owned companies will likely gain preference over foreign competitors. Recent measures are focused on modernizing the federal government's 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 Bid 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. Preferences for locally-produced products apply to government procurement at all levels, including federal, state and local. Federal and state tax exemptions were issued

specifically for 2016 Olympic Games for products that will be used during the games. Even with such exemptions now enacted, U.S. companies may find it difficult to participate in Brazil's public sector procurement, unless they are associated with a local firm that can keep them informed of new procurements on short notice and that can assist with the preparation of required paperwork.

It is important to mention the Basic Production Program (PPB), which is an incentive program of the Ministry of Science and Technology and Innovation (MCTI) and Ministry of Development, Industry and Foreign Trade (MDIC) for ICT products implemented in 1991. The program gives tax incentives to manufacture or assemble specific products within Free Trade Zones. PPB is well utilized by companies manufacturing cell phones and computers.

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 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, imported products. In August 2011, this system of preferences 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 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 *Plano Brasil Maior* when, in November 2011, the federal government's MDIC implemented an 8 percent preference margin for Brazilian-made goods in these industries for those suppliers who bid on applicable government contracts. In April 2012, the government added pharmaceuticals and certain heavy construction equipment to the list of products receiving preference. In June 2012, the defense, education, and agriculture sectors also received preference margins. In 2012, US\$4.2 billion was earmarked for government purchases of domestically-made products. Special legislation was also enacted for the purchase of local trucks, vans, and roads.

In order to stimulate innovation of national products, public institutions (when evaluating bids) can add margins of preference, which apply to the innovative component of a product developed in country and create a cost advantage for the domestic firm. The margins of preference of those products can reach up to 25 percent. Decree 7546/2011 established the requirements to obtain a national product designation, and the measures of industrial, commercial and technological compensation with the goal to strengthen the production of goods in country and technology development. In 2013, MCTI and MDIC established the requirements for industrial and technological verifications for the additional margins of preference.

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 upon a complex, 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. In February 2013, Decree 7903 (2013) was issued, setting new preference margins for ICT

products. Under the new guidelines, ICT products assembled in Brazil with imported component parts will have a 15% preference margin, while ICT products manufactured in Brazilian from local components will have a 25% preference.

Many of the preference margins stipulated under *Plano Brazil Maior* are temporary and are set to expire at the end of 2015. Government procurement is just one of thirty-five components under *Plano Brazil Maior* intended to support Brazilian exporters and protect domestic producers, particularly in the labor-intensive sectors.

Brazil is negotiating a treaty on government purchases under MERCOSUL, the Southern Common Market, comprised of Argentina, Brazil, Paraguay, Uruguay, and Venezuela, which promotes free trade of goods, services, and production inputs. When the treaty is signed and ratified, Mercosul-produced goods will also be included in GOB preference margins on public purchases.

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.

Including Brazilian goods and services in your company's bid, or subcontracting 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 fully defined. Such a proposal should include presentations on financing, engineering, equipment capabilities, training, and after-sale service that will originate and be carried out within Brazil.

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.

Express Delivery

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U.S. express delivery service companies face significant challenges in the Brazilian market due to numerous barriers, including high import taxes, an automated express delivery clearance system that is only partially functional, and levels for de minimis exception from tariffs that are too low to facilitate efficient import of goods.

The Brazilian government charges a flat 60 percent duty for all goods imported through the Simplified Customs Clearance process used for express delivery shipments. U.S. stakeholders contend that this flat rate is higher than duties normally levied on goods arriving through regular mail, putting express delivery companies at a competitive disadvantage. Moreover, Brazilian Customs has established maximum value limits of

\$5,000 for exports and \$3,000 for imports sent using express services. For more information, see the USTR National Trade Estimate Report: <https://ustr.gov/sites/default/files/files/reports/2015/NTE/2015%20NTE%20Brazil.pdf>

FedEx, UPS and DHL will ship documents, packages and freight shipments to Brazil. Average delivery time from large U.S. cities is two to five days, depending on the frequency of international flights.

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 competitive advantages for U.S. companies. As Brazilian companies become more concerned with environmental stewardship, it is also advisable to demonstrate commitment to sustainable development practices when introducing new products into this market.

Electronic Commerce

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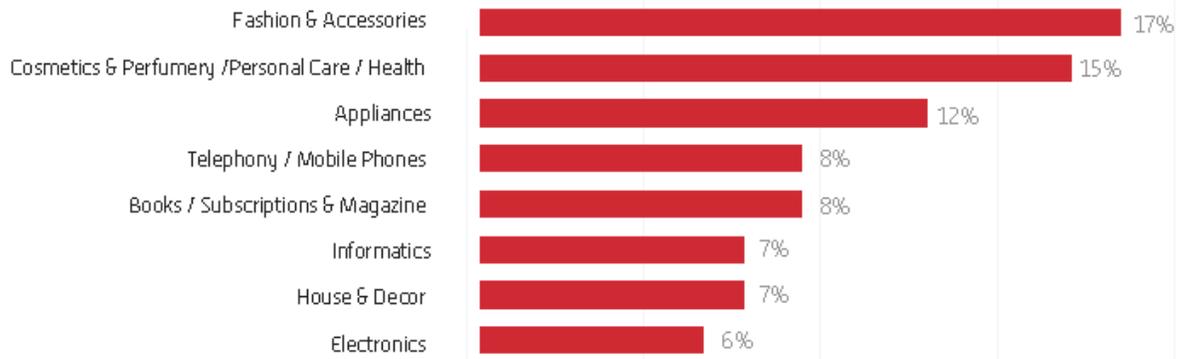
Overview

According to the Brazilian Chamber of Electronic Commerce report, the e-commerce segment ended 2014 with US\$ 14.4 billion in earnings, an increase of 24% as compared to 2013. A total of 103.4 million orders were placed in 2014, a 17% increase compared to the previous year. Throughout the year, 51.5 million people completed at least one online purchase in 2014, of which 10.2 million were newcomers.

The popularization of mobile broadband is another key growth factor. Cheaper smartphones have connected people from the lower to lower–middle (“C” and “D” socio-economic classes) to the Internet, thus allowing these consumers to order online.

The most profitable industry sectors for online shopping include electronic appliances, computers, electronics, and fashion and accessories. Fashion is a particularly interesting category, due to 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. Many middle-class consumers are aware that online prices for consumer goods and customer service policies are better than in stores.

2014 - Most Sold Categories (by volume)



Source: E-bit Empresa

Currently, the most popular Brazilian online retail websites include (in alphabetical order):

Fast Shop	www.fastshop.com.br
Magazine Luiza	www.magazineluiza.com.br
Ponto Frio	www.pontofrio.com.br
Ricardo Eletro	www.ricardoeletro.com.br
Shoptime	www.shoptime.com.br
Submarino	www.submarino.com.br

A study conducted between November and December 2014 demonstrated that four out of ten Brazilians have completed a purchase on an international website over the last year. Chinese websites accounted for 55% of total international purchases. The top five most used websites in order are AliExpress, eBay, Amazon.com, DealExtreme (dx.com) and MiniInTheBox. Of the 20 most frequently used websites, 12 are Chinese.

The three most searched categories on international websites are fashion & accessories, electronics and computer programs, in this order. The leading category of purchases made by Brazilians on international websites represents a 33% market share. Of these purchases 52% are made on Chinese websites. Brazilians usually look for products with lower prices and ones that are not available in Brazilian stores.

M-Commerce (mobile commerce) transactions are also on the rise, reaching 9.7% of total transactions. Amazon, Google, Yahoo and other U.S. giant companies already have offices in Brazil.

Trends

Mobility continues to be one of the strongest trends for 2015, contributing to the M-Commerce rise. Consumers are learning to compare prices and product information via Internet and often prefer the convenience of purchasing items via e-commerce.

The business-to-consumer (B2C) e-commerce segment in Brazil accounted for US\$ 14.3 billion in 2014. One factor enabling the development of this sector is the “long-tail” effect, which allows a wider product offering in niche areas compared to that found in physical storefronts. Surveys held in other countries, for example, indicate that online stores’ inventories are 6 to 23 times larger than those of physical stores. Online retailers are taking

advantage of U.S. selling techniques. For example, in 2014 in Brazil, Black Friday generated retail sales of \$460 million breaking all previous records for a single day.

U.S. B2C firms seeking to reach the online Brazilian consumer from their U.S. bases should proceed with caution. It is cost prohibitive and unreliable for online shoppers to purchase and import products into the country from the U.S. because of high import taxes. Direct sales from the U.S. are subject to customs and duties regulations. Although Brazil has made substantial progress in reducing traditional border trade barriers (tariffs, import licensing, etc.), rates in many areas remain high and continue to favor locally produced products.

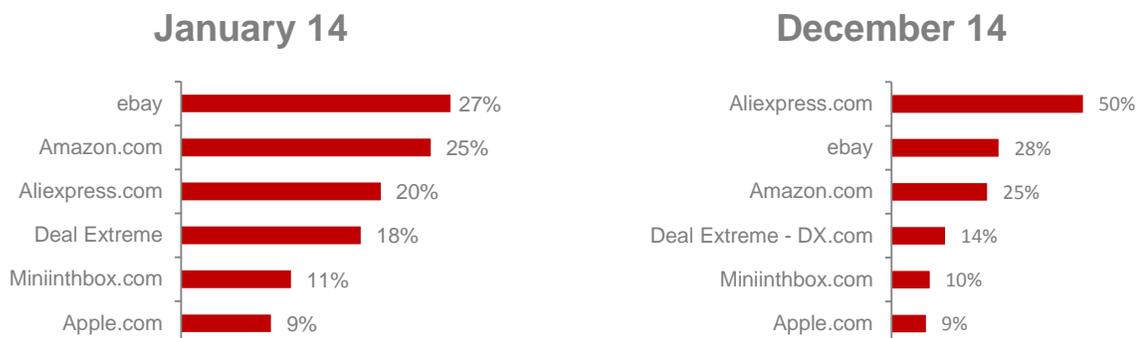
Geography plays a major role when evaluating the country's market potential. Consumers in the state of São Paulo account for one-third of online purchases (34.2%), which reflects Brazil's concentration of wealth and education. U.S. firms should take this concentration into account when assessing potential partnerships and working with consultants and online service providers. Many of the major consulting firms are based in São Paulo, the country's business capital.

Payment methods are complex and varied in nature. Some Brazilians still use payment slips, but electronic payment methods are on the rise. According to a survey conducted by the Brazilian Association of Credit Card and Service Companies (ABECS) (*Associação Brasileira das Empresas de Cartões de Créditos e Serviços*), in 2014, 70% of the country's payments was made via credit card although security continues to be a concern, with relatively little information available regarding online fraud. According to Forbes, Brazil suffers from weak legislation to deter cybercrimes.

International transactions can be challenging for residents and visitors alike. While visitors have relatively few problems using credit cards at hotels and tourist venues, the same is not true for online purchases. Those wishing to pay for services such as airline or movie tickets online encounter barriers, as many Brazilian websites do not accommodate international credit cards. The most commonly accepted cards are Visa and MasterCard with chip and PIN technology.

The U.S. Commercial Service has seen some improvements, perhaps spurred by the anticipated large number of international visitors coming to Brazil for the 2016 Olympics. 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.

Most Frequently Used International Websites



Source: E-bit Empresa

Travel and tourism services purchased digitally within Brazil play an important role in the growth of e-commerce. E-market analysts estimate that travel represented close to a third of the country's total e-commerce sales in 2014. Brazil's sheer size means that air travel is required to get from place to place, and airline tickets can be expensive.

Brazil's expanding middle class, especially those at the upper end, will drive growth in e-commerce here. E-commerce sales will continue to come from wealthier buyers, who have more expendable income and more experience with online shopping.

Tariffs, in general, are the primary instrument in Brazil for regulating imports. All tariffs are *ad valorem*, with rates between 0 and 35%, levied on the Cost Insurance Freight (CIF) value of the import, with the exception of some telecommunication goods. Brazil maintains a higher average tariff on processed items than for semi-processed goods and raw materials. The United States continues to encourage tariff reductions on products of interest to US firms.

Given the market size and potential, U.S. retailers are encouraged to explore strategies that include a local presence in the market.

Web Resources:

Brazil Chamber of Electronic Commerce
www.camara-e.net

Brazilian Association of Credit Card and Service Companies
www.abecs.org.br

E-bit - Certificação de Consumidores
www.ebit.com.br

For more information about export opportunities in this sector, please contact the U.S. Commercial Service's Industry Specialist Ebe Raso: Ebe.Raso@trade.gov

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 that target a multitude of trade and consumer audiences. TV advertising can be an especially 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, and 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. The nation's largest daily circulation newspaper is *Folha de São Paulo*, published by the Folha Group, with a circulation of 378,000 on Sundays and a daily circulation of 344,480 from Monday through Saturday.

Trade fairs are another important marketing tool. The city of São Paulo hosts around 300 trade fairs per year. Other principal cities host significant shows as well: Rio de Janeiro for the oil and gas industry, 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. Some of the most important trade shows in Brazil are listed by industry in various sections of Chapter 4.

Web Resources:

- *Veja* Magazine
<http://www.uol.com.br/veja>
- *Folha de São Paulo* Daily Newspaper
<http://www.folha.uol.com.br/>

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. Further information on a sector-by-sector basis may be found within various sections of Chapter 4.

Sales Service/Customer Support

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The “Consumer Protection Law” of 1992 mandates customer support and after-sale servicing. In the case of imported products, the importer or local channel partner of record is responsible for such services; therefore, U.S. manufacturers should appoint agents or distributors who are qualified to provide such services.

Protecting Your Intellectual Property

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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 in Brazil can provide a list of local lawyers upon request.

While the U.S. Government stands ready to assist, there is little we can do if the rights holders have not taken such fundamental steps necessary to securing and enforcing their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights with the 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 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 such would-be bad actors". Projects and sales in Brazil require constant attention. Work with legal counsel familiar with Brazil laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

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

- The United States Chamber of Commerce
<https://www.uschamber.com/>
- National Association of Manufacturers (NAM)
<http://www.nam.org/>
- International Intellectual Property Alliance (IIPA)
<http://www.iipa.com/>
- International Trademark Association (INTA)
<http://www.inta.org/Pages/Home.aspx>
- The Coalition Against Counterfeiting and Piracy
<http://www.theglobalipcenter.com/get-involved/cacp/>
- International Anti-Counterfeiting Coalition (IACC)
<http://www.iacc.org/>
- Pharmaceutical Research and Manufacturers of America (PhRMA)
<http://www.phrma.org/>
- Biotechnology Industry Organization (BIO)

<http://www.bio.org/>

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 more 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 more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**.
- For more 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 on obtaining and enforcing intellectual property rights and market-specific IP Toolkits, visit: www.StopFakes.gov This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IP-infringing products), and allows you to register for Webinars on protecting IP.
- The U.S. Commerce Department has positioned IP attachés in key markets around the world. In Brazil, contact IP Attaché Albert Keyack at albert.keyack@trade.gov

Due Diligence

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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. As stated in the previous section, 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.

Closely monitor your cost structure and reduce the margins (and the incentive) of potential 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. More: <http://export.gov/brazil/contactus/index.asp>

Web Resources

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Government of Brazil:

Central Bank

<http://www.bcb.gov.br>

Foreign Investment and International Trade Promotion Agency (APEX Brasil)

<http://www2.apexbrasil.com.br/en>

Industrial Property Institute (INPI)

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

Trade and Investment Guide (Brazil Export)

<http://www.brasilexport.gov.br/>

Securities Exchange Commission (CVM)

http://www.cvm.gov.br/subportal_ingles/index.html

Superintendence of Private Insurance (SUSEP)

<http://www.susep.gov.br/english-susep/index>

Industrial and Trade:

American Bar Association - Section of International Law

http://www.americanbar.org/groups/international_law

Brazil Agency for Industrial Development (ABDI)

<http://www.abdi.com.br/>

Brazil Association of Direct Marketing (ABEMD)

<http://www.abemd.com.br/>

Brazil Bank Federation (Febraban)

<http://www.febraban.org.br/>

Brazil Franchise Association (ABF)

<http://www.portaldofranchising.com.br>

U.S. Government:

U.S. Mission to Brazil - Intellectual Property Protection
<http://brazil.usembassy.gov/intelprop.html>

U.S. Commercial Service
<http://export.gov/Brazil/>

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Agricultural Sectors - Food, Equipment and Services

Agricultural Food

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

http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Retail%20Foods_Sao%20Paulo%20ATO_Brazil_12-4-2013.pdf

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

U.S. Agricultural Trade Office

U.S. Consulate General

Rua Henri Dunant, 700

04709-110 São Paulo, SP Brazil

Phone: 55 11 3250-5400 / Fax: 55 11 3250-5499

E-mail: atosaopaulo@usda.gov / atobrazil@usdabrazil.org.br

Agricultural Equipment and Services

Overview

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Unit: US\$ million

	2013 (estimated)	2014 (estimated)	2015 (estimated)
Total Market Size	13,479	11,841	9,604
Total Local Production	16,603	14,445	11,376
Total Exports	3,553	2,818	1,922
Total Imports	429	214	150
Imports from the U.S.	215	100	90

Brazil is a major producer, consumer, and exporter of a wide range of agricultural products. The country is a large, dynamic, and rapidly growing market for agricultural equipment. This growth is driven by an extensive commercial farming sector that itself is a major global exporter of agricultural commodities, such as soybeans, coffee, sugar, corn, meat and orange juice.

These estimated value statistics are based on official data on agricultural machinery production units per year, published by the Brazilian Automotive Vehicles Manufacturers Association (ANFAVEA). Figures include *only* tillers, wheel tractors, crawler tractors, combines, loaders and backhoes. The domestic industry will likely supply most of the growing demand for those agricultural machinery. In 2014, according to ANFAVEA, Brazil produced 82,414 agricultural machines, 17% less than in 2013. This is mainly due to a price decrease on agricultural commodities. Imports decreased 74% in 2014, reaching 416 units. In 2015, it is estimated that imports will decrease by approximately 60% and local machinery production by 23%.

The 2015 estimate for purchases in Brazil's agricultural machinery market is around US\$10 billion. Of that amount, nearly US\$150 million will likely be imported, with

approximately US\$90 million being imported from the United States. Although Brazil's market for machinery sales have increased considerably in recent years, rising benchmark interest rates and a reduction in interest rate subsidies for farmers mean that machinery sales growth has slowed down in recent months and has been negative since the end of 2013. Nevertheless, the fundamentals of Brazil's agricultural economy remain strong and the country will remain a major market for U.S. agricultural equipment.

Agricultural Machinery Production (Units)

	2012	2013	2014	2015 (estimated)
Local Production	83,704	100,400	82,414	63,200
Exports	16,915	15,642	13,740	10,000
Imports	2,180	1,637	416	170
Domestic Wholesales (locally-manufactured and imported)	70,100	82,992	68,516	50,000

Brazil has 16 industrial production units owned by seven large agricultural equipment manufacturers, including AGCO (Massey Ferguson/Valtra), Agrale, Caterpillar, John Deere, Komatsu, Valtra and Case New Holland Fiat Allis.

However, the volume of U.S. agricultural equipment exports to Brazil in 2014 was worth US\$485 million, including parts, components, implements, and agricultural machinery. Equipment for producing grain, oilseeds, and other commodity row crops represented nearly 29% of total exports to Brazil in 2014, worth US\$139 million. Parts and components account for more than half of all agricultural exports, or worth US\$244 million. U.S. exports to livestock sector represented 4%, or US\$21 million. U.S. agricultural equipment exports to the fresh produce sector was US\$46 million in 2014, and agricultural sprayers accounted for less than one percent of total exports, worth US\$4.4 million.

Sub-Sector Best Prospects

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The strength in Brazil's agricultural sector means there is a growing demand for agricultural equipment that improves the quality and yield of crops while reducing costs. Moreover, since farms tend to be quite large, the sector is ideal for a wide range of U.S. agricultural machinery and technology. Widespread adoption of advanced commercial seed varieties has also boosted Brazil's agricultural economy and fits well with equipment offered by U.S. industry.

The top U.S. exports prospects include sophisticated, high-technology self-propelled machinery, post-harvest machinery, including field refrigeration units/storage for tropical fruits, grain storage, GPS and precision devices, poultry equipment, irrigation equipment, and fertilizers.

Market Entry

When developing a market entry strategy for Brazil, it is critical to understand the market and select an optimal partner. It is important to gain an understanding of the Brazilian context for a product or service: its competitors, standards, regulations, sales channels, and applications. Low to medium dollar equipment -- under US\$50,000 -- or equipment

with no Brazilian competitor can often be exported to Brazil with a traditional export/distributor model. When there is no Brazilian competitor, importers can seek import duty waivers to reduce import costs. Providing ongoing support to dealers is critical, including visits between U.S. headquarters and installation locations, as well as providing trade show support and provisions for equipment demonstration. Performing due diligence on potential local partners is just as important as in any other market.

Trade Barriers

Tariff rates and other trade barrier areas remain high for many types of goods and there continues to be a strong preference for locally-manufactured products. High dollar value equipment faces significant import duties, making it difficult to compete; especially if there is a Brazilian competitor. While import duties, taxes and restrictions can be prohibitive, it can still be cheaper to import certain items from the USA rather than manufacturing them locally in Brazil.

Brazil is a major market for both finished equipment and parts and components. Due to high tariffs and other barriers to the importation of finished goods, Brazil is also a major market for parts and components for final assembly in local factories. Therefore, another option to minimize obstacles for imported products in Brazil is to establish local manufacturing partnerships, starting with a part-by-part analysis to determine which ones can be built locally. Local content value has to be at least 60% to qualify as Brazilian-made, in order for Brazilian farmers to access federally supported, low interest rate financing (FINAME). US companies can reduce the impact of duties by working in partnership with a Brazilian manufacturer, one that has similar but not directly competing equipment.

Standards

Under the U.S. – Brazil Commercial Dialogue, the U.S. National Institute of Standards and Technology (NIST), in cooperation with its Brazilian counterpart (INMETRO), published *A Guide to Brazil's Agricultural Machinery Compliance Requirements*. The guide can be found at: http://gsi.nist.gov/global/docs/BRA_ag_machinery_guide.pdf

Opportunities

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Agribusiness is one of Brazil's largest economic sectors. It is well diversified and the country is largely self-sufficient in food. In 2014, agribusiness was responsible for 22.8% of Brazil's GDP (or approximately US\$ 460 billion). It represented 43% of Brazilian exports (or US\$ 98 billion), and the sector employs nearly 40% of Brazil's workforce.

Brazil's rise as a leading market for agricultural equipment is the result of the country's position as one of the world's largest exporters of agricultural commodities. Soybeans and related products, sugar, coffee, corn, orange juice and meat are Brazil's leading export commodities. Brazil's grain production for the harvest period 2013/2014 was 194 M/t, and it is estimated that it will increase to 202 M/t for the 2014/2015 harvest period, up 9%. Soybean and corn account for the majority of grain production. Thus, reflecting a slower but still tremendous demand for agricultural machinery in the last months.

Brazil is also one of the few countries still capable of increasing its planted area. Large portions of Brazil's *cerrado* (savannah or prairie region) are still available for cultivation, leaving considerable room for growth of the country's commercial agricultural sector.

Brazil has world-class research and development labs and graduate-level studies, which signals the development of new enterprises that work to boost crop yields through increased efficiency.

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

Trade Event

AGRISHOW 2016 - U.S. manufacturers can present new products, technologies, and production systems to Brazilian buyers at AGRISHOW 2016, one of the largest and most important trade events of its kind in Brazil. AGRISHOW is an excellent platform to showcase state-of-the-art agricultural equipment, irrigation equipment and related services, rural communication systems, precision agriculture technology, pumps, motors, accessories, fertilizers, and related goods and services.

Web Resources

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AGRISHOW 2016

<http://www.agrishow.com.br/en/>

Brazilian Automotive Vehicles Manufactures Association (ANFAVEA)

<http://www.anfavea.com.br>

Brazilian Food Supplying Agency (CONAB)

<http://www.conab.gov.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 Vania.Resende@trade.gov

Aircraft and Parts

Overview

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Aerospace is one of Brazil's most important industries and offers excellent opportunities for U.S. aircraft manufacturers and parts suppliers. In view of the overall slowdown of the economy in the country, U.S. exports of aerospace products to Brazil in 2014 dropped nine percent compared to 2013. Nevertheless, U.S. exports reached US\$ 5.2 billion and Brazil continues to be one of the top destinations for U.S. aircraft, aircraft parts, and components.

The Brazilian aerospace industry is led by Embraer, the world's third-largest aircraft manufacturer. In 2014, Embraer delivered 208 aircraft, which consisted of 92 commercial jets, 92 light business jets, and 24 large executive jets. The other key player is Helibras, the Brazilian subsidiary of Airbus Helicopters. This company has been producing helicopters in Brazil since 1978 and is positioned as a world class helicopter manufacturer. Every year, the company delivers around 36 helicopters produced in Itajuba, State of Minas Gerais, serving the civilian, military, and law enforcement markets.

Companies interested in supplying to these OEMs in Brazil must undergo a strict qualification process of the company, product, and technology; however, once they have been qualified, they will find excellent opportunities. Embraer annually imports over US\$2 billion in aircraft components to support its Brazilian operations, and is always open to develop new suppliers that have recognized technology and qualifications in the aerospace industry. U.S. companies interested in supplying Embraer must be registered under the AS9100 series by an accredited certification/registration body as indicated by IAQG (www.iaqg.sae.org/iaqg). Distributors must be registered under AS9120. And, for tooling suppliers, Embraer requires registration to ISO 9001.

Excellent opportunities also exist in the general aviation segment. According to the Brazilian Association of General Aviation (ABAG), Brazil has the world's second-largest general aviation fleet and the third-largest helicopter fleet. The general aviation fleet grew 4.9% in 2013, reaching a total of 14,648 aircraft that made more than 800,000 flights that year. The fleet is mostly concentrated in the states of São Paulo (3,973), Minas Gerais (1,294), and Mato Grosso (1,209). Although the demand for new aircraft may slow down in 2015 due to the country's poor economic outlook, the demand for replacement parts should continue growing over the next few years. The market for general aviation maintenance and repair is currently estimated at US\$700 million, and has been enjoying annual expansion of 5-6% over the last few years. The relatively high value of maintenance costs is due to the fact that around 35% of the general aviation fleet is composed of one or two-engine piston-powered aircraft with around 30 years of use. The average age of the general aviation fleet is currently around 25 years.

All aeronautical products must obtain certification issued by the Brazilian Civil Aviation Agency (ANAC, <http://www2.anac.gov.br/ingles/aboutAnac.asp>).

Sub-Sector Best Prospects

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- Avionics

- Communication systems
- Airplane and helicopter parts and components
- Replacement parts

Opportunities

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The worldwide trend of airlines replacing larger jets with smaller designs that can fly more efficiently should help sustain Embraer's role as a leader in this market segment, thereby presenting good opportunities for U.S. aircraft parts and component manufacturers. Embraer imports about 50% of its components from U.S. suppliers.

The expected increase of the number of air travelers in Brazil resulting from the surge in purchasing power of the middle class will contribute to the expansion of aircraft as well as the parts and components markets. Brazil has the third-largest air traffic market in the world, and represents 35% of all air traffic in Latin America. In 2014, 117 million passengers were carried to, from, and within Brazil, representing a 170% increase compared to 2004. According to a study conducted by the Brazilian Airlines Association (ABEAR), air traffic is expected to reach 211 million by 2020. Although the country boasts one of the world's youngest aircraft fleets with an average age of just 6.7 years, significant investments will need to be made to meet the rapidly expanding demand. ABEAR's study indicates that by 2020, Brazil will need to add 526 airplanes to its current fleet of 450.

Web Resources

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Government of Brazil:

ANAC – National Civil Aviation Agency
<http://www2.anac.gov.br>

SAC – Secretariat of Civil Aviation
<http://www.aviacaocivil.gov.br/>

SAR – Brazilian Airworthiness Superintendence
<http://www2.anac.gov.br/certificacao/>

Other:

AIAB – Brazilian Association of Aerospace Industries
www.aiab.org.br

ABAG – Brazilian Association of General Aviation
www.abag.org.br

ABEAR – Brazilian Airlines Association
<http://www.abear.com.br/>

ABIMDE – Brazilian Association of Defense and Security
www.abimde.org.br

Airports

Overview

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Commercial passenger flight services in Brazil increased significantly over the past several years as the country's middle class expanded, creating new opportunities in the airport sector and for domestic travel in particular. Brazil has the third highest level of domestic air traffic in the world and represents 35% of all air traffic in Latin America. Principal airports are operating above capacity limits due to rapid growth. In 2014, 122 million passengers traveled through Brazilian airports, a 170% above 2004. While growth is expected to slow as Brazil's economy struggles, opportunities will continue arising in this sector as airports work to expand capacity.

The Brazilian Civil Aviation Secretariat (SAC) predicts that the domestic segment needs to triple in size within the next 20 years; however investments made by Infraero, the federal agency in charge of airport operations, have not matched the ever-increasing number of passengers. Major airports in Brazil have reached a critical utilization levels, and it is clear that large amounts of capital must be invested quickly in order to ease the burden of running over capacity and allow the segment to grow with demand.

Decision makers realize the urgent need to expand and modernize the country's airports and are responding accordingly. The government of Brazil has privatized five of the country's busiest airports since 2012, and plans to privatize three more by 2016. The funds generated by auctioning these airports are being reinvested in the modernization of regional airports. Both the privatization and investment in regional airports is creating significant opportunities for U.S. airport suppliers of services and equipment.

Even with a sluggish economy the growth in Brazil's airports is remarkable. The graph below provide by SAC indicates the expected passenger growth in Brazil's airports:

Projected and Historic Civil Aviation Growth



The Government of Brazil (GOB) estimates that investments of approximately US\$ 2.6 billion are needed to upgrade the nation's 13 busiest airports. This amount far exceeds the average annual investments made during the entire previous decade. Given the scope of the challenge, the government opened the sector to public-private partnerships (PPPs).

With five important airports partially privatized and master planning currently underway, the airport industry is potentially lucrative for U.S. suppliers of a wide range of airport-related technologies and services. Additional rounds of PPPs in the airport sector should be expected as of this year and beyond.

Sub-Sector Best Prospects

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Currently, passengers face long waits and airlines' requests for additional use of space are often denied, especially during peak hours. Airport equipment such as kiosks, navigation systems, luggage sorting systems, conveyor belts, inspection devices, signage, and sanitary facilities are all in need of modernization.

Airport Concessions

On February 6, 2012, private investors won long-term concessions for three key airports: Guarulhos International Airport in São Paulo, Viracopos International Airport in Campinas, and Juscelino Kubitschek International Airport in Brasília.

GRU, São Paulo's international airport, is the busiest in South America, receiving approximately 40 million passengers in 2014. The construction of Terminal 3 was central to the winning consortium's investment plan, which is projected to add 12 million to the former passenger capacity of 17 million at the two existing terminals. The new terminal is now officially open and in use by all Star Alliance airlines, along with many other international carriers. TAM also uses the facility for its international flights. It currently ranks as the world's 20th busiest airport and provides the only routes between Asia and Latin America.

In 2014, the Brasilia airport received 15 new boarding bridges for a total of 28 bridges. This was the central requirement made by the federal government in an auction during which they transferred operation of the terminal to the Inframerica Group, which invested US\$ 250 million in the project. Since then, the number of [parking](#) spaces doubled, reaching three thousand. The airport's entrance has a new rooftop cover and a new access road. A [VIP room](#) was created on the third floor of Terminal 1. The investments increased the capacity of Brasília's airport from about 15 million passengers per year to 21 million in 2014.

In December of 2012, the GOB approved international airport concessions for Galeão International Airport in Rio de Janeiro (the country's second largest airport) and Tancredo Neves/Confins International Airport in Belo Horizonte, Minas Gerais. The winners of the concessions were announced in late 2013, as follows:

- Rio de Janeiro-Antônio Carlos Jobim "Galeão" International Airport: with a bid of US\$ 6.33 billion, a 25-year concession was granted to Consórcio Aeroportos do Futuro, comprised of Brazilian construction engineering firm Odebrecht and the operators of Singapore's Changi International Airport.
- Belo Horizonte-Confins "Tancredo Neves" International Airport: with a bid of US\$ 60 million, a 30-year concession was granted to Consórcio AeroBrasil, which comprises of Brazilian construction engineering firm CCR, Swiss airport operator Flughafen Zurich, and German airport operator Flughafen Munchen.

Additionally, secondary airports operated by states and cities can be privatized without need to refer to any federal law, regulation or policy, which may present additional future opportunities. For example, airports in the States of Bahia, São Paulo and Rio Grande do Sul have already been commercialized through private concessions. The government recently announced that the airport concessions in Porto Alegre, Florianópolis, and Salvador will be put out to tender in parallel with the restructuring of national airport authority Infraero.

Infraero plans on making major investments to increase the capacity of the 63 airports that remain under its administration. Infraero has also announced that security improvements, like modern X-ray machines for baggage screening, metal and explosives detectors, surveillance cameras, as well as fire-fighting and rescue vehicles, will be acquired through public tenders at a total cost of US\$ 200 million.

Commercial activity at Brazilian airports is usually limited to small snack shops and/or Duty Free shops near departure gates. This layout prompts many passengers to spend more time landside, where shopping and restaurant choices are broader, and then rush through security at the last minute, elevating the risk of flight delays. The new airport operators in the major airports have invested resources in expanding retail operations within departure areas. Experts believe that retail revenues at the most important airports in Brazil could easily increase to 40%, closer to the global average share of non-aeronautical revenue for airport operators.

Regional Airports

The GOB is investing US\$ 3.6 billion to analyze 270 of 689 regional airports and heliports, with the goal of strengthening and expanding the regional airport network. Upon completion of the program, the GOB intends for 96% of the country's population to live less than 100 kilometers away from an airport. Resources will come from the National Civil Aviation Fund (Fnac), with project and investment management from Banco do Brasil. Funds will be dispersed by region as follows:

- North: US\$ 566 million over 67 airports
- Northeast: US\$ 700 million over 64 airports
- Midwest: US\$ 308 million over 31 airports
- Southeast: US\$ 533 million over 65 airports
- South: US\$ 331 million over 43 airports

The project will promote the improvement, modernization, reform, and expansion of airport infrastructure and equipment, including the repair and construction of ramps and runways and upgrades to terminals. The federal government aims to subsidize these routes to attract the principal carriers (TAM, Azul, Avianca, and Gol) to provide regional service to these airports and to make flying more affordable for passengers.

President Rousseff contracted Banco do Brasil to manage the first round of studies to determine which of the existing state airports, aerodromes and heliports would be scheduled to be modernized in the first of two rounds of modernization. Although cargo airports are part of the study, it is expected that regional airports that benefit passengers will be prioritized.

While the results of the studies are still pending as of this publication, a number of announcements on regional airport improvements are already underway. Brazil's Civil Aviation Secretary (SAC) recently authorized the construction of the Vitória de Conquista airport, a city approximately 500 kilometers from the capital of Salvador. The project includes the construction of a runway and ramp with the ability to receive Boeing 737s, power stations, lighting, security and fire-fighting stations.

No specific timeline has been given for the completion of the first round of airport improvements. It is expected that the upgrades happen in waves throughout the country. For example, in the state of Bahia, four regional airports are moving forward with improvements, including regional airports in the cities of Barreiras, Lençóis, Teixeira de Freitas, and Irecê.

U.S. Mission Role in Brazilian Airport Modernization

In May 2015, the U.S. Commercial Service in partnership with the Federal Aviation Administration (FAA) hosted the Brazilian Airport Roadshow for American suppliers of airport equipment and services. The Roadshow participants met with high-level Brazilian airport authorities, including SAC, Infraero, the Brazilian airlines TAM and GOL, and the State Transportation/Infrastructure Secretaries of Bahia, Rio de Janeiro, and São Paulo. U.S. firms participated in individual business meetings with potential partners in Rio de Janeiro and Sao Paulo as well as site visits to the two largest airports in the country. The U.S. Commercial Service has also provided a number of one-on-one matchmaking services for U.S. firms looking to sell airport technology and services to the Brazilian public sector and recent airport concession winners. The U.S. Mission plans to host other airport related events in the near future.

According to ANAC (National Agency of Civil Aviation), in 2013, 4.9m passengers travelled between the U.S. and Brazil, and the country continues to be in the top 10 international destinations for travel to and from the U.S. As a result, The Federal Aviation Administration has established an office in Brazil to work closely with local officials in order to ensure the safety and security of U.S. lives and develop an efficient air transportation system between the two countries. Through the U.S.-Brazil Aviation Partnership, and in coordination with the U.S. Trade & Development Agency, (USTDA), the FAA coordinates training programs and workshops between the U.S. and Brazil on a variety of aviation topics.

Recently, USTDA announced Phase II of the U.S.-Brazil Aviation Partnership. The Partnership allows the U.S. and Brazilian governments to develop key events and activities supporting the development of a modern airport infrastructure in Brazil. It also promotes a fair and open trade environment in the airport industry. Through the Partnership, USTDA works with entities such as Infraero, SAC, ANAC and the U.S. private sector to host technical workshops encompassing topics such as Olympic Games Preparations, Regional Airports, and Open Skies Agreement.

USTDA also conducts studies with the aim of creating market opportunities for U.S. companies. The following examples illustrate the activities between the two countries through the U.S.-Brazil Aviation Partnership:

- Orientation Visit for Infraero Airport Officials: USTDA funded a visit to the U.S. for ten airport officials from Infraero to present upcoming procurements related to Infraero's airport modernization and expansion of security systems.
- Cargo Airport Study in Ceará: USTDA awarded a US\$ 480,000 grant to the Ceará State Government to determine the technical and financial viability of the construction of a new cargo airport. The study will create an implementation plan for a new facility that will improve the efficiency of air cargo transport in this Northeast state.
- Rio Grande do Sul Airports Technical Assistance Project: USTDA provided a US\$ 630,000 grant to the Rio Grande do Sul State Secretariat for Infrastructure and Logistics (SEINFRA) to fund an aviation modernization plan that will support the expansion of aviation transportation services throughout the state.
- Confins Master Plan Update: USTDA provided US\$ 573,000 for a technical assistance grant to the Economic Development Secretariat of the State of Minas Gerais to update a Master Plan for the Tancredo Neves International Airport.
- Strategic Airport Development Study: In 2013, USDTA provided a grant to the Rio de Janeiro State Government to develop a strategic analysis of regional airports and heliports in the state.

Challenges

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The economic outlook for 2015 in Brazil is a cause for concern. A year ago, analysts predicting a GDP grow rate of 2.5% in 2015 have recently revised that figure to 0.8%. Meanwhile, the President's new economic team has promised to slash public spending across the federal government. State government budgets are also in similar states of distress. Nevertheless, when the Minister for Civil Aviation, Eliseu Padilha was asked by a reporter whether the federal government would have funds for the Regional Airport Program given expected budget cuts, he stated that "the funds generated in the sector will remain within the sector."

Major airport operators have indicated that they may have difficulty in attracting new international routes from overseas airline carriers as it is predicted that Brazilians will be travelling less as domestic consumption decreases. Further complicating the current situation, Brazil is undergoing one of the largest corruption scandals in its history. Although the origin of the scandal is in the oil and gas sector, many of the engineering and construction firms that are being investigated have contracts across multiple sectors, including stakes in the country's existing airport consortia.

Opportunities

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Brazil's airport infrastructure upgrades present significant business opportunities for U.S. companies. In addition to providing design and consultancy services, concessions winners are also purchasing products such as passenger bridges, docking systems, baggage handling systems, handling equipment, check-in conveyors, x-ray integration, baggage claim carousels, X-ray machines and other safety and security equipment. For example, the Rio de Janeiro consortium faces a particularly tight deadline to prepare its Galeão Airport for the 2016 Summer Olympic Games. Improvements scheduled for completion by April of 2016 include the construction of 26 boarding bridges, increased cargo storage, the construction of a parking lot for over 1,800 vehicles, and the adaption of track systems and patios for code F aircrafts. While the majority of equipment and

technology for the Olympic Games has already been decided, the Rio and Sao Paulo long-term investments plans may provide some opportunities for U.S. firms. With the largest airspace of all major airports in Brazil, long-term plans for Galeão include laying down a new runway and configuring large areas for retail space.

Companies with know-how in the areas of airport management and operations are welcome to establish partnerships with local Brazilian companies and are encouraged to participate in future privatization auctions. To succeed in Brazil, U.S. manufacturers must either be established in the country or have a well-informed local representative. Much like in other sectors in Brazil, it is important to have a distributor or system integrator that can offer post-sale and maintenance services, replacement parts, and repairs. Whether introducing a product to the market independently or entering with an existing local partner, it is necessary to have a coherent market entry strategy to penetrate the Brazilian airport industry.

For U.S. investors, the Brazilian government has indicated that upcoming airport concessions would offer more flexibility for companies interested in investing in Brazil. Compared to other infrastructure projects such as in highways and railroads, airport concessions tend to be more attractive, as market research indicates that Brazil will continue to have a growth in domestic passenger demand.

Banco do Brasil was appointed by the President of Brazil to administer the purchase of goods and services designated for airports currently owned by Infraero. Infraero and SAC may specify requirements, but the official bidding process follows the Brazilian Procurement Law and firms are not allowed to consult with the government once the bidding rounds are announced. U.S. firms planning to sell equipment and services to regional airports should work with a lawyer/consultant that has an intimate understanding of the Brazilian procurement process. U.S. firms interested in procurement opportunities managed by Banco do Brasil can check their website (in Portuguese only) for updates: <http://www.licitacoes-e.com.br/aop/index.jsp> or contact us for referrals to the relevant experts.

Web Resources

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Government of Brazil:

ANAC - National Agency of Civil Aviation
www.anac.gov.br

INFRAERO
www.infraero.gov.br

Banco Do Brasil
<http://www.bb.com.br/portalbb/home1,8899,8899,0,0,1,6.bb>

Logistics Investment Program
<http://www.logisticsbrazil.gov.br/airports2>

Ministry of Defense
www.defesa.gov.br

Other:

Brazil Business

<http://thebrazilbusiness.com/article/a-snapshot-of-brazilian-airport-infrastructure>

ICAO

<http://www.icao.int/sustainability/CaseStudies/Brazil.pdf>

Architecture, Construction and Engineering Services

Overview

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Brazil is experiencing major growth in the ACE industry, a dynamic likely to be highlighted as Rio de Janeiro hosts the Summer Olympic Games in 2016. Architectural design and Engineering projects around the country, from roads and stadiums to airports and retail space, are abundant. Although there is strong competition from local firms, U.S. ACE firms with a niche expertise are welcome to do business in Brazil, provided they understand the applicable regulatory procedures and requirements. More details can be read at the report titled “Opportunities for U.S. Architectural & Engineering Design Services in Brazil”, which can be found at: http://buyusainfo.net/docs/x_6001335.pdf

Market Challenges

In order for U.S. ACE companies to do business in Brazil, there are two general options. The first possibility is for a U.S. company to partner with a local firm that is licensed to provide architectural/engineering services in Brazil. As with most services imported to Brazil, the Brazilian firm using the service will have to pay additional costs of up to 40% of the price of the services rendered. To avoid this, a U.S. firm may prefer to set up a business in Brazil directly and obtain the license to provide such services in Brazil. This option works best for U.S. firms looking to do business in Brazil over the long-term, as starting a business in Brazil and obtaining the necessary approvals to do architectural or engineering work can be complicated.

According to the Ministry of Development, Industry, and Foreign Trade (MDIC), authorities have significantly reduced the amount of time required to grant various licenses and registrations over the past few years, though the process can still be long. Having local service providers such as lawyers, customs brokers and accounting firms is essential to understand how the business environment works. They can assist once a company has chosen which method of market entry works best, such as opening a subsidiary or establishing a joint-venture partnership. More information on the regulatory process can be read here: http://buyusainfo.net/docs/x_1475447.pdf

Sub-Sector Best Prospects

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Despite the bureaucratic hurdles, many U.S. and international ACE companies can find business opportunities in Brazil particularly in infrastructure related projects (e.g., roads, ports, airports). Also, residential housing is still a booming sector, including both upscale residential projects and low income housing. The Federal Government created an initiative called “Minha Casa, Minha Vida”, a program to build homes for Brazil’s working class over the next several years. This US\$ 15.5 billion program, funded primarily by the federal government, aims to help alleviate the country’s estimated 6 million unit housing

deficit. By the end of 2014, over 2 million homes were built. The program will enter its third phase in 2015/2016.

In June 2015, President Rousseff unveiled a new infrastructure concessions program, which will draw US \$64 billion in investment over the next five years and beyond to upgrade and operate highways, railways, ports and airports across 20 states in Brazil. The new concessions will have less access to state bank financing than previous projects, as bidders will be expected to use private financing as well. This program could present opportunities for U.S. companies, but challenges related to regulatory frameworks, bidding conditions, public procurement procedures and local content will remain.

In the airport sector, five of the major airports have been recently privatized: Brasilia, Guarulhos (São Paulo capital), Viracopos (Campinas, state of São Paulo), Antônio Carlos Jobim "Galeão" (Rio de Janeiro capital) and Confins (Belo Horizonte, state of Minas Gerais). Three other major airports will be privatized in the near future: Salvador, Porto Alegre and Florianópolis. It is likely that Fortaleza airport will also be included in this list. The Brazilian Federal Government will invest US\$3.60 billion in 270 regional airports around the country, with the goal that 96% of Brazilians will be no more than 100 km from an airport. (See Airport Industry best prospect at http://www.buyusainfo.net/docs/x_8093199.pdf)

The outlook for the coming years seems positive, especially due to the model outlined in Public-Private Partnerships (PPPs), where concessions and privatizations in many infrastructure projects will provide further investments. These major investments will bring many opportunities for ACE firms that are capable and ready to do business in Brazil.

According to Rio Convention and Visitor's Bureau, all over Brazil there are 259 new hotels planned to handle increasing numbers of visitors, as well as the growth of the tourism sector throughout the country. This number represents more than 40% of the market for new hotels, against 331 new hotels in the rest of the Latin America.

For the World Cup alone, 13 new top hotels were opened in Rio de Janeiro and Belo Horizonte. Large hotel companies such as Accor (six new hotel projects), Hilton, Hyatt, InterContinental Hotels Group (IHG), Groupe du Louvre, Marriott and Starwood Hotels & Resorts are all investing in high class properties. In 2015 a new Grand Hyatt Hotel with 436 rooms is planned in Rio de Janeiro's Barra da Tijuca neighborhood.

The government is providing tax incentives that will create opportunities for refurbishing, building, acquiring or operating hotels. Consequently, several hotels are already being refurbished and upgraded. There are also projects in the Northeast region (residential, hotels, industrial) and in other regions of Brazil, such as the Santos region. These

include residential, hotels, and infrastructure projects such as underwater tunnels, among others.

The Olympic Games

In August and September of 2016, Rio de Janeiro will host the first-ever Olympic Games in South America. This event will generate numerous investment opportunities for U.S. companies in several sectors.

The main projects include:

- Logistics upgrades at seaports
- Modernizing/enlarging the two Galeão International Airport terminals (increasing the airport's capacity from 15 million passengers per year to 25 million) at US\$2.5 billion;
- 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;
- Port dredging;
- Two new subway lines (R\$4billion);
- Bus Rapid Transit (BRT) system (US\$1billion);
- Housing projects (including low income housing);
- Water sanitation projects.

Note also that funding for projects is guaranteed with a significant appropriation by the Brazilian Federal Government under its "Plan for Growth Acceleration" (PAC). This program encompasses investment in three major areas:

- Logistical infrastructure (highways, railways, ports and airports);
- Energy infrastructure (generation and distribution of electricity, production, exploration and transportation of petroleum, gas and biofuels); and
- Social and urban infrastructure (sanitation, housing, subways and urban rail).

The Rio de Janeiro Organizing Olympic Committee began their procurement process related to the Olympic Games in 2014. For further information or to pre-register as a supplier, please visit: <http://portaldesuprimentos.rio2016.com/en/>. Companies that are pre-registered through the portal will receive information as specific bids are announced.

Sub-Sector Best Prospects

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Best Prospects in the architectural, engineering and construction sectors can be found in areas such as commercial real estate, airports, ports, hotels, hospitals, and include:

- Urban projects: Planning for Ports (e.g., the Port of Rio re-development - design of the walkways, buildings, etc. along the port), airports (some being privatized as above mentioned, there are opportunities for design work and other projects), traffic, transportation, parking, sporting venues, etc.;
- Airport Design;
- Real estate: New or retrofit;
- Industrial plants, new or planned extensions ;
- Hospitality, including new or refurbished hotels, and transformation of residential buildings into hotels;
- Health sectors (new hospitals and upgrades to existing);
- Low income housing projects planning;
- Lighting, including residential, commercial, industrial, urban (LED is increasingly gaining popularity in Brazil);
- HVAC;
- Furniture design;
- Drywall technologies;
- Landscaping, including gardens, golf courses, hotels, residential, commercial, industrial)
- Sport venues design and equipment, such as golf courses;
- Building Information Modeling (BIM) Process.

Many ACE projects are now being required to contain sustainable or “green” content, according to **LEED**, **AQUA** and other certification programs.

Opportunities

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Although U.S. architectural firms face a competitive environment, many U.S. firms have been winning contracts. For example, U.S. firms have recently won design contracts in Rio related to the upcoming 2016 Olympic Village, the new golf course to be used for the Olympics, and the new Museum of Image and Sounds, to be located in Copacabana in Rio de Janeiro. U.S. engineering equipment providers have also been successful in the Brazilian market, several of them with a local presence, such as Caterpillar, John Deere, Terex, among others.

However, many large procurement projects that involve construction and architectural design services are won by Brazilian engineering and construction companies such as Odebrecht, OAS and Camargo Correa, among others. Thus, the U.S. Commercial Service recommends U.S. architectural and engineering firms with no physical presence in Brazil to partner with Brazilian architecture, engineering and constructions firms before bidding directly on projects.

Recent political issues, though, affected some of the largest Brazilian contractors, which may in some cases be precluded to participate in upcoming governmental tenders. This may open niche opportunities for U.S. firms.

Brazil recognizes that in order to continue growing effectively, they need to bring in expertise and technology that is not currently available or is in short supply in Brazil. This is also where U.S. companies can play a role. For a better understanding of the regulatory environment that architectural design firms face in Brazil, please read our report on licensing at: http://export.gov/brazil/games/eg_br_024085.asp

Web Resources

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The Brazilian Council for Architecture and Urbanism (CAU)
<http://www.caubr.gov.br/>

The Brazilian Association of Architecture Firms (ASBEA)
www.asbea.org.br

The Federal Council for Engineering and Agronomy (CONFEA)
www.confex.org.br

The Brazilian Association of Architectural and of Consulting Engineering Companies (SINAENCO)
<http://www.sinaenco.com.br/>

The Brazilian Association of Engineering Consultants (ABCE)
www.abceconsultoria.org.br

The Brazilian Equipment and Maintenance Technology Association (Sobratema)
www.sobratema.org.br

Rio Convention & Visitors Bureau
<http://www.rcvb.com.br/?/2/default.html>

The U.S. Commercial Service, Rio 2016 Olympics page
<http://export.gov/brazil/games/index.asp>

Automotive Industry (Automobile Vehicles ONLY)

Overview

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Unit: USD thousands

	2013	2014	2015 (estimated)	2016 (estimated)
Total Market Size	87,294,000	69,884,171 (est.)	60,140,000 (est.)	61,300,000 (est.)
Total Local Production	83,411,400	70,914,792 (est.)	60,100,000 (est.)	61,300,000 (est.)
Total Exports	13,008,527	8,700,621	7,400,000 (est.)	7,500,000 (est.)
Total Imports	12,622,100	7,670,000	7,440,000 (est.)	7,590,000 (est.)
# Imports from the U.S.	208,300	155,000 (est.)	150,000 (est.)	153,000 (est.)
Exchange Rate: 1 USD=R\$ 3.00				

Source: ANFAVEA – National Association of Automobile Manufacturers

Top Three Leading International Suppliers of Imported Automobiles in 2013:

Argentina: \$ 7,077,800

Mexico: \$ 1,978,100

EU: \$ 1,795,500

Automotive Parts Industry (Tires Included)

Overview

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Unit: USD thousands

	2013	2014	2015 (estimated)	2016 (estimated)
Total Market Size	50,299,600	43,658,973	38,500,000 (est.)	40,040,000 (est.)
Total Local Production	39,701,000	34,658,973	19,000,000 (est.)	19,760,000 (est.)
Total Exports	10,748,400	8,340,000	4,240,000 (est.)	4,409,600 (est.)
Total Imports	21,347,000	17,340,000	15,260,000 (est.)	15,870,000 (est.)
Imports from the U.S.	2,387,600	2,047,348	1,678,600 (est.)	1,750,000 (est.)
Exchange Rate: 1 USD = R\$ 3.00				

Source: SINDIPEÇAS – Brazilian Association of Automotive Parts Manufacturers

Top Three Leading International Suppliers in 2014:

USA: \$ 2,047,348

Germany: \$ 2,006,559

China: \$ 1,627,046

Current Market Trends

The poor performance of the Brazilian economy in the past two years is having a significant impact on Brazil's automotive sector. Automobile manufacturers expect that the sector will continue its downturn through the end of 2016 because of reduced domestic sales, as consumers lack confidence in the future.

According to ANFAVEA, sales of automobiles (cars, light trucks, trucks and buses) were 894,000 units from January-April 2015, a drop of 19.2% compared to the same period last year. Automobile manufacturers in Brazil fired 4,900 workers during this period – a total of 12,000 when including the automotive supply chain companies. Sources from the National Vehicle Distributors Association, FENABRAVE, said that 250 authorized automobile dealers were closed in the period, as a result of decreased market demand. Nevertheless, automobile dealers still have excessive inventory.

The automotive industry in Brazil is predominantly driven by the domestic market. The “Made in Brazil” models usually feature low levels of embedded technology, yet are among the most expensive in the world for consumers, thereby limiting export potential for the country's auto makers. Most of the innovations in Brazil's industry are related to the introduction of embedded electronics and safety equipment. Domestic demand for automobiles consists mostly of basic hatchback and mid-size models, in contrast to the USA market which has high demand for mid-size and luxury sedans.

As far as automobile safety is concerned, legislation of 2009 determined that as of January 2014, all vehicles made in Brazil be equipped with air bags and ABS brakes.

Exports of automobiles in January to April 2015, were 108,500 units, a drop of 1.2% compared to the same period last year. Exports of trucks were 6,000 units -- 1.7% less than in January-April 2014 -- whereas exports of buses were up 7%, and reached 1,900 units. Export revenues of US\$ 3.26 billion in the first four months of 2015, were 27% less than in a like period last year. Despite reduced international sales, ANFAVEA still expects that annual automobile exports in 2015, recovers and grow by 1% compared to 2014. Such result depends on the Brazilian Government approval of the National Export Plan proposed by ANFAVEA, which includes new trade agreements and strengthening of existing agreements, creation of automobile export financing and insurance.

Despite the export plans, Brazil made automobiles are still far from being able to compete with the ones made abroad. High production costs, low productivity and lack of innovation are some of the challenges faced by the sector.

Government Stimulus Programs

In order to further stimulate the automotive industry and attract investments, in October 2012 the Brazilian Government issued a program known as *Inovar Auto* (Decree 7819), designed to support the automotive industry's technology development, innovation, safety, environmental protection, energy efficiency and quality improvement. In order to benefit from tax reduction incentives offered by *Inovar Auto*, OEMs are expected to invest in research and development -- in Brazil -- and to achieve production of more economical, lower priced and safer vehicles. *Inovar Auto* is valid until December 2017, and benefits both those OEMs that have already established manufacturing plants in country as well as other international OEMs whose new production plant projects have

been approved by the government. Companies that apply for *Inovar Auto* commit to having their Made-in-Brazil models achieve increased energy efficiency levels (i.e. an average drop of 12% in fuel consumption).

In response to *Inovar Auto*, about 30 automobile companies presented over 50 projects for approval, of which 20 projects were construction of new automobile plants. The program has attracted significant investments to Brazil and increased production capacity to 4.5 million automobiles per year. However, as new plants are being built, the domestic market is dropping and currently absorbs less than 3.5 million vehicles per year.

The newcomers who are mainly from Asia (Lifan, Cherry, and Nissan, among others) face most of the hardship, as they strive to recover their investments while gaining trust among consumers for these unknown brands, amidst a very competitive and soft market.

Inovar Auto has succeeded in its objective to reduce imports of automobiles: in 2011, imported cars represented 25% of the market. This share dropped to 20% in 2013 and is currently at 17%.

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The *Inovar Auto* program initiated a new investment cycle in the automotive sector in Brazil, through which the industry will produce world class, high value-added products. Some of the expected results of the program are that the OEMs will increase their investments in high productivity equipment and processes, which allow lower energy consumption; and in precision measurement and testing equipment, quality standard certifications, training, and increased use of light materials, so as to reach the emission reduction target of 18.84% of CO₂/Km. It is also expected that OEMs will increase the amount of automobile project designs in Brazil.

The industry is also evaluating new propulsion technologies, which include the use of flex fuel engines in hybrid vehicles and application of ethanol in fuel cells.

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Despite the market reduction, the automobile manufacturers continue their investments in Brazil, as they are confident that the nation's automotive market will start recovering in the second half of 2016.

Increased taxes on imported vehicles and *Inovar Auto* Program incentives are attracting substantial automotive investments, some of which are listed below:

With investments of R\$ 5 billion (US\$ 1.7 billion), Fiat Chrysler Automobiles inaugurated its Jeep plant in the Northeastern state of Pernambuco in April 2015. With production capacity of 250,000 vehicles per year, this is the company's most modern plant. The automobile complex has an integrated supply center housing 16 of the company's suppliers, producing 17 different product lines for the plant.

In July 2015, BYD will inaugurate an electric bus plant in Campinas, Sao Paulo State. BYD invested R\$ 150 million (US\$ 50 million) to produce 500 buses / year and the

plant's annual production capacity is 1,000. In 2016, BYD will invest an additional US\$ 50 million in a chassis component plant. BYD is currently testing electric buses in some Brazilian cities.

Audi is currently investing US\$ 175 million in a new plant in the southeastern state of Parana, while BMW is investing additional US\$ 200 million in an assembly plant in the southeastern state of Santa Catarina with production capacity of 30,000 vehicles.

Jaguar Land Rover announced investments of US\$ 250 million until 2020 to build a new plant in Itatiaia, Rio de Janeiro State: whereas JAC Motors of China invested about US\$ 330 million in its production facility in Camaçari in the Northeastern state of Bahia, which will start production in 2016. Industry experts reported that eight OEMs (Audi, BMW, Chery, Foton, JAC, Land Rover, MB and Sinotruck) will have built their first automobile plants in Brazil between 2014 and the end of 2016, which corresponds to investments of R\$ 5 Billion (US\$ 2.12 billion); whereas the already established manufacturers Fiat, Honda and Nissan will expand by building new plants.

There are currently approximately 40 automobile manufacturing plants in Brazil, as follows:

- Automobile Plants: (Toyota, Ford, GM, VW, Fiat, Mitsubishi, Hyundai, Peugeot, Citroen, Mercedes Benz, Renault, Nissan, Honda);
- Truck Plants: (Mercedes Benz, Agrale, Iveco, Ford, International, MAN, Scania, Volvo and DAF Trucks);
- Bus Plants: (Agrale, Iveco, MAN, Mercedes Benz, Scania and Volvo)

Nearly all Brazil-made cars are flex fuel, and run on ethanol, gasoline or any combination of the two fuels.

Brazil's automotive parts industry consists of Brazilian owned (27% of the sales value) and internationally owned (73% of the sales value) companies. There is a significant presence of U.S. automotive parts suppliers, including Delphi, Visteon, TRW, Dana, Arvin-Meritor, Cummins Engines, MWM-Diesel, and Eaton. *Inovar Auto* requires that several production processes be performed in Brazil and also establishes local content requirement for automotive parts.

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Trade Shows

International Automobile Parts Show (Automec)

April, 2017

Sao Paulo, Brazil

www.automecfeira.com.br

Automobile Distribution Event (FENABRAVE Congress and Exposition)

September 15 and 16, 2015

Sao Paulo, Brazil

<http://www.congresso-fenabrave.com.br>

Chemicals

Overview

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Net sales for the Brazilian chemical industry in 2014, taking into account all segments, were US\$ 156.7 billion, a slight 0.32% increase over 2013. The chemical industry accounts for 2.8% of the Brazilian GDP.

The chemical sector is the 4th industry in Brazil, representing 9.67% of the industrial GDP, behind Processed Food & Beverage (21.06%); Petrochemical (11.21%); and Automotive (9.94%).

According to the Brazilian Chemical Industry Association (ABIQUM), net sales for Brazil's chemical industry have increased 278.5% over the past 20 years, growing from US\$41.4 to US\$156.7 billion. Imports continued a year-over-year increase, reaching US\$46 billion. However, Brazil's chemical industry trade deficit continues, with exports from the country reaching only US\$14.4 billion in 2014.

Countries from Mercosul and Latin America were the main destinations for Brazilian chemical exports in 2014: Argentina, Paraguay and Uruguay imported US\$ 710 million, while other Latin American (except Mercosul and Mexico) countries bought US\$ 1.1 billion.

Brazil imported a volume of 40.2 million tons of chemical products in 2014.

The top 10 products imported in 2014, were:

	PRODUCT	US\$ MILLION
1	Potassium Chloride	2.893
2	Pesticides	1.538
3	Urea (with nitrogen content >45% by weight)	1.481
4	Ammonium Dihydrogenorthophosphate	1.385
5	Fungicides	882
6	Blood Fractions, Modified Immunological Products (Drugs)	874
7	Human antibodies (transmembrane antigen)	682
8	Other Drugs	627
9	Fertilizers / Fertilizers with nitrogen and phosphorus	591
10	Human Medicine - Vaccines	536

Brazil is the 6th largest chemical industry in the world:

COUNTRY	NET SALES – US\$ BI
CHINA	1,665
USA	812
JAPAN	300
GERMANY	244

SOUTH KOREA	177
BRAZIL	156
FRANCE	145
INDIA	135
ITALY	103
UK	97
TAIWAN	89
NETHERLANDS	83

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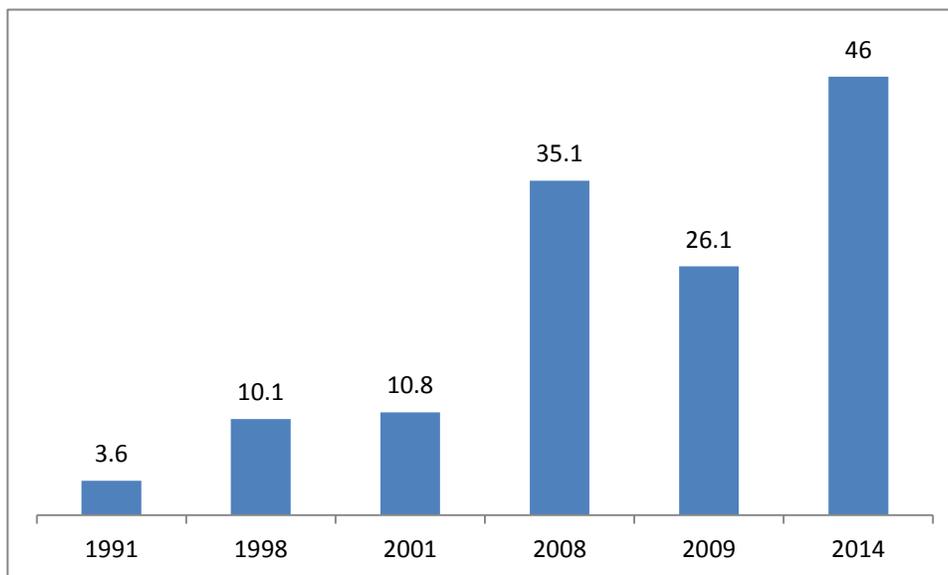
The most active chemical sector segments in Brazil in 2014 in net sales (US\$ 156.7 billion) were:

1. Chemical products for industrial production 69.7%
2. Pharmaceutical products 28.2%
3. Fertilizers 16.4%
4. Toiletries, perfumery and cosmetics 15.2%
5. Pesticides 12.2%
6. Cleaning products 7.5%
7. Paints and varnishes 4.1%
8. Synthetic and artificial fibers 1.2%
9. Others 2.2%

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As trade deficit statistics indicate, Brazil is by no means self-sufficient in the chemical sector. Imports have been increasing significantly. Brazil imported a total of US\$ 3.6 billion in chemicals in 1991. Since then, chemical imports grew more than 1,180%.



As of April 2015, Brazil has already imported US\$ 11.9 billion of products and raw materials for the year, generating a deficit of US\$ 7.8 billion. Fertilizers are the principal

product imported, with a total of US\$ 1.5 billion. Brazil has already imported 4.9 tons of chemical products.

During this first quarter of 2015, chemicals have represented 19% of Brazilian imports, a total amount of US\$ 63 billion.

Brazil imported a total of US\$ 12.5 billion from North American suppliers in 2013, 82% (US\$ 10.25 billion) of which came from U.S. companies:

NORTH AMERICA	2013
Canada	9%
USA	82%
Mexico	9%

While an excellent market for U.S. chemical products, Brazil's chemical sector mounts several challenges to importers, including:

Product registration: Several chemical products, including raw materials, must be registered with governmental agencies, such as the Brazilian Federal Police and the Brazilian Army; and may also require registration with municipal, state and federal agencies.

Import taxes and duties: Brazil's costly and complex cascading tax system and import duties can be challenging for some U.S. chemical companies. However, Brazilian chemical importers and customers trust in the quality of U.S. chemicals and, in some cases, may opt to pay more for U.S. products. Suppliers in Germany, France and UK are the strongest competitors for United States exporters.

Competition from Mercosul: Since Brazil is part of Mercosul, its fellow member countries Argentina, Paraguay and Uruguay can export to Brazil with lower or no taxes.

Mercosur International Agreements: Chemical suppliers within Mercosur member countries benefit from several unilateral and regional international agreements. Brazilian suppliers, meanwhile, reap similar benefits through the country's unilateral trade agreements with five Latin American countries.

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Brazilian Chemical Industry Association (ABIQUIM)
www.abiquim.org.br

Computer Hardware

Overview

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Brazil is the second-largest IT market among emerging economies after China. It also shows a balanced IT market segment when compared with other BRIC (Brazil, Russia, India and China) countries, relative to its size and economic strength. The IT segment in Brazil remains 7th largest market in the world; however, it is forecasted to reach 5th by 2022.

The Brazilian IT industry (referred to as ITC) was valued at US\$60 billion in 2014. According to research done by IDC (International Data Corporation), investments made in IT reached US\$34.8 billion in 2014. The Brazilian Electric-Electronic Association (ABINEE) reports that the IT industry shrank in 2014, even as projections for 2015 are that certain niche markets will continue to invest in technology, especially the finance sector.

The 2016 Summer Olympic Games will also prompt further IT investment in the country to support infrastructure construction facilities, transportation, and security.

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2015 should remain the “Year of the Tablets and Smartphones”. According to ABINEE, sales growth of the entire electronic sector was motivated by these consumer items. With the increasing use of portable devices, Brazilian companies are adopting the Bring your Own Device-(BYOD) to work, which will also be of great benefit to the industry.

The Government of Brazil has created mechanisms and incentives to attract manufacturers of tablets to install production plants in Brazil (Law 12.507).

Storage equipment will continue to be in demand in Brazil, as the volume of data becomes available. There are an increasing number of companies seeking information and knowledge on *cloud computing, Platform as a Service (PaaS) and Infrastructure as a Service (IaaS)* and consequently the need of servers and storage equipment will follow the trend. Government and private entities use such technology for their surveillance cameras, content management for libraries and museums, as well as the digitalization of the judicial system. The market for personal storage devices such as Network Access Storage (NAS) for consumers will also expand. Demand for 3-D printing is also expected to increase within the next three years, according to our conversations with channel partners.

The finance sector continues to be one of the largest investors in ICT. According to *Computerworld*, the finance sector invested over US\$7 billion in ICT technologies in 2014, a growth of 6%. Despite the slowdown of the Brazilian economy, the finance sector will not stop investing in ICT. 43% of this investment was made in hardware, which includes the modernization of the infrastructure and datacenters.

Market Entry

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The majority of computer distributors in Brazil are national companies, but foreign distributors have been arriving in Brazil to partner with these existing distributors in order to become more competitive.

Foreign companies should consider pursuing a distribution or representation agreement with well-established local companies in the country. These companies are capable of navigating the business environment in Brazil and will have easier access to the potential end-user. Furthermore, foreign companies interested in participating in public bids must have an established local representative.

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In addition to the benefits of manufacturing “tablets” in Brazil, since 2007 the Ministry of Education, has been investing in PROINFO, a program to promote technology as an important classroom teaching tool. The program includes installations of technology labs in the public schools, laptops for teachers and students, digital boards, projectors and tablets.

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 PC manufacturers need to maintain a minimum ratio of 3% R&D investment in country to revenue. This encourages domestic manufacturers to innovate and remain competitive against foreign products.

A challenge for foreign companies will be the “Lei de Preferência” (Law of Preference) – Decree 7.903/2013 that gives 25% of advantage to locally produced products when participating in public bids.

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ABINEE: www.abinee.org.br

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Computer Software and Services

Overview

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The Brazilian IT industry is considered the seventh largest in the world, with a market value of US\$60 billion in 2014. According to research done by IDC (International Data Corporation) in partnership with the Brazilian Association of Software Companies (ABES), investments made in software and IT services (not counting exports from Brazil) reached US\$25.2 billion in 2014. The software sector alone reached the mark of US \$ 11.2 billion (excluding exports) and the service market was valued at US\$ 14 billion in 2014.

Despite the forecast for limited growth of the Brazilian economy over the next few years, Brazilian IT spending should still increase by 7.3% in 2015. The most significant trend in this sector is the increase of data communication in mobile devices (smartphones and tablets), data security (cyber security and cloud computing), IoT – Internet of Things, infrastructure for cloud-base services, “application development and deployment” for the third sector, and investments in big data and analytics. Notably, infrastructure investments in preparation for the 2016 Olympic Games in 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 Latin America, is projected to exceed 7.3% per year in 2015.

According to ABES, Brazil's large and growing economy and technology adoption make it an outstanding market for technology and service providers seeking opportunities for global expansion. Compared to other Latin American countries, Brazil invested US\$ 128 billion in the IT market, representing 46% of the investment in the entire region.

The services and financial sectors represent almost 50% of the user market, followed by telecom, general industry, trade, government, oil and gas, and agricultural sectors. The software market consists of nearly 12,661 companies dedicated to the development, production and distribution of software and services. Within the segment in software development and production, 98% can be classified as small and medium sized enterprises.

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There is an increasing number of companies seeking information and knowledge on *cloud computing*. Demand for international collaboration, security, CRM, storage, and productivity will accelerate in the coming years. 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 solutions, as suppliers will release specific and targeted offers for the cloud environment in 2015, with the rapid proliferation of Platforms as a Service (PaaS) and Infrastructure as a Service (IaaS). It is expected that the infrastructure and services for cloud computing will grow over 50% of the Brazilian public cloud market in 2015, and investments in *Big Data* and analytics will reach US\$778 million.

Mobile data will also continue to grow at exponential rates. Some service solutions carriers will expand their 4G offerings, which will make expansion of the mobile network

critical. Data Centers will modernize or increase their current capacity in the coming years. Industry analysts predict that more than 130 million “things” will be connected in Brazil, accounting for almost half of the entire Latin American region.

Telecom companies are already using B/OSS (Business Support System and Operations Support Systems) software solutions to help increase profitability, while simultaneously optimizing development and deployment costs. The well-developed financial sector seeks cyber-security solutions to prevent electronic fraud.

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 mobile devices, such as tablets and smartphones. Continued growth is expected over the next few years.

The current trend in Brazil is for IT, infrastructure, network and telecommunications to consolidate technologies. In this regard, as Brazilian IT companies mature they are attracting the interest of competitors and capital investment funds.

Within the software segment, 45% 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%.

With the expansion of broadband in Brazil, e-commerce is becoming part of the daily routine of Brazilian companies and individuals. The sector’s growth perspectives for this year are 35%, and it is expected to double by 2017, reaching a sales volume of US\$25 billion.

Within the last decade, more than 30% of the population joined the middle class, a group with better access to information and consumer products, notably smart mobile devices. It is projected that by 2015, more than three million homes will obtain their first connected device – usually tablets and smartphones - and the number of households with at least one such device should exceed 30 million. As of 2015, the number of notebooks is greater than that of desktops in the Brazilian market. The demand will motivate the launch of more specific software applications and mobile connectivity solutions.

Opportunities

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The majority of computer distributors in Brazil are national companies, but in recent years foreign distributors have entered the market and have joined with Brazilian dealers/re-seller channel partners 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 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 high interest rates on loans, this ability is a distinct competitive advantage.

As the number of resellers, value-added resellers (VARs), and agents grow and their portfolios expand, 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.

Distribution Models

As in the United States and other developed markets, under the one-tier distribution 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.

The two-tier distribution model is the same as the one-tier model, 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, each of whom has access to end-users.

In August 2012, the Brazilian Federal Government launched the “TI Maior” project (Greater IT) in which the government will invest R\$500 million in innovation, in-country software development and information technology by the end of 2015. Of this amount, R\$40 million will be devoted to “start-ups”.

A challenge for U.S. companies is the “Lei de Preferência” (Law of Preference) – Decree 7.174 that gives a cost preference of up to 25% to locally developed solutions when participating in public procurement bids. Developers of software must undergo a certification process in order to prove the local content of their solutions.

Server virtualization, which is already a reality in medium and large enterprises, will continue growing in 2013. In order to absorb a volume of data that is growing at a rate of 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.

The increase in data traffic arising from the expansion of virtualization and the use of mobile devices in corporate networks will positively impact the market for switches and wireless LAN networks. The security of mobile devices will also become a priority.

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Brazilian Association of Software Companies
<http://www.abes.org.br/>

Ministry of Science, Technology and Innovation
<http://www.mct.gov.br>

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Defense

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(in U.S. billions)	2013	2014	2015(estimated)
Total Market Size	4.7	4.7	4.4
Total Local Production	3.2	3.5	3.5
Total Exports	1.1	1.5	1.5
Total Imports	2.6	2.6	2.5
Imports from the U.S.	1.1	1.1	1.1

* The above are unofficial estimates and assume an exchange rate of 3.00/USD

Source: Ministry of Defense/ Brazilian Association of Aerospace Industry (AIAB)/ Brazilian Association of Defense Material (ABIMDE)

According to the Brazilian Association of Industries Defense and Security Materials (ABIMDE), the Brazilian defense industry market turnover is approximately US\$ 6.5 billion a year. Brazil is currently undergoing a fiscal adjustment process, with budget cuts in several areas. In the 2015 budget proposal, initial allocations for the Defense Ministry would drop from US\$7.5 billion to US\$5.6 billion, a 25% decrease. According to the Minister of Defense Jaques Wagner, the Ministry of Defense foresees some restrictions because of the fiscal adjustments implemented by the Federal Government. However, strategic projects such as the development of the KC-390 transport aircraft, submarines with nuclear propulsion, the FX-2 project, the launch of satellites together with the Ministry of Communications and the projects concerning the Brazilian Army will not be affected.

Sub Sectors Best Products

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The Ministry of Defense has identified the following as strategic projects for the Armed Forces:

- **Geostationary Satellite for Defense and Strategic Communications (SGDC):** The project involves the Ministries of Communications, of Defense, and of Science and Technology. The satellite will be operated by Telebras on the K (civilian) band and by the Ministry of Defense on the X (military) band and has its delivery scheduled for July 2016. Visiona, a joint venture of Embraer and Telebras, will be responsible for integrating the SGDC system, which will expand broadband internet access in remote regions of the country through the National Broadband Program (PNBL) and ensure Brazil's sovereignty over the communications of its Armed Forces. The total project cost is approximately US\$ 5.6 billion. Thales Alenia Space was selected to provide the satellite and Ariane Space for the launch. Request for proposals for ground support might be published by the end of June 2015.
- **Navy Nuclear Program:** The Brazilian Navy Nuclear program is divided in two phases: development of nuclear fuel production cycle and development of a nuclear electric generation laboratory (LABGENE) with 11 buildings currently under construction in Aramar, Sao Paulo State. The program also includes the

development and construction of a prototype reactor and an upgrade to the Navy's Technological Center in São Paulo. US companies might not be able to participate in the supply of goods for navy nuclear program due to U.S. export restrictions.

- Blue Amazon Management System (SisGAAz): It is the Brazilian Navy program for the surveillance and monitoring of Brazilian waters. It aims to increase efficiency of search and rescue operations developed together with the police. Full implementation is scheduled to occur by 2024 with a total value of US\$ 12.6 billion. Three companies presented proposals to become the prime contractor responsible for coordinating and executing the systems integration and development (radars, communication systems, drones and others). Final decision might be announced in 2016.
- Integrated Border Monitoring System (SISFRON): Brazil shares its extensive borders with 10 countries. The goal of SISFRON is to create a system that is capable of monitoring incidents along the entire border through its advanced resources. SISFRON pilot phase has been implemented in a 600 km range of borders in Dourados State of Mato Grosso do Sul. In 2014 around US\$ 231 million were invested in the project. In 2015, the Brazilian Army foresees investments around US\$ 95 million to keep up with the infrastructure works in different units. The project's total investment is around US\$4 billion and depending on the availability of budget, the second phase will begin in 2015.
- GUARANI – The project includes the new family of Brazilian Army armored vehicles: Armored Vehicle for troop's transportation (VBTP-BR 6X6) and Armored Recognition Vehicles (VBR-BR 8x8). The company Iveco Defesa has been developing final studies on the VBR-BR 8x8 configurations that will define which weapon systems and tower will be used. The project predicts the manufacturing of 2000 vehicles with different versions and the order of over 100 systems in the next 20 years. For 2015, the project anticipates investments of US\$ 113 million for acquisition of material, research and development, infrastructure expansion and professional training development. Recently, cuts on the fiscal budget have already affected the production line.
- Cyber Defense: This project has been developed and coordinated by the Brazilian Army since 2010 and its goal is to provide Brazil a high level structure to protect the country from cyberattacks. The project includes the construction of a Cyber Defense Center, development of software and hardware solutions, acquisition of super computers and digital forensic material, creation of the national cyber defense school and the cyber defense command. In 2014, the project received around US\$834 million. For 2015, the federal budget law expects US\$18 million to continue the project. The total value needed to complete the Cyber Defense project is around US\$ 50 million.
- Project KC-X: The Brazilian Air Force signed a purchase agreement with Embraer Defesa e Segurança (EDS) for 28 KC-390 aircraft with a total value of US\$ 2.4 billion. In 2015, KC-390 performed its maiden flight, beginning the testing phase of Embraer's two prototypes. The aircraft delivery will start in 2016

and will continue over a 12 year span. The contract provides for the supply of a logistics support package, which includes spare parts and maintenance.

- FX-2 Gripen NG: In 2014, Brazilian Air Force signed an agreement with SAAB for the acquisition of 36 Gripen NG fighter aircrafts. The order involves 28 single-seat units and 8 two seats units, training of Brazilian pilots and mechanics in Sweden, logistical support and technology transfer to the Brazilian industries. The total value of the project is around US\$1.8 billion. Brazil will be responsible for developing the two-seat pilot version. The first aircraft will be delivered in 2019.
- A-Darter Project: This is a partnership between Brazil and South Africa signed in 2007. It is a short range missile designed to achieve air targets up to 12 kilometers. The missile has been successfully tested and the project is on its final phase: subsystems integration, certification and industrialization. Total value of the project was around US\$ 170 million with 60% paid by Brazil.

Opportunities

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In 2013, the Brazilian government published the National Defense White Book (LBDN) which clarifies Brazil's defense activities and updates the country's 2008 National Defense Strategy and National Defense Policy. The National Defense Strategy established the need to restructure the armed forces' operational capacity and highlighted the importance of industry to become a prominent provider. A number of incentives, such as specific legislation – law 12.598, establishing a special tax regime and prioritizing the development of critical technologies to the country, have been implemented. The key challenges for foreign companies interested in doing business on the defense sector in Brazil are the extensive requirements for technology transfer.

To conduct business with the Brazilian Armed Forces, companies must be prepared for long and complex campaigns. As in most industries, having a local office or a trusted and well-respected local representative with extensive contacts and a solid sales record is a mandatory business practice in order to succeed in Brazil. In addition to the ever-present desire for offsets, U.S. firms must be prepared to transfer technology (subject to U.S. Government approval) and engage in a solid and long term partnership with Brazilian aerospace and defense industry for co-development and local production of components, parts, and assembly.

Defense equipment acquisition programs tend to move at a much slower pace in Brazil, especially because of the fiscal adjustments. 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; and tactical radio communication systems; among others.

Web Resources

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Ministry of Defense
www.defesa.gov.br

Associação das Indústrias Aeroespaciais do Brasil (AIAB)
www.aiab.org.br

Ministry of Development, Industry and Foreign Trade
www.mdic.gov.br

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

National Defense White Book (LBDN), available in Portuguese only
<https://www.defesa.gov.br/projetosweb/livrobranco>

Federal Senate
www.senado.gov.br

Chamber of Representatives
www.camara.gov.br

Drugs and Pharmaceuticals

Overview

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Unit: US\$ billions	2013	2014	2015 (estimated)
Total Market Size	26,892	28,097	27,437
Total Local Production	20,987	22,241	21,924
Total Exports	1,516	1,570	1,277
Total Imports	7,421	7,426	6,790
Imports from the U.S.	1,335	1,381	1,262

Total Market Size = US\$ 28,097 billion

Data Sources: Sindusfarma, Trade Map

Total Local Production: US\$ 22,241 billion

Total Exports: US\$ 1,570 billion

Total Imports: US\$ 7,426 billion

Imports from U.S.: US\$ 1,381 billion

The Brazilian pharmaceutical industry is comprised of local and international companies established in the country, representing total market value of approximately US\$ 28 billion in 2014. From 2010 to 2014 Brazil has grown 36% in U.S. dollars and US\$ 79% in Brazilian Reais. Brazil is among the five largest pharmaceutical markets in the world in terms of unit sales, and the 8th largest market size. According to Brazil's Pharmaceutical Industry Syndicate (SINDUSFARMA), Brazilian pharmaceutical product imports in 2014 reached US\$7.42 billion, and US exports account for approximately 18% of this total.

In 2014 it was observed that Brazilian pharmaceutical industries were responsible for about 50% of sales of medicines in Brazil. Most of the companies are specialized in the production of generic drugs but they started investing more in innovative products. On the other hand, international industries established in Brazil started the process of acquiring Brazilian companies to compete in the growing market of generics. Those numbers are not including sales for the Government.

Taxes applied to medicines in Brazil are among the highest in the world and corresponds to approximately 34%. The cascading tax method applied to manufactured goods in Brazil affects several industries, and is one of the most important topics that private industry has raised with the government. However, the process aimed at reducing taxes on pharmaceutical production remains slow and bureaucratic. According to government statements, taxes applied on pharmaceutical products are expected to decrease in order to make drugs more affordable for the population, although this applies primarily to state rather than federal taxes.

Generic Pharmaceutical Products

Currently, pharmaceutical patents are granted for a period of 11 years. 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. Currently, generic drugs account for 25.0% of sales. Nearly all generic production is purchased by state public health care systems as part of the government's program to distribute medicines to the country's poorest citizens.

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Best prospects are related to modern life style, such as contraceptive, erectile dysfunction, cholesterol, weight control, diabetes and other medicines that treat chronic diseases. Nutritional supplements and Phytotherapeutic drugs as well as vitamins are also in high demand by Brazilian consumers.

Major imports of pharmaceutical products, in dollar amount, are classified under Harmonized System Code 30.04 as "Medicines with Cyclosporine A", "Other Medicines with Heterocyclic Compounds in Doses" and "Other Medicines for Therapeutic Use".

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Brazil's pharmaceutical market represents an excellent opportunity for US firms wishing to enter the market. The size of the pharmaceutical market is significant and is expected to grow as the government lowers taxes on these products. Tax decreases will not only increase client sales for current patients, but will also attract new consumers who forego cost prohibitive medications and other treatments due to 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, major demand for equipment and services associated with the construction of pharmaceutical manufacturing plants represents another opportunity for US exporters.

The market for biomedicines is still incipient however presents important potential for expansion. As an example, 2% of the biomedicines offered in the public system are responsible for 40% of the budget for medications. Companies offering biosimilars and interested in partnerships with Brazilian laboratories may find solid opportunities for growth.

Due to the expiration of several drug patents, 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 and produce locally. Also, the GOB is stimulating the production of medicines locally to replace imports of drugs for treatment of Alzheimer's, HIV, cerebral aneurysm, leishmaniasis and malaria.

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

www.fcepharma.com.br

The largest technology event in the pharmaceutical industry, held each May in São Paulo.

Hospitalar

www.hospitalar.com

The largest medical event in Latin America, also held each May in São Paulo.

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

Education

Overview

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The education sector is a growing sector in Brazil. Education expenditure as a percentage of GDP has increased since 2000, reaching 6.35% in 2013. Brazil has 45 million students in the basic education system, with 7.6 million in pre-school, 29.1 million in elementary school and 8.3 million in high school. The higher education sector includes 7 million enrolled students. Approximately 75% of these students go to private institutions.

The education sector is still one of President Rousseff's highest priorities. Brazil, a vast country with continental dimensions, faces many challenges and needs to deliver a high standard of education for its population so that the country can continue on its growth trajectory. For that reason, the GOB is investing in a wide range of educational programs.

The government's Scientific Mobility Program (BSMP) is providing 100,000 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's focus is training in the science, technology, engineering and math (STEM) field; focused to promoting scientific research, increasing international cooperation in science and technology, and initiating and engaging students in a global dialogue through international education. The program was created in June 2011, by President Rousseff and renewed in 2014.

The education sector has grown exponentially in recent years in Brazil. Industry specialists project that growth will continue in the coming years, driven by a stabilizing economy and the growing middle class. In the past five years, 26.1 million Brazilians have risen from poverty and this newly emerging class is eager for training, higher education, and vocational courses.

The Ministry of Education's budget for 2015 is US\$34 billion. The Ministry seeks to invest heavily in classroom infrastructure, learning technologies, textbooks, and other programs.

Beyond government purchases, the education sector in Brazil (including school supplies, materials and other goods and services related to education) is a US\$4 billion industry, wherein lies many opportunities for U.S. companies. School materials comprise 44% of the total value of the education industry in Brazil. University books comprise 18%, basic education books 20%, and alternative educational systems 9%. Franchises for language schools comprise an additional 9%.

Studying abroad has become more attractive to Brazilian students, due to the number of students in universities and the favorable economy, as well as the Scientific Mobility Program described above. Brazil ranks 14th in the world as country of origin for foreign students who are studying at U.S. universities. The consensus is that these numbers will continue to increase over the next few years, due to the Scientific Mobility Program. By the end of 2014, 78,173 scholarships had been awarded to Brazilians, the majority of

whom study in the U.S. distributed among 346 universities. Most of these students are attending undergraduate courses.

The Brazilian Government has partnered with IIE to administer the Brazil Scientific Mobility Program for U.S. educational institutions. Accredited American colleges and universities interested in hosting students through the program should register with IIE at: <http://www.iie.org/Programs/Brazil-Scientific-Mobility> .

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(Approximately 80% of Brazilian students who study abroad come from Brazil's southern and central eastern states. São Paulo has the largest applicant pool, and also attracts the most talented students to its own university campuses. The capital city of Brasília, located in Distrito Federal (Federal District) has the country's highest GDP per capita, at approximately US\$25,000, over twice that of São Paulo, its closest competitor state. The state of Rio de Janeiro, home of the largest company in Latin America, *Petrobras*, is the country's energy hub, attracting many engineering and science majors.

The main challenge for many Brazilian 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 in attracting Brazilian students.

For this reason, in 2012 the Ministry of Education launched "English without Borders", an initiative to support university students that improves English language teaching in schools through a variety of learning methods. Approximately 2 million user accounts will be provided to an online English teaching course, over 250,000 TOEFL exams will be offered to assess students' language ability, and classroom courses will be provided by public universities to those students who fit the profile for the Scientific Mobility Program.

The Brazil Scientific Mobility Undergraduate Program focuses on Science, Technology, Engineering, and Mathematics (STEM) fields. Engineering and computer science are by far the most popular majors; however, a number of students are enrolled in social science, business, and the arts (focused on products and processes for technological development and innovation). Below are the top 10 fields of study among Scientific Mobility students:

TOP TEN FIELDS OF STUDY

- Mechanical Engineering
- Electrical Engineering
- Computer Sciences
- Industrial Engineering
- Civil Engineering
- Computer Engineering
- Biology
- Medicine
- Architecture and Urban Planning
- Engineering

With sustained economic growth and increased availability of credit, Brazilian families have been able to plan and make longer term financial commitments, and are purchasing homes, cars, and other durable goods in higher numbers. 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 services will continue to grow. U.S. 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 Brazilian students studying abroad.

Since 2007, the Education Ministry has been investing in “PROINFO”, a program that promotes information technology as an important teaching tool. The program provides installations of technology labs in 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 2015, the government will continue to invest in the technology program with additional purchases of tablets for teachers, computers for technology laboratories at schools and universities, smart and digital boards, projectors, and other learning technologies.

Brazil’s book purchasing program is also receiving increased attention. Currently, school books are purchased every three years for public schools, although the procurement process starts three years before the actual purchase. In May 2013, the Ministry of Education opened the process for book purchases for 2016; the budget allocated for 2016 school book purchases is US\$800 million. The purchasing program is divided into three categories: books used in libraries, textbooks for students, and reference material books for teachers.

For the next decade, the fastest growing segment of the educational market in Brazil will be short term vocational courses, due to government investments in technical schools and courses for high schools students and adults. Over the past five years, demand for professional/vocational courses grew 50%. In 2011, the Government of Brazil launched “PRONATEC” (National Program for Technical Courses) and designated US\$3.5 billion for the program. Between 2011 and 2014, PRONATEC funded technical and vocational courses for over 8 million students, including 4.6 million students in 2014. Those companies and educational institutions interested in participating in these programs should consider partnering with local companies or universities. The National Confederation of Industry (CNI), through its Technical Schools SESI and SENAI, is also offering vocational courses.

Brazil recognizes the need to improve English language skills across the country. However, the majority of the population, including those employed in the tourism sector, lack basic English language skills. New government programs, both at the federal and local levels, are addressing this deficiency. For example, the Coordination for the Improvement of Higher Education Personnel (CAPES), a foundation within the Ministry of Education in Brazil whose central purpose is to coordinate efforts to improve the quality of Brazil’s faculty and staff in higher education through grant programs, recently launched a program providing scholarships for intensive English language training in the U.K. for 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.

The Ministry of Education is in the early stages of creating a system to recognize foreign university degrees. Once the system is established, foreign universities will have to register to be included on the Ministry's list, intended to be a fast-track system for students to have their foreign diplomas recognized.

Education Fairs and Trade Shows

The country's many education fairs are one of the most efficient means to recruit Brazilian students, including the annual "EducationUSA", supported by the U.S. Department of State's Bureau of Educational and Cultural Affairs (ECA). This year's fairs will take place in April and September 2015. Universities interested in participating and exhibiting at the fairs should contact the [Education USA office in Brazil](#).

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U.S. Government:

EducationUSA Brazil

<http://educationusa.org.br>

Department of Commerce U.S. Educational Institutions and Intensive English Programs

<http://export.gov/mrktresearch/index.asp>

Government of Brazil:

Brazilian Ministry of Education

<http://www.mec.gov.br>

English without Borders

<http://isf.mec.gov.br/>

FNDE

<http://www.fnde.gov.br/>

Proinfo

<http://portal.mec.gov.br/index.php?Itemid=462>

Other:

Institute of International Education - Open Doors

<http://www.iie.org>

For more information about export opportunities in this sector, contact U.S. Commercial Service Industry Specialist Laura.Reffatti@trade.gov

Electrical Power Systems

Overview

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Brazil is currently the largest electricity market in Latin America and one of the world's most important emerging markets.

The estimated 2014 market for Brazil's Electrical Power Systems Sector, which encompasses generation, transmission, and distribution (GTD) equipment, is projected to have reached US\$ 7.26 billion, of which an estimated US\$ 1.3 billion was imported with about US\$ 130 million of that total forecasted to be from U.S. suppliers.

Brazil's electricity market is heavily dependent on hydroelectric power plants – with approximately 80% of its electricity generated through hydropower in an average year. With droughts severely restricting the country's electricity generation in the past couple of years, increased volatility of supply and rising wholesale electricity costs have become the trend for Brazil's power sector.

Growth in electricity consumption is expected to continue in Brazil, increasing at an average of 3.8% annually between 2012 and 2022, and driving the need for further investment in infrastructure. Beginning in 2012, Brazil's government set out on an ambitious plan to increase and diversify its energy mix, with goals to invest approximately \$235 billion and install 36 GW of hydropower, 12 GW of biomass, and 11 GW of wind over the following 10 years.

Although Brazil has supported renewable energy projects, particularly wind, the transmission and distribution infrastructure has been inadequate, delaying a number of projects. Brazil now requires that projects involved in energy auctions prove that they have transmission lines secured prior to participating in the auctions. This will reduce the problems of delays associated with insufficient transmission infrastructure, while helping to drive the market for T&D equipment.

Poor energy efficiency and average electricity losses in excess of 15% are additional pressing issues impacting Brazil's market. Aging transmission lines delivering power over long distances combined with rampant electricity theft in segments of the distribution network are largely to blame. The need to upgrade infrastructure is a common refrain in Brazil, but meeting the need has proved difficult.

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Sustained opportunities for U.S. suppliers of GTD infrastructure are expected in Brazil. U.S. exports of generation, transmission & distribution equipment have grown substantially in recent years and investment in Brazil's power infrastructure will need to continue in order to meet fast-growing electricity demand, particularly in urban centers that are distanced from traditional hydro power sources.

In the power generation subsector, best sales prospect opportunities include 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.

Best equipment sales prospects for the power transmission subsector include compact substations, 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.

The power distribution subsector offers equipment sales potential for monitoring systems to upgrade underground vaults, switches (15kV 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.

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According to the Brazilian Development Bank (BNDES), the Electrical Power Sector is expected to receive investments of approximately US\$ 65 billion between 2015 and 2018. This estimate is based on the generation and transmission auctions already taken place, as well as studies conducted by the Brazilian Energy Planning Agency (EPE). The large majority of these investments are in generation (US\$ 40 billion), of which US\$ 18 billion will be in hydropower projects.

Generation

The 2012-2022 10-year Energy Expansion Plan (PDE) estimates that the electric power generation installed capacity will increase 7.9 GW per year, going from 121 GW in 2012 to 200 GW in 2022. Of this new capacity, 63.4 GW (81%) will be from renewable resources (wind, hydro and biomass). The remaining 19% will come from natural gas (15%), nuclear (2%) coal (1%) and industrial gas (1%).

Transmission

Total investments in transmission for the 2011-2020 period are estimated at US\$ 23 billion, of which US\$ 15 billion will be in transmission lines and US\$ 8 billion in substations.

The interconnected transmission network currently in operation in Brazil surpasses the 100 thousand km extension. The 2020 PDE calls for an expansion in this network of around 42 thousand km, accounting for a 42% increase.

Distribution

The Brazilian energy distribution sector is one the most regulated in the electric power industry. The private sector is responsible for 67% of the total energy distributed in Brazil, while state-owned companies are responsible for the remaining 33%. According to the Brazilian Electric Power Utility Association (ABRADEE), there are 64 electric power utilities in Brazil, with 74.1 million consumer and 2 million new connections every year. This sector has annual revenues of US\$ 26 billion, which represents 2.2% of the national GDP, and annual investments around US\$ 7 billion in new equipment, training, expansion of the system and others.

The major challenges faced by Brazil in the electrical energy distribution segment include the management and reduction of non-technical losses in several regions of the country, as well as reliability, interconnection and quality of the electric power.

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Brazilian Electrical and Electronics Industry Association
www.abinee.org.br

Eletrobras
www.eletrobras.com.br

EPE (Empresa de Pesquisas Energéticas)
www.epe.gov.br

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 the U.S. Commercial Service Industry Specialist Igly Serafim: Igly.Serafim@trade.gov

Environmental Technologies

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There are no available statistics on annual sales for the environmental technologies sector in Brazil. However, based on published sales revenues of the country's leading state-owned water and waste water (W&WW) utilities, the W&WW subsector was estimated at US\$ 11 billion in 2013. ABRELPE, a nationwide solid waste management association, estimated the market size for solid waste management at US\$ 8 billion in 2013. A source from the State of São Paulo's Environmental Authority (known as CETESB) estimates that the W&WW sector represents 50% of the total environmental market, while the air pollution control technologies subsector accounts for 17% and solid waste management, including soil / water remediation sector, represents 33% of the total market. 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\$ 2.3 trillion.

Water and Wastewater Sector in Brazil

April 1st, 2015 was the official end of the rainy season in São Paulo, Brazil's most-populous state. Yet, water levels in the greater São Paulo metropolitan region measure 34 percent lower than the same time in 2014. São Paulo and the nation's other major population centers, including those in the fast-growing northeast states, are experiencing the worst drought in 80 years. Demand for infrastructure expansion and modernization, crisis management, and conservation is high and comes during trying economic times that signal high levels of anxiety throughout the continental-sized nation of 201 million people.

The Brazilian government is seeking guidance, best practices, and proven experience from other countries and their private sectors to confront the water shortage crisis. The Ministry of the Environment hosted an international water seminar in São Paulo on April, 2015, inviting experts from six countries to share strategies on "management of water in times of crisis." During the seminar, the federal and municipal governments sought to build consensus around all critical factors involved, and suggested concrete measures to strengthen the Brazil's economy through the management of watersheds and the reduction of the drought's impact. Brazil's water utilities seek companies with proven success in reduction of losses in urban water systems, desalination, water reuse, and its multiple applications – most notably by industrial consumers, who pay the highest rates per cubic meter.

The National Bank for Economic and Social Development (known as BNDES) estimated that R\$ 37 billion (US\$ 14 Billion) will be invested in the W&WW sector in the period from 2015 to 2018.

Water distribution in Brazil is available to 93% of the population, whereas sewage collection services are currently available to only 48% of the population. Of the collected sewage, only 32% is treated, presenting a major pollution and basic sanitation challenge to Brazilian policy makers.

The Brazilian government has made sanitation -- including water, wastewater, drainage and waste management -- a priority. The Attorney General's Office is enforcing federal

legislation enacted in 2007 and 2010 to strive towards adequate (W&WW and solid waste management policies. Data received from the Brazilian Ministry of Cities show that average annual investments in basic sanitation are around US\$ 4.5 Billion. This is significantly less than the annual spending goal set by the Government of Brazil (GOB) of US\$ 7 Billion, which it estimates is required through the year 2030 in order to reach the GOB's goal of providing basic sanitation services to every citizen.

Funds made available by federal, state and municipal governments and multilateral development agencies, and investments made by private sector companies should be invested in the expansion and replacement of existing water supplies, sewage collection and sewage treatment systems; as well as increased management efficiency, quality of service and technical capacity at all of the nation's utilities. Currently, there are 27 state-owned utilities serving 76% of the population, with municipal and private sector utilities serving about 10% of the population.

Solid Waste Management

In Brazil, municipalities are responsible for the solid waste collection and disposal. There are several solid waste management models, of which the most common are concession contracts through Public Private Partnerships (PPP) and municipal public works that perform collection and street sweeping services. Waste disposal and landfill operations are either performed directly by the municipalities or contracted to a third party. Disposal in sanitary landfills is currently the most common method in Brazil. In addition to the municipal public works, there are currently 200 private companies in the business that perform about 80% of the solid waste management services.

According to ABRELPE, solid waste generation in Brazil is estimated at 62 million Metric Tons per year, of which about 90% is collected. About 37% of the waste ends up in garbage dumps or "controlled landfills", both of which are highly harmful to the environment and public health. –Brazil's National Institute of Geography and Statistics (IBGE) indicates that only 32% of the nation's 5,565 municipalities have some type of selective waste collection.

In order to protect the environment, public health and preserve Brazil's natural resources, the Environmental Ministry created the National Solid Waste Policy, through law 12,305 of 2010. The legislation established that by the end of 2012, the municipalities needed to have presented their solid waste management plans to the Environmental Ministry and that by August 2014, the municipalities would have to be in compliance with plan's requirements, of replacing garbage dumps with sanitary landfills and implementing selective waste collection and recycling programs. As of April 2015, only 2,202 municipalities had submitted their solid waste management plans to the Environmental Ministry and they continue adopting inadequate solid waste disposal methods. The Environmental Ministry did not extend the deadline dates, and those municipalities that failed to meet the deadlines are subject to legal penalties.

Compliance with the National Solid Waste Policy will require increased investments in the expansion and construction of sanitary landfills and introduction of new technologies for waste valorization (e.g., waste to energy production, recycling and reverse logistics). BNDES estimates required investments of R\$ 5 billion (1.7 billion) for the period 2015 -

2018. ABRELPE, estimates the revenues generated through collection, treatment and disposal of waste were US\$ 8 billion in 2013 with a total employment of 330,000 people.

Air Pollution Control

Sources from CETESB estimate that about one third of the market for air pollution control equipment in Brazil is in the state of São Paulo, with half of that within Greater São Paulo City.

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Water & Wastewater Best Prospects/Services

There is increased demand for water-saving technologies with associated installation, training, and maintenance services. Such solutions include effluent treatment and energy management, advanced water treatment, water-loss prevention solutions, intelligent valves, efficient water distribution and reuse projects, water-saving devices, and rainwater systems.

Also sought by Brazil's municipal water systems operators are efficiencies in agricultural irrigation, such as drip irrigation control systems. However, the agricultural sector is generally not as affected by Brazil's current shortage of water as are households and industry, as most growers draw supplies from proprietary wells and groundwater aquifers.

In high demand also are new technology solutions and related services for improving water potability and monitoring and measurement control systems for the reduction of use, loss, and leakage due to theft and deteriorating infrastructure. Remote, online control systems and smart grid technologies fit well within this profile. The average water loss in Brazil is estimated at 40%.

In addition to the municipal demand, the chemical, oil & gas, metallurgy, textile, automotive, sugar and ethanol, pulp and paper, and food and beverage industry sectors all are potential buyers of W & WW solutions.

Solid Waste Management Best Prospects/Services

According to (BNDES's sector analysis, current technologies for waste collection (i.e., compactor trucks) and for sanitary landfills (i.e., earth moving equipment, polyethylene landfill liners with leachate and gas collection pipes) are all made in Brazil.

However, some new waste valorization technologies are being imported. With total investments of US\$ 20 million, Loga and Ecurbis, two concessionaires in charge of waste management in the city of São Paulo, built two automated waste separation plants, which were the first of their kind in the country. The equipment was imported from Germany, France and Spain. São Paulo plans to build two additional plants in the near future.

Power generators above 1 MW capacity to produce energy from bio gas are also imported. The use of container mounted power modules used in landfills is relatively common in Brazil.

Air Pollution Control Best Prospects/Services

According to CETESB, technologies and services that are in highest demand related to air pollution include:

- Continuous emission monitoring systems (note: very high demand due to the implementation of new waste incinerators)
- Analytical and laboratory testing goods and services
- Air pollution control equipment
- Fuel vapor control systems (note: new legislation on gas station vapor emissions is currently being drafted).

Solid Waste Management Opportunities

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The U.S. Commercial Service in Brazil has recently been approached by the São Paulo Municipal Secretary of Public Works, wishing to learn about the waste programs in large U.S. cities. The interest lies in household selective recycling, waste transfer stations, public awareness recycling campaigns, and other aspects of U.S. cities urban waste and cleaning.

According to BNDES, sanitary landfills should continue to be dominant in Brazil in the next years. Nevertheless, recycling, energy generation and bio digestion should increase substantially. The use of biogas as natural gas is stimulated by the fact that existing state legislation encourages concessionaires to sell part of the biogas. This would generate a demand for equipment that turns the methane gas from sanitary landfills into clean compressed natural gas BNDES also notes that because of costs, incineration of municipal waste is not an option. However, factors such as energy price, the possibility to sell vapor and the unavailability of space for additional sanitary landfills could make this alternative economically feasible. Other alternatives such as pyrolysis, with gas production, smaller incinerators and landfill mining, may present potential in the long run. Environmental companies seeing business opportunities created by the National Solid Waste Policy are looking to establish partnerships with international firms that design waste management programs, as well as those that provide technologies.

Industrial companies are jointly addressing policy compliance through their respective industry trade associations, which typically contract feasibility studies, design reverse logistic methods, establish waste collection points and select appropriate waste treatment technologies.

Air Pollution Control Opportunities

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Given Brazil's heavy reliance on hydroelectric power, air pollution in Brazilian cities primarily originate from industrial and mobile sources. Nevertheless, the drought that has been affecting the Southeast, Northeast and South regions of the country is expected to result in increased use of thermoelectric power, which may cause changes in the air quality. Addressing air pollution has become a priority for the Brazilian government and has generated demand for gas emission monitoring technologies, gas analyzers and air pollution control technologies.

In 2013, the state of São Paulo established “New Standards for Air Quality”, similar to the EPA NAAQS, which should generate a demand for consulting, analysis and measurement services, as well as for equipment. CETESB published a study called “Emission Reduction Plan for Stationary Sources” (known as PREFE), which was released to the public in January 2014. The plan evaluates the ambient air quality in 7 geographic regions of Sao Paulo with similar pollution sources, and establishes the emission reduction targets Among the industries that do not currently comply with the new emission standards are: oil refineries, steel plants, petrochemical industries, pulp, paint, paint cabins, combustion equipment and glass industries). According to CETESB, cement plants in the state of Sao Paulo are seeking alternative fuels, which should generate demand for control and monitoring equipment for continuous emissions.

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IBAMA – Brazilian Environmental Institute
www.ibama.gov.br

CETESB – Environmental Authority of the State of São Paulo
www.cetesb.sp.gov.br/

ABRELPE - Brazilian Association of City Cleaning and Waste Treatment Companies
www.abrelpe.org.br

ABETRE- Brazilian Association of Solid Waste Treatment Companies
www.abetre.org.br

Trade Shows:

FENASAN - National Exhibition of Environmental and Sanitation Services
August 4 to 6, 2015. Expocenter Norte – São Paulo
Organizer: São Paulo State water utility Engineers Association
Website: <http://www.fenasan.com.br>
Comments: FENASAN is the number one water & wastewater related event in Brazil and attracts a large audience and international exhibitors and visitors.

EXPOSUCATA- International Recycling Fair and Congress
August 18 to 20, 2015. Imigrantes Exhibition and Convention Center – São Paulo
Organizer: Eco Brazil Editora
Website: <http://www.exposucata.com.br/>
Comments: Displays technologies and services involved in marketing, preparation and processing of recyclable materials.

RWM Brasil – Solid Waste Management Show
September 29 to 30, 2015. Transamerica Expo Center – São Paulo
Organizer: ABRELPE (Brazilian Association of Urban Cleaning Companies)
Website: http://www.abrelpe.org.br/detalhe_evento.cfm?id=1304&f=1
Comments: This event started in 2013. The exhibition takes place simultaneously with the ISWA Solid Waste Congress.

Franchise

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The Brazilian franchise sector is among the world's largest and most sophisticated markets, in terms of business practices and in adapting concepts from both foreign and domestic franchisors. The sector has consistently grown faster than Brazil's economy overall - especially during this period of stagnation - and has become one of the economy's main growth engines. In addition, even traditional retail companies are adding franchising to their channel expansion strategy. U.S. franchisors encounter strong competition in this robust market, from Brazilian franchisors offering a variety of product and service solutions, more than what they might encounter in other Latin American markets.

In 2014, the Brazilian franchise sector grew by 7.7 percent, and total sector revenue was about R\$ 127.331 billion (US\$ 49 billion). There are an estimated 2,942 franchising chains (a growth of 8.8% compared to 2013) and 125,641 franchising units in the country (a growth of 9.8% comparing to 2013), making Brazil the sixth-largest in the world (in number of units) and the fourth-largest in number of franchise chains. The Franchise sector currently accounts for 1,096,859 jobs, a growth of 6.5% over last year, during a period in which the Brazilian unemployment rate was 6.8%. In the last year alone, 239 franchisors reportedly entered the market.

According to the World Franchise Council (WFC), Brazil ranks fourth in number of brands offered through the franchising model, behind China (4,000), USA (3,828) and South Korea (3,691). Rounding out the top 10 countries are India, France, Philippines, Mexico, Japan and Turkey.

As for total number of franchising units operating, the top 10 countries are: USA (769,683), China (330,000), Japan (252,514); South Korea (203,349), Philippines (130,000), and Brazil (125,641); followed by India, Australia, Canada, and Mexico.

The Brazilian Franchise Association (ABF) projects sector growth for 2015 as follows:

Sector Venue	9%
Units	10%
Brands	8%

The franchise sector revenue is composed of:

Services / Retailer (accounts for 21%)
Food (20.1%)
Sport, Health, Beauty and Leisure Products & Services (18.3%)
Clothing (7.6%)
Hotel / Hospitality Industry (7.3%)
Shoes / Accessories (6.9%)
Education / Training (6.7%)
Home / Construction (5.7%)
Automotive (3.5%)
Informatics / Electronics (1.8%); and
Cleaning (0.9%).

In terms of growth rankings, The top 11 best-performing franchise sectors in Brazil in 2014 were (ranked by % of growth):

- Informatics / Electronics (+ 27%)
- Shoes / Accessories (+19%)
- Home / Construction (+17%)
- Education / Training (+12%)
- Automotive (+9%)
- Cleaning (+8%)
- Food (+7%)
- Services / Retailer (+6%)
- Sport, Health, Beauty and Leisure Products & Services (+5%)
- Clothing (+3%); and
- Hotel / Hospitality Industry (+0.3%).

Local Brazilian franchises dominate the market across many sectors, controlling 93% of sales volume; while foreign groups, mostly from the U.S., are making headway. According to ABF, 138 foreign franchise brand concepts currently operate in Brazil, of which 54 are based in the U.S.

The presence of franchise units is distributed throughout Brazil as follows, grouped by state areas:

- Southeast 70.9%
- Southern 16.8%
- Northeast 7.6%
- Middle-West 3.9%; and
- Northern 0.8%.

There are franchising operations in 2,108 cities countrywide, or 37.8% of Brazilian cities.

Top Players Ranked by Revenue, Number of Units

The ranking of the top twenty franchise operations in Brazil shows the dominance of Brazilian franchisors over foreign competitors. Only four out of the top 20 performing franchise brands (in terms of earnings revenue and number of units in operation) are foreign: Subway, McDonald's and AM-PM Mini Market from the US; and Kumon from Japan.

#	BRAND	SECTOR
1	O Boticario	Beauty
2	Wizard Idiomas	Education
3	Colchoes Ortobom	Home
4	Cacau Show	Food
5	Subway	Food
6	McDonald's	Food
7	AM PM Mini Market	Services / Retailer
8	Kumon	Education
9	Jet Oil	Automotive
10	Bob's	Food

11	BR Mania	Services / Retailer
12	Nosso Bar	Food
13	Correios	Services / Retailer
14	Escolas Fisk	Education
15	CVC Brasil	Travel & Tourism
16	Dia %	Retailer
17	Oticas Diniz	Accessories
18	Oticas Carol	Accessories
19	CCAA	Education
20	Hering Store	Clothing

Finding suitable master franchisees in Brazil is a very challenging job for US franchisor companies. One strategy is to develop relationships with Brazilian franchisors and master franchisees of non-competing, yet complementary concepts. In general, Brazilian investors make decisions based on well-structured business plans and the expectations of financial return. It is misleading to think that emotional factors will heavily influence a decision in favor of a certain brand or business concept. It is important that foreign franchisors understand this, and approach the market only after having done the necessary homework, having estimated the true potential of the brand for Brazil.

It is also increasingly common for a Brazilian investor to negotiate risk-sharing agreements with the foreign franchisor when introducing a new brand to the market. "Risk" in this case refers to making actual direct investment in the form of a joint-venture partnership. Also, as many Brazilian concepts are now seeking to expand internationally, some will be open to discussing bilateral agreements, wherein a foreign brand is launched in Brazil at the same time as the foreign franchisor develops a Brazilian brand in its home country.

According to ABF, 106 Brazilian brands are present in 53 countries in all continents. 31 operate in the USA, 22 in Paraguay, 20 in Portugal, 13 in Argentina, 13 in Bolivia, 11 in Spain, 11 in Mexico and 10 in Colombia, among other countries.

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World Franchise Council
<http://www.worldfranchisecouncil.net/>

Brazilian Franchise Association
www.portaldofranchising.com.br/

Medical Equipment

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Brazil is the largest medical equipment market in South America, the 7th in the world and should continue to expand. Brazil is a major medical equipment producer, exporter and importer. The 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 increased 10% in 2014 and are estimated in US\$ 7 billion. According to Websetorial, major associations of medical related products reported imports for 2014 as US\$ 4,457 million of medical/electrical equipment (ABIMED); US\$1,816 million of implants (ABRAIDI) and US\$ 2,717 of in vitro diagnostic reagents (CBDL). U.S. products account for approximately 31% of the import market, mainly sold through local agents, distributors and importers to hospitals and clinics.

There are few, high-quality Brazilian manufacturers producing advanced medical equipment, forcing Brazil to rely on imports, a trend that will continue for quite some time. Local buyers view U.S. and other foreign products (mainly Canadian and European) as having high quality and reliability. Thus, financing terms often become the differentiating criteria in making a sale.

Anvisa, Brazil's Health Surveillance Agency is the country's national agency of sanitary surveillance that regulates registration of medical related products. Risk class III, IV and some II may demand international inspections for Good Manufacturing Products (GMP). Electrical and battery powered devices must receive certifications and the Brazilian Conformity Mark from Inmetro, the National Institute of Metrology, Quality and Technology that issues.

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With continued expansion of Brazil's private health care sector, the market should continue to grow. Foreign investment in large hospitals has allowed the implementation of new technologies for management and population studies. Approximately 80% of all products used in hospitals in Brazil must be imported, because the country has no manufacturing of comparable products. New opportunities for US exporters abound, particularly for:

- More advanced medical equipment
- Disposables
- Diagnostic devices
- Implants and components

- Health IT solutions for integration, mobile application, management, telemedicine and electronic records

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The market for home health care products has been increasing in two digits every year and is estimated in US\$ 1.3 billion. Brazilian health insurance companies are responsible for paying 90% of the costs related to home care treatment.

In 2014, the market for Health IT companies reached US\$ 420 million. Only 19% of Brazilian hospitals and clinics are computerized. The U.S. Commercial Service is highly engaged in assisting U.S. firms interested in exploring or expanding this market in Brazil through a series of activities such as Trade Missions to Brazil and to the United States, webinars, advisory committee meetings and participation in major international and local events of this segment. More info at <http://export.gov/brazil/industryhighlights/healthit/index.asp>

The Government of Brazil is offering opportunities to companies that are interested in partnerships to transfer technology for domestic production through its public private partnership program, in an effort to reduce the deficit trade balance in the health care sector.

U.S. exporters may consider the opportunities offered by Mercosur* for companies that manufacture or assemble medical devices in Brazil. It is possible to use it as a "spring board" for export into other South American countries.

Since compulsory product registration before sale is required for all of Mercosur countries, US exporters should consult a local lawyer/consultant before signing a contract with any agent/distributor.

() Mercosur (Mercado del Sur) is composed of 5 [sovereign](#) member states: [Argentina](#); [Brazil](#); [Paraguay](#); [Uruguay](#); and [Venezuela](#). [Bolivia](#) became an acceding member on 7 December 2012.*

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ANVISA - Brazilian Agency for Sanitary Surveillance
www.anvisa.gov.br

ABIMO - Brazilian Assoc. of Dental, Medical and Hospital Equipment
www.abimo.org.br

ABIMED – Brazilian Assoc. of Importers of Medical Equipment and Devices
www.abimed.org.br

CBDL- Brazilian Chamber of Laboratory Diagnostic
www.cbdl.com.br

ABRAIDI – Brazilian Association of Importers and Distributors of Implants
www.abraidi.com.br

ABIIS – Brazilian Alliance of Innovation Industries in Healthcare
www.abiis.org.br

Websetorial – Economic Consultancy
www.websetorial.com.br

Major Trade Shows:

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

MD&M
www.mdmbrazil.com
The largest medical tech show in Latin America.

Reabilitação
www.reabilitacao.com
Event for orthopedic and rehab products.

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

Mining Equipment

Overview

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Unit: USD Millions

	2013	2014	2015 (estimated)	2016 (estimated)
Total Market Size	5,000	4,810	4,720	4,710
Total Local Production	5,400	5,200	5,100	5,100
Total Exports	800	770	740	740
Total Imports	400	380	360	350
Imports from the U.S.	100	95	93	93
Exchange Rate: BR REIS per USD on Dec 31, 2014	2.34	2.34	3.00	3.20

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

Data Sources:

Total Local Production: Brazilian Mining Institute (IBRAM) and Brazilian Ministry of Industry and Commerce (MDIC) and press reports

Total Exports and Imports: MDIC Brazilian Ministry of Industry and Commerce

Imports from U.S.: MDIC Brazilian Ministry of Industry and Commerce

Brazil is the world's fifth largest mineral producer and, as a result, one of the world's largest markets for mining equipment. However, during 2014 and 2015 a recession occurred in the international mining market, and prices for most Brazilian mineral commodities decreased significantly with a corresponding negative impact on Brazilian mining companies. The Brazilian mining industry depends heavily on exports, so that prices for minerals in the international market have a much larger impact on the mining companies than the overall economic situation of the country.

The total Brazilian mineral production during 2014 is estimated to have been US\$43 billion, according to the Brazilian Ministry of Mines and Energy, broken down by specific minerals as follows: iron ore 60.7% of the total value; construction aggregates 19.0%; gold 5.2%; copper 4.2%; nickel 2.0% aluminum 2.0%; phosphate 1.3%; coal 0.9%; manganese 0.8%; potash 0.5%; kaolin 0.5% asbestos 0.5% niobium 0.5% graphite 0.2% and zinc 0.1%. The Brazilian mineral production is concentrated in the central state of Minas Gerais (42% of the total value), and in the northern state of Pará (mainly in the Carajás mining area of the Amazon region), with 33% of the total.

The spot market price for iron ore-62% Fe, Brazil's most important mineral product, decreased from more than US\$180/metric ton in April 2011 to less than US\$60 in May 2015. This product is responsible for nearly 60% all mining investments in Brazil. As a result of this trend, there are no significant new investments in iron ore planned for the next few years. In addition, many new projects have been canceled, and smaller producers are facing a very difficult financial situation in the near term.

The price for gold, which is also a very important mineral for Brazil, has fallen from highs of US\$ 1800/oz in 2012 to the current price of \$1200/oz. Likewise, the price for aluminum, another very important mineral for Brazil, has fallen from nearly US\$3000/ton in 2007 to \$1800/ton currently, resulting in difficult times for the local mining companies.

The Brazilian Mining Institute IBRAM projected in 2014 that local mining companies would invest US\$53.6 billion on new projects between 2014 and 2018. At the time this was considered a very low volume of investments, given the potential of the country, especially when compared to previous years. This figure has not been corrected yet, but all market analysts preview that it will be cut by at least 30%. Most of the cutbacks in the total volume of investment were in iron ore, but other minerals have also suffered a similar trend, although not as drastic as in iron ore. However, investment in maintenance of existing capacities is still high, as Brazil is a top producer of many different minerals.

According to IBRAM, there are several other reasons for the recession in this sector, such as excessive bureaucracy for the necessary environmental permits, difficulty in raising local capital and a federal mining regulatory framework which has been undergoing revision by Congress for more than three years.

China has played a very important role for Brazilian mining companies in the last years. The nation has become the largest importer of Brazil's mineral exports, especially iron ore. Most of the new projects developed or planned in Brazil in the last years are tied to China's demand for Brazilian mineral resources. However, after many years increasing at more than 10% annually, Chinese demand for Brazilian minerals has dropped abruptly since 2013, affecting Brazilian mining. During 2014, China was the destination of 39.8% of all Brazilian mineral exports (in terms of value). The second largest importer of Brazilian minerals in 2014 was Japan with only 8.0% of the total value exported, the third one was the USA (5.4%), followed by Holland (4.6%), South Korea (4.2%), the UK (4.0%) and India (3.0%).

Interestingly, the largest exporter of minerals to Brazil in 2014 was Chile with 13.7% of the total, and the second one was Canada (13.3%). The USA was the third largest supplier, with mostly coal exports and a share of 11.0%.

Potash (for the fertilizer industry) represented 42% of all Brazilian imports of mineral commodities in 2014 (in terms of value), coal represented 31%, copper 13%, sulfur 4% and zinc 2%. Iron ore represented 73% of the value of all Brazilian mineral exports during 2014, gold 7.5% and niobium 5.5%.

The full potential for output of Brazilian minerals has not been fully surveyed, and significant discoveries of mineral deposits are expected in the future, especially in the north of the country. Investments in geological exploration in Brazil in 2014 were under US\$ 300 million, very low when compared to the worldwide figure of US\$12.9 billion, and considering that Brazil is the fifth largest mineral producer in the world.

The most important minerals in Brazil, with their respective production stated in millions of metric tons per year (Mt/y), or in metric tons per year (t/y) in 2014, and the Brazilian share of the world production are:

Mineral	Production/year	% World total
Iron ore	520 Mt/y	16%
Aluminum	978,000 t/y	4%
Bauxite	35 Mt/y	14%
Gold	70 t/y	2.3%
Kaolin	3 Mt/y	6%
Manganese	2.8 Mt/y	20%
Niobium	90 t/y	94%
Potassium Chloride - KCl	492,000 t/y	n/a
Phosphate Concentrate	8 Mt/y	n/a
Zinc	290,000 t/y	2.3%
Lead (primary)	25,000 t/y	n/a
Lead (recycled)	142,000 t/y	n/a
Copper	500,000 t/y	2.5%
Tin	12,000 t/y	n/a
Nickel	270,000 t/y	n/a
Uranium (U3O8 concentrate)	180 T/y	n/a
Construction aggregates	700 Mt/y	n/a
Raw Material for Cement	70 Mt/y of cement	n/a
Coal	8 Mt/y	0.1%

Brazil is the world's largest producer of niobium, the second largest producer of iron ore and manganese, and the third largest producer of bauxite.

Brazil's coal production is small and had been stagnant for nearly 30 years at 4 to 6 million metric tons/year. Since 2012, however, there has begun an upward trend, with total output expected to achieve 16 Mt/Y by 2019. All the local production is steam coal (no metallurgical coal), and it is a low quality product, with high ash content.

Total Brazilian deposits of coal are estimated to be 32 billion metric tons (1% of the world total). There are nine coal power plants currently in operation in Brazil, which have been operating at full capacity in recent years, with a combined capacity of 3.205 MW, equivalent to only 2.5% of the total electricity consumption of the country. After 20 years of complete stagnation, when no new coal power plant was built and the mining output had not increased, three new projects were started since 2012 (Pecem I and II and Itaqui), using imported coal from Colombia. A new coal power plant is being built in Brazil, the "Pampa Sul" project, for 340 MW, and more are expected in the next few years.

Brazil is traditionally a large importer of metallurgical coal for its steel mills, as all of its domestic production is of steam coal. Total Brazilian imports of coal in 2014 were US\$2.92 billion and in 2013 were US\$2.71 billion. There were practically no imports of steam coal in Brazil until 2012. Since then, Brazil has also regularly imported steam coal.

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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 Brazil. In fact, many of them even export their products from 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 systems. For this reason, it is very difficult to export turnkey equipment to Brazil as opposed to components. The best prospects for exports are components for assembly in Brazil by the big multinational manufacturers located there, or components for maintenance of existing facilities. In order to supply turn-key projects it is normally also necessary for the supplier to get involved in long term financing operations with the project owners.

Products (or components) that are not locally produced, either by foreign or local firms have the highest success rate for entry into the market. Otherwise, the imported product will need to offer much higher technology or cost/benefit compared to the locally-made ones, as local companies tend to prefer buying locally even if there is a difference in quality. Import taxes and fees in Brazil are very high in the mining sector, and import procedures are complicated and bureaucratic; forcing buyers to favor local products over imported ones.

Most of Brazil's mines are open pit, so the market for underground mining equipment is very small, though more underground mines are expected to open in the future.

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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. Typically, these companies use 50% to 90% Brazilian-made components to build their equipment in Brazil, in terms of value of the final product. 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. In 2012, Caterpillar, which has produced a traditional line of earthmoving machinery in Brazil for over 50 years, has added a locomotive factory.

Additional U.S. and other international firms with factories of mining products in Brazil include 3M, Cummins, Eaton, GE, Goodyear, Ingersoll Rand, ITT, P&H MinePro, Terex, Timken (USA), Asea BB, Atlas Copco, Sandvik, Scania, SKF, Tamrock, and Volvo (Sweden), Case New Holland, FIAT and Iveco (Italy), Koch, Kuttner, Liebherr, MAN, Mercedes Benz, Schaeffler, Schenk Process, Siemens, Thyssen Krupp, Voith and Wehr (Germany), Alstom, Michelin Tires and Saint Gobain (France), Komatsu, NSK and Toshiba (Japan), Metso and Outokumpu (Finland), Orica (Australia) and JCB (UK).

There are many Brazilian manufacturers competing with similar technologies, or which have technology transfer agreements with foreign companies and dominate big shares of the domestic market. The largest ones include Bardella, Dedini, Isomonte, Jaraguá, Randon, and Villares, 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.

Prospective Buyers:

VALE S.A. (formerly known as Companhia Vale do Rio Doce): Brazil's largest, and the world's third largest mining company. Privatized in 1997, VALE is responsible for more than 40% of Brazil's mineral output in terms of value, and represents an excellent opportunity for U.S. equipment suppliers. VALE produces nearly 75% of all Brazil's iron ore output, 100% of potash, 85% of manganese, 43% of kaolin, and is also the top player in copper and nickel production. The output of its main minerals in 2014 was 319.2 million metric tons (Mt) of iron ore (not including its share of Samarco), plus 43.0 Mt of iron ore pellets; 2,352 Mt of manganese ore; 321,000 oz of gold; 398,000 tons of copper (contents in ore); 492,000 tons of potassium chloride; 8.8 Mt of coal; 8.4 Mt of phosphate rock; 275,000 tons of nickel (mostly in other countries) and 8.6 Mt of coal (in other countries). VALE is also the top logistics player in Brazil, especially for ports and railroads, not only for its own use, but also as a supplier of logistics services to other companies. It is the largest Brazilian consumer of electricity.

Anglo American Since 2010, Anglo has a big nickel project named "Barro Alto," with an output of 36,000 t/year in ferro-nickel alloys. In late 2014 it started up a large iron ore project located in Minas Gerais (that it bought from the former MPX) , that has been built for an output of 25 Mt/year.

AngloGold Ashanti is the second largest gold producer in Brazil, with an output of nearly 519,000 oz in 2013 (13% of its worldwide output). It projects to increase its output in Brazil to 670,000 troy ounces in the next three years.

Usiminas, Brazil's largest steel manufacturer, has an output of currently 13 Mt of iron ore, in a joint-venture with Japanese-owned Sumitomo.

CSN produced 45 Mt/y of iron ore in 2014. It is also the second largest Brazilian steel producer, with an output of 6 Mt/y of steel.

ArcelorMittal had an output of 4 Mt of iron ore. This company is Brazil's third largest steel producer.

Samarco has increased its capacity during 2014, from 24 Mt of iron ore pellets to currently 30 Mt/y. The company is a consortium between Vale and BHP Billiton.

Kinross Gold Corp of Canada became Brazil's largest gold producer in 2008. In 2014 its output in Brazil was 521,026 troy ounces, and in 2013 it was 500,380. Its Paracatu mine in Brazil is planned to be in operation until 2030.

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

MRN is the largest producer of bauxite in the world, with 18 Mt/y. The company is a consortium that includes Vale, BHP Billiton Metals, Novelis, CBA, Alcoa, Norsk Hydro, and Abalco.

CBMM has a share of nearly 80% of all the production of niobium in the world. It is currently expanding its installed capacity from 90,000 metric tons/year of ferro-niobium to 150,000.

Market Entry:

It is absolutely necessary for foreign manufacturers of equipment to have some degree of 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.

Brazil's mining companies, even the very large ones, prefer to contact a Brazil-based representative and do all the import procedures through them, instead of contacting the foreign suppliers directly.

Price and just-in-time delivery for components are key factors for most importers. Some large mining companies have their own bonded warehouses where they store imported products in Brazil, locked under customs' agreement. These products will go through customs and be paid only when they really need to be used. Unskilled labor is relatively cheap in Brazil compared to the U.S., so equipment that eliminates large numbers of employees are not necessarily financially attractive to Brazilian companies. Highly qualified labors, especially engineers, earn wages that are competitive with those in the U.S.

Import taxes in Brazil are very high. 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 Mercosul free trade area which also includes Argentina, Paraguay, Uruguay, and Venezuela. There are also three local taxes. The following taxes apply to both local and foreign products:

- IPI Industrialized Products Tax, federal tax calculated on top of the CIF price plus Import Tax, is 5% to 8% for most products
- ICMS Merchandise and Services Circulation Tax, a state government value-added tax, is 18% of the final price in most Brazilian 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 formula
- Additional Miscellaneous Taxes and Fees: Warehousing, handling charges at port, transportation, etc.

If a specific product is not manufactured in Brazil and it is considered a priority by the federal government (normally raw materials and machines), it may be granted exemption of import tax for up to two years, pending an official analysis by the import authorities that may take longer than one year.

Exposibram, the Brazilian mining show, is held every year in September, alternating between the cities of Belo Horizonte and Belem. It is sponsored and organized by IBRAM, with support from most local mining companies and manufacturers of mining

equipment. This show is recommended for U.S. companies looking to understand or partner with Brazilian mining companies, and to make personal contact with related government entities that travel to the show from around the country. Kallman Worldwide is the representative of this show in the USA. The next edition of this event will be on Sep. 26 – 28, 2015 in Belo Horizonte.

Website: <http://www.exposibram.org.br/>

Web Resources

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U.S. Commercial Service Brazil

<http://www.buyusa.gov/brazil>

U.S. Commercial Service Market Research Worldwide

<http://export.gov/mrktresearch/index.asp>

Ministry of Mines and Energy (MME)

<http://www.mme.gov.br>

Brazilian Geological Service

<http://www.cprm.gov.br>

VALE

<http://www.vale.com>

Brazilian Mining Institute (IBRAM)

<http://www.ibram.org.br>

Magazine Brazil Mineral

www.signuseditora.com.br

Magazine Minerios

www.minerios.com

Magazine In the Mine

www.inthemine.com.br

Professional Geologists Association

www.geologo.com.br

ABIMAQ - Brazilian Association of Machinery Manufacturers, database of manufacturers

<http://www.abimaq.org.br>

InfoMine Portal

<http://brasil.infomine.com>

Brazilian Coal Association, and its Clean Coal Technology Center

<http://www.carvaomineral.com.br>

Association of the Coal Mining Companies of the State of Santa Catarina

<http://www.siecesc.com.br/siecesc>

ABM - Brazilian Metallurgy and Materials Association
www.abmbrasil.com.br

DNPM - Brazilian Mineral Production Department
www.dnpm.gov.br

www.infomine.com has a special session on Brazil, with market reports and lists of Brazilian companies that supply products to this sector.

Brazilian Aluminum Association
www.abal.org.br

For more information contact Industry Specialist Mauricio Vasconcelos at
mauricio.vasconcelos@trade.gov

Nuclear

A third nuclear power plant (Angra III) is currently under construction in Brazil. The plant, when operational in December 2018, will add 1,405 MW of nuclear generated electricity to Brazil's total of 2,007 MW electricity already generated by its two existing nuclear power plants. By then, nuclear power will account for 2% of Brazil's total electrical power matrix.

Over the past several years, there have been uncertainties on timing, plant locations, and the overall status of the Brazilian civil nuclear program. Before Fukushima, the Government of Brazil ("GoB") had stated that it wanted four to eight new nuclear reactors in operation by 2030. The total project for eight reactors was valued at approximately US\$30 billion, with about US\$6 billion in potential U.S. export content. Electronuclear (ETN), a subsidiary of state-owned company Eletrobras, is the GoB entity that procures technology for nuclear power plants. Eletrobras falls under the authority of the Ministry of Mines and Energy.

Brazil's Energy Research Company (EPE) publishes Brazil's energy planning in two steps – a long range (30 years) and a medium term (10 years). These plans define the capacity that is expected to come on line, by source, in each year of the plans. The long-range national plan, PNE 2030, had considered four to eight nuclear plants in operation by 2030, with the specifics to be defined by the medium-term plans that are issued every year. However, recent medium-term plan PDE 2023 (capacity entering the power grid for the period of 2014-2023) has only included Angra III as new nuclear capacity coming onto the power grid during those years. A new PDE (2016-2024) will be published in 2016.

The strongest competition for additional nuclear power plants is the gas-fired plants. If Brazil produces a large amount of natural gas in the next decades, this source of thermal power may take priority over nuclear power as a source of base power capacity. This would balance Brazil's energy matrix with interruptible power plants such as wind, solar or biomass, and to offset Brazil's large dependency on hydropower generating plants.

A more definite decision on nuclear should be made over the next months as the new Brazilian Minister of Mines and Energy has recently stated that the GoB is contemplating 15 new nuclear power plants by 2050, four of which would be operational by 2030. As EPE is now working on the PNE 2050, industry sources expect that this new plan will include new nuclear power plants.

In the meantime, the Brazilian Nuclear Development Association (ABDAN) has proposed some amendments to Brazil's nuclear power legislation to allow for the private sector to build and operate future power plants in a PPP model with ETN. Congress' approval of this new model will be key to enabling financing for new plants, given Brazil's adverse economic scenario. Additionally, ABDAN's constitutional amendment proposal calls for a more simplified approval process of future nuclear power plants. Currently, the Brazilian Congress has to approve each individual nuclear power plant before it is submitted to the Nuclear Power Regulatory Commission.

Eletronuclear recently indicated that it will invest about US\$ 400 million from 2015 to 2019 in safety and other plant upgrades, including investments to extend the Angra I

operational license for an additional 20-year period. These investments refer mainly to plant design modifications, equipment replacements, modernization of instrumentation and control, upgrading of radioactive waste handling systems and site infrastructure, including the implementation of the Fukushima Response Plan. Aside from these investments, ETN plans to disburse approximately US\$ 3.3 million from 2014 to 2018 in operation and maintenance of its current nuclear power generation complex, including the conclusion of Angra III. A break-down of the US\$ 3 million plan is shown at the table below:

In USD Thousands:

Projects	2014	2015	2016	2017	2018
O & M, and power plant expansion	79,723	75,278	54,011	18,780	47,809
Complementary Waste Storage Unit	4,738	56,727	85,210	71,680	8,600
Corporate Management Projects (IT)	6,667	5,000	5,000	5,000	5,000
Maintenance (furniture, vehicles, equipment and machinery)	665	1,236	1,348	1,402	1,458
Angra III Expansion Project	558,821	905,860	1,178.41	916,178	307,293
New nuclear power plants	5,000	1,667	1,667	--	--
Total	655,614	1,045,768	883,59	1,013,040	460,160

Exchange rate: US\$ 1.00 equals R\$3.00 - Source: ETN

Additionally, ETN is evaluating the technical solutions for an initial spent fuel storage facility ("UFC"), with estimated investments ranging from US\$ 100 to US\$ 270 million. Construction and completion schedule have yet to be determined.

Oil and Gas

Overview

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Unit: USD millions

	2013	2014	2015 (estimated)	2016 (estimated)
Total Market Size	\$ 68,000	\$ 60,500	\$ 50,000	\$ 52,500
Total Local Production	\$ 38,000	\$ 34,500	\$ 30,000	\$ 32,000
Total Exports	\$ 4,000	\$ 4,000	\$ 4,500	\$ 4,500
Total Imports	\$ 34,000	\$ 30,000	\$ 24,500	\$ 25,000
Imports from the U.S.	\$ 15,300	\$ 13,500	\$ 11,025	\$ 11,250

Exchange rate: R\$ 3.00 to US\$1.00

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

The 2015 estimate for purchases in Brazil's oil and gas equipment and services market is approximately USD\$ 50.0 billion. Of that amount, nearly US\$24.5 billion will likely be imported, with approximately US\$11.0 billion being imported from the United States.

Data Sources: Statistics are unofficial estimates built upon state-owned oil company Petrobras's, other oil companies' planned investments, and forecasts from oil and gas trade associations.

A Booz & Company August 2010 sector study report had predicted that total expenditures (investment and operation) in Brazil's oil and gas E&P subsector could reach US\$400 billion through 2020. The domestic industry will likely supply approximately 40 to 50% of this total demand, depending upon how competitive their products and services are compared with those of international suppliers. However, given the expected reduction in Petrobras' investment levels as a result of its financial crisis, the Booz's 2010 forecasts may be overestimated by about 40%.

The Brazilian Petroleum Institute (IBP) hired Bain Company to conduct a new study about the domestic oil and gas industry's capacity to meet ongoing and upcoming demands of the oil companies. The IBP will use this study to lobby the government to adjust Brazil's local content (LC) policy. The current adverse scenario in Brazil's oil and gas sector and the consequences for the domestic industry might create momentum for LC revisions. For example, the oil industry would like to factor in their current investments in local R&D centers and in labor training in their LC calculation obligations. As of the date of this publication, the Bain study was not yet available for public disclosure. Likewise, the outcome of the IBP's advocacy efforts towards easing or improving LC requirements was not yet known.

Still, despite LC requirements, Petrobras and other operators have been fined for not meeting the full percentage of LC allocated in some of their concession contracts. Recently the Brazilian Machinery Association (ABIMAQ), a strong lobbying arm for local manufacturers, reported that Brazil imported a total of \$141 billion in vessels, machines and parts in the last three years. In 2013 alone, ABIMAQ noted in an article, Brazil

invested US\$35 billion to import offshore support vessels and offshore rigs. The data, according to ABIMAQ, relates to vessels and materials imported under the special oil and tax regime (Repetro). Information on Repetro can be seen at the Brazilian Federal Income Agency: <http://www.receita.fazenda.gov.br/Legislacao/LegisAssunto/repetro.htm>, in Portuguese. Informal English translation can be seen at: <http://www.ldccomex.com.br/english/services/control-systems/repetro-control-system/repetro-control-system>.

For U.S. oil operators, another impediment to operating in Brazil is the government's priority given to Petrobras. GOB has reserved a 30% equity share for Petrobras in pre-salt drilling and development concessions. This new regulation was a result of a 2010 Brazilian law created specifically to address new pre-salt auctions. This law also requires Petrobras to lead operations in both exploration and development on all pre-salt operations auctioned off as of 2013. The exploration of the fields will be done through consortia, where Petrobras will hold at least 30% equity in each oil block. The Libra pre-salt auction held on October 21, 2013 was the first bid under this new Production Sharing Agreement (PSA) model. Pre-salt fields were previously auctioned off under a concession regime not requiring Petrobras to take 30% equity share or be the operator. These regulations aimed to exclusively promote Brazilian national interests in order to protect the industry from being dominated by foreign companies. However, given the recent scandals and investigations on Petrobras' administration, the Brazilian Congress has submitted proposals to change the Petrobras key role in new pre-salt fields to be auctioned in the future. This may present interesting opportunities for U.S. and foreign oil operators.

Although Brazil ranks 15th globally in proven oil reserves and 9th 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.

According to data from Brazil's National Oil Regulator (ANP), Brazil's 2014 proven oil reserves reached 16.2 billion barrels and proven gas reserves reached 471 billion cubic meters. Data included in BP's 2014 Statistical Review shows that Brazil ranks 3rd in Latin America for proven natural gas reserves, which is 0.2% of the world total reserves. However, the country is responsible for 1.1% of world gas consumption.

Industry sources estimate that Brazil has possible reserves of 20 to 30 billion barrels and probable reserves of 60 to 80 billion of barrels. The 2035 BP Energy Outlook report of February 2015 indicates that Brazil will be one of the three countries to boost the largest oil production volumes by 2035. Brazil's oil production should increase by three million bpd by that period.

In 2014, Brazil produced 2.4 million barrels of oil per day (bdp), 12.5% more than 2013; and 87.4 million cubic meters of gas per day, 11.6% above 2013 levels.

In addition to the gas imported from Bolivia and Brazil's limited natural gas domestic production, the expansion of gas consumption in Brazil has been mostly supplied by Liquefied Natural Gas (LNG). Petrobras currently has three LNG regasification terminals in the States of Ceará, Rio de Janeiro, and Bahia. The recent increase in gas-fired power plants to the Brazilian electrical power matrix may also lead to new gas-to-wire

projects using the gas that will be produced from onshore fields or additional LNG imports.

National oil company Petrobras' oil production accounts for 85 percent of Brazil's total oil production. According to the September 2014 "Monitor IBP" newsletter, as of August 2014, Petrobras had a total of 55 drilling rigs in operation (28 offshore and 17 onshore) out of a total of 62 rigs operating in Brazil.

About 93% of Brazil's oil production in 2014 came from offshore fields, mostly at extreme depths. Likewise, about 73% of Brazil's gas production in 2013 came primarily from offshore fields. The pre-salt share accounted for 26% of Brazil's oil production, reaching 700,000 bpd in December of 2014 -- a record in daily production -- and 41% higher than 2013. By 2020, the pre-salt fields are expected to account for 52% of Brazil's oil production.

In 2014, Brazil exported 199,372,475 barrels of oil (approximately 546,226 bpd), against 146,293,914 barrels in 2013. About 25% of Brazil's oil exports went to the United States, the largest consumer of Brazil's oil.

During the same period, Brazil refined about 2,125 million bpd, with 382,740 bpd being light oil that was imported to mix with Brazil's predominantly heavy crude. Imports in 2014 totaled 143,036,755 barrels of oil (approximately 391,882 bpd), while they reached the amount of 146,694,740 barrels in 2013.

Petrobras' sales of gasoline in the domestic market grew by 5% in 2014 (4% in 2013 and 17% in 2012) fueled by an increase in the vehicle fleet and the reduction in the ethanol consumption due to higher costs compared to gasoline. This situation forced Petrobras to import 33,687 bpd of gasoline in 2014 (in 2013 the company imported 44,535 bpd of gasoline).

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At the writing of this report, Petrobras **had not yet** publicized its 2015-2019 equipment and services demand list. Petrobras presented the below critical items list during the Offshore Technology Conference in Houston on May 4th, 2015. These figures will likely be revised.

Critical Items for Petrobras:

Wet Christmas Trees	un	440
Subsea Wellheads	un	440
Flexible Flowlines	km	8,000
Manifolds	un	80
Tubing and Casings	t	1,100,000
Umbilicals	km	2,200
Pumps	un	2,200
Compressors	un	460
Winches	un	350
Cranes	un	60
Structural Steel	T	830,000
Generators	un	80

Filters	un	480
Flares	un	20
Storage Tanks	un	600

Another Petrobras official further listed the following as “examples of potential equipment for new suppliers”:

- Chemical Injection Unit
- Offshore Cranes
- Vacuum Sewage System
- Offloading System
- Life Boats + Davit
- Manual Operated Valves
- Piping
- Fittings

Source: Petrobras

Hydraulic fracking technologies might also present good opportunities for U.S. companies in the longer term, if ANP continues to offer non-conventional areas for leasing, and if legal obstacles are overcome. On April 11, 2014, ANP enacted Resolution No. 21/2014, which regulates hydraulic fracturing in unconventional reservoirs. It establishes mandatory adoption of an environmental management system that contains a plan for the control, treatment and disposal of the generated effluents, besides emergency response plans. Additionally, the resolution requires the performance of preliminary studies, which are necessary for the approval of the operations by ANP, such as fracturing simulations and risk analysis. The ANP resolution binds ANP’s approval to the environmental permitting conducted by the relevant state and/or federal environmental agencies. Due to these new ANP requirements, specific environmental technologies and services should be in high demand and present promising prospects for U.S. suppliers in the medium to long term.

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The 2015 Forbes publication ranked Petrobras as the 14th largest energy company in the world, down from the 9th position in the previous year.

(<http://www.forbes.com/pictures/mef45egjmi/14-petrobras-2-4-mill/>)

On April 22, 2015, Petrobras announced a loss of R\$ 21,587 million (approximately US\$ 7 million) in 2014, against a net income of R\$ 23.6 billion in 2013. According to Petrobras, “The R\$ 21,587 million loss in 2014 resulted from impairment charges in the amount of R\$ 44,636 million. Write-offs of overpayments incorrectly capitalized in the amount of R\$ 6,194 million were recognized in the 3Q-2014 related to the payment scheme uncovered by the investigations of the “Lava Jato (Car Wash) Operation” (<http://www.investidorpetrobras.com.br/en/financial-results/4q14.htm>).

Despite the current crisis involving Petrobras and its main contractors, the Petrobras’ expansion plan may represent one of the world’s largest business opportunities in the oil and gas sector until at least 2020. The firm’s 2015-2019 investment plan has yet to be revised and published, but it is expected to be decreased by about 40% in light of the company’s adverse financial results and the current world oil price scenario. Still,

industry sources believe that Petrobras' annual spending levels should be as high as around US\$ 25 to 30 billion per year with about 80% in the exploration and production subsector. Under the Petrobras' restructuring plan, large refinery projects will be postponed and those under construction are expected to be delayed. On a positive note, Petrobras may sell off some of its assets to offset its cash flow issues, thus opening opportunities for U.S. companies.

Industry contacts predict that Petrobras may increase purchase of specific foreign goods and services, if additional domestic suppliers are banned from Petrobras suppliers' databank due to illegal business practices or other reasons. Recently, many domestic oil and gas equipment and service suppliers have been facing financial hardships. Petrobras has virtually stalled new orders and suspended a number of ongoing projects to reevaluate them against price cartels and other issues over the last year. As analysts predict that this trend will not continue, one may argue that it is a good moment for U.S. companies to consider joint-venture partnerships and/or company acquisitions in Brazil. Firms who are prepared to take advantage of the situation now should be better positioned to compete in the future.

Since state-owned Petrobras' monopoly ended in 1998, more than 70 firms - half of which are international companies - entered the Brazilian market and competed for the 1,034 oil blocks awarded through 12 annual oil-concession licensing rounds plus the first pre-salt round. With Petrobras winning the majority of these concessions, the firm continues to be the main buyer of U.S. oil and gas equipment and services. Interested suppliers need to register at <http://www.petronect.com.br/irj/portal/anonymous> or <http://sites.petrobras.com.br/CanalFornecedor/portugues/index.asp> (click on the right side of the bottom for "instructions for suppliers from other countries") in order to sell to Petrobras. The registration requires that a foreign firm have a local representative. It is our recommendation that U.S. firms not established in Brazil consider partnering with a local firm that is registered as a supplier to Petrobras rather than attempting to register directly.

Opportunities to supply other oil companies in Brazil also exist. According to page 14 of the September 2014 "Monitor IBP" newsletter (<http://www.ibp.org.br>), the average 2014 oil production ranking in Brazil showed BG as the second largest producer after Petrobras. The table below lists the 7th largest oil producers and their percentages of the market:

Companies	2014 Average Production (bpd)	Percentage of the market
Petrobras	1,861,884	87.0%
BG	57,200	2.7%
Statoil	43,458	2.02%
Shell	37,402	1.7%
Sinochem	28,972	1.3%
Repsol	22,243	1.03%
Chevron	19,762	0.92%
Average Total (for the 42 oil companies that produced oil in 2014 out of a list of 57.)	2,143,225	100.0%

In 2013, Brazil held three oil and gas bidding rounds, including the first pre-salt auction (Libra field) under a production sharing agreement (PSA) regime. There were no bid rounds in 2014.

These three rounds are expected to translate into substantial business opportunities for suppliers of oil and gas equipment and services. The Libra oil discovery off Brazil's southeast coast alone is estimated to contain recoverable resources ranging between 8 billion barrels to 12 billion barrels of oil, according to ANP, and could generate \$1 trillion in public revenues over 30 years. Results and information on the 2013 rounds can be viewed at the ANP website: http://www.brasil-rounds.gov.br/Resultado_Rodadas/resultados_e.asp or at CS oil and gas webpage: http://export.gov/brazil/industryhighlights/energy/eg_br_051813.asp

A 2nd pre-salt round has yet to be determined, but it will most likely take place in 2017. However, a 13th bidding round has been confirmed for October 7th, 2015, under a concession regime. The round will offer 269 blocks (185 onshore and 84 offshore) in 22 sectors distributed in 10 sedimentary basins. Additional information on this round can be viewed at: <http://anp.gov.br/?pg=75577&m=&t1=&t2=&t3=&t4=&ar=&ps=&1431021614191>.

According to ANP, small changes, yet to be announced to the local content (LC) requirements, are expected for the 13th round. As noted earlier in this report, the IBP is advocating for improvements to the Brazilian LC policy.

In addition, ANP is planning a new resolution to simplify the bureaucratic requirements to approve the oil development plans of small oil producers. Due to declining oil onshore production over the last years, ANP wants to encourage more participation from domestic and foreign SMEs. If Petrobras ends up relinquishing its oil onshore mature fields under their current divestment review process, these ANP new measures should work well for SME players interested in buying Petrobras onshore assets.

A few players in Brazil are beginning to drill pilot shale gas wells, but they face challenges related to operational inefficiencies to perform hydraulic fracking. These challenges include lack of good transportation infrastructure, few fracking trucks, high financial costs, and lack of large scale natural gas consumption in Brazil. Brazil also presents a higher degree of business risk for smaller firms to compete and be successful as compared to the U.S. model. Additionally, some legal injunctions filed in 2014 in selected States in Brazil have stalled non-conventional gas exploratory activities due to environmental concerns.

The first concession of a gas pipeline to be auctioned in Brazil will be for a stretch linking Guapimirim to Itaboraí, in Rio de Janeiro State, 11 kilometers long and with capacity of transporting 17.4 million cubic meters of natural gas per day. The R\$112.3 million (about US\$ 40 million) project is part of the Ten-Year Plan for the Expansion of the Pipeline Transport Network (PEMAT <http://www.epe.gov.br/PEMAT/Forms/PEMAT.aspx>), for the 2013-2022 period. The auction date has yet to be determined. An overview of Brazil's natural gas sector can be viewed in this report: http://buyusainfo.net/docs/x_1115840.pdf and in others available at the US Commercial Service oil and gas webpage.

Petrobras

<http://www.petrobras.com.br/pt/>

Petrobras power point presentations

<http://investidorpetrobras.com.br/en/presentations/>

Ministry of Mines and Energy (MME)

<http://www.mme.gov.br/>

ANP – National Petroleum Agency

<http://www.anp.gov.br/>

The Brazilian Petroleum Institute

<http://www.ibp.org.br/main.asp>

The Brazilian National Oil Industry Organization – ONIP

<http://www1.onip.org.br/>

For more market research reports, please visit

<http://www.export.gov/brazil/industryhighlights/energy/index.asp>

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

Personal Care, Fragrances & Cosmetics (CT&F)

Overview

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Unit: USD Millions

	2013	2014	2015 (estimated)
Total Market Size	23,850	25,557	27,346
Total Local Production	23,844	25,275	27,281
Total Exports	783	789	796
Total Imports	1195	1071	861
Imports from the U.S.	130	137	120
Exchange Rate: 1 USD= 3 BRL			

Total Market Size = US\$ 25,557 billion

Data Sources: ABHIPEC

Total Local Production: US\$ 25,275 billion

Total Exports: US\$ 789 million

Total Imports: US\$ 1071 million

Imports from U.S.: US\$ 137 million

In the Personal Care, Fragrances and Cosmetics (CT&F) industry, women have played a leadership role for several years, contributing to Brazil's third place ranking in the world. Brazil's advantages are many and they have helped the country achieve a prominent global position. 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 International market requires suppliers that have a high degree of quality and management certification, such as ISO 9000 and ISO 14000, in addition to a 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 a challenge in increasing the number of small and mid-sized companies, and creating new opportunities for the entire manufacturing chain. Brazilian exports grew almost 10 percent since 2003. These are impressive results that attest to the vitality of the sector, to its commitment to gain shares of foreign markets.

The Brazilian market ranks third in the world for the Cosmetic, Toiletry and Fragrance industry. It ranks first in fragrances and deodorants; second in haircare, men's and children's products, bath care, depilatories and sun care; third in color cosmetics (makeup and nail care); fourth in oral care; and fifth in skin care.

The tax scenario facing many products in this segment is complicated. Adding together the various taxes imposed can result in a price increase of up to 50% for the consumer. As of May 1st, 2015, taxes over fragrances, color cosmetics, hair smoothing creams, shaving foams and other products raised the aliquot for cosmetic distribution. In the case

of imported products it is even necessary to add the TEC which further increases the final price.

The process and procedures for regulatory approval for many products in this sector can be time consuming and complex. Please contact Denise Barbosa (Denise.Barbosa@trade.gov) for further assistance in this process.

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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 biggest potential in Brazil. New and improved product lines for teenagers and women between the ages of 35 and 60 have especially good potential.

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

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U.S. companies primarily supply 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 cosmetic supplier. Brazilian companies import all types 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
<http://www.anvisa.gov.br/>

Brazilian Association of the Cosmetic Toiletry and Fragrance Industry
<http://www.abihpec.org.br>

Major Trade Shows:

FCE Cosmetique
www.fcecosmetique.com.br

Hair Brasil
www.hairbrasil.com.br

Beauty Fair
www.beautyfair.com.br

For more information about export opportunities in this sector contact US Commercial Service Industry Specialist Denise Barbosa: Denise.Barbosa@trade.gov

Renewable Energy

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Brazil is Latin America's largest renewable energy market. Despite flat economic growth, Brazil's commitment to renewable energy is still strong and has facilitated near continuous investment in the sector across a broad range of subsectors.

Brazil generates nearly 80 percent of its electricity from renewable resources. While wind and hydropower have been the source of Brazil's renewable energy expansion to date, new solar energy development is expected to eventually rival investments in wind power.

With growth occurring in almost every energy subsector, large hydropower still accounts for the vast majority of Brazil's energy capacity. Large hydropower dams account for 84 GW of Brazil's total energy capacity. Other renewable energy technologies account for 15.8 GW of capacity, including 9.84 GW for biomass and waste-to-energy; 3.69 GW for small hydropower; and 2.46 GW of wind power.

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Wind

Wind capacity in Brazil, already the largest in Latin America, should continue to buttress renewable energy growth for the foreseeable future. Brazil enjoys one of the world's strongest wind resource bases; and with energy expected to reach grid parity in the near future, even more investment is all-but-certain.

According to the Brazilian Government's Energy Research Agency (EPE), the wind industry will need to install 17 GW of new wind capacity over the next decade to meet the country's target of 22.4 GW of capacity by 2023.

Based on ITA's projections, Brazil is the number three export market accounting for roughly 15% of all U.S. wind exports through 2016. Wind service providers should find the most opportunities since component suppliers face strong competition from local manufacturers that benefit from advantageous financing terms. Resource mapping, turbine design, environmental impact assessment, and other consultancy services are likely to be in high demand and should offer opportunities for U.S. companies.

Hydropower

ITA also expects some export opportunities to result from changes in Brazil's hydropower market. The lack of production from some of Brazil's largest hydropower dams, because of ongoing draught, has made the market captive to the expertise of engineering firms that can increase capacity through technological services. U.S. firms should also benefit from increased development of small hydropower plants, where U.S. technology is often highly competitive.

Solar

Today, Brazil has almost no solar capacity installed, although growth is anticipated, particularly in the medium-term (post 2016). By 2023, Brazil expects to have 3.5 GW of solar capacity online. According to BNDES (Brazilian Development Bank), it will invest US\$ 2.5 billion in solar development through 2018.

For U.S. exporters, the opportunity is now – and will likely diminish over time. Through 2017, BNDES' local content requirement rules mandate that solar modules be assembled in Brazil, but cells and other equipment can be imported. Although, this will change as LCR percentage mandates increase. U.S. exports should find some opportunities in the short-term. As Brazil does not currently have a complete solar supply chain in country, imports will be required.

Polysilicon producers, wafer manufacturing, and solar cell providers should all find opportunities. Solar project developers and other service providers may find more lasting opportunities, as the market expands over the remainder of the decade.

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In 2014, renewable energy investment was catalyzed by one of the worst draughts in Brazilian history, which reduced power generation at some of its most important hydroelectric facilities and even stoked talk of power rationing and electricity rate pikes.

The country's ongoing drought could even lead to electricity shortages in the near-term, potentially creating a market opportunity for distributed renewable energy providers, particularly roof-mounted solar PV. In the longer-term, the economic realities caused by the drought may shift the Brazilian Government's support towards renewables even further.

While no specific legislative targets exist to drive demand for renewable energy generation, Brazil's "Ten Year Energy Plan" published in 2011 called for 18GW of new capacity to come online by 2020. Under the plan, Brazil will maintain a significant large hydropower industry, but other renewable energy sources, set to grow faster on a percentage basis.

On 2009, Brazil began a series of successful reverse auctions to govern and facilitate the deployment of renewable energy technologies. Through the reverse auction system, which has since been duplicated in other markets around the world, developers seeking to build renewable energy projects compete against proposed conventional energy projects in regular tenders. The auctions thus reduce the price paid by Brazilian consumer for renewable energy, as developers are incentivized to offer the lowest possible cost.

For technology suppliers, the reverse auction system provides a long pipeline of planned and approved projects. Exporters are encouraged to seek out auction winners to facilitate export sales

Brazilian Electrical and Electronics Industry Association
www.abinee.org.br

Eletrobras
www.eletrabras.com.br

EPE (Empresa de Pesquisas Energéticas)
www.epe.gov.br

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 the U.S. Commercial Service Industry Specialist Igly Serafim: Igly.Serafim@trade.gov

Safety and Security

Overview

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Unit: USD millions

	2013	2014	2015 (estimated)	2016 (estimated)
Total Market Size	\$24,000	\$ 26,000	\$ 28,600	\$ 23,210
Total Local Production	\$20,400	\$ 23,100	\$ 25,300	\$ 18,200
Total Exports	\$180	\$ 180	\$ 187	\$ 149
Total Imports	\$3,600	\$ 170	\$ 4,290	\$ 3,429
Imports from the U.S.	\$1,600	\$ 3,900	\$ 1,980	\$1,582
Exchange Rate: 1 USD	1.7	2,00	2.20	3,00

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

Data Sources:

Total Local Production: Federação Nacional de Empresas de Segurança e Transporte de Valores (Fenavist) / ABESE - Brazilian Association of Electronic Security Equipment

Total Exports: ABESE - Brazilian Association of Electronic Security Equipment

Total Imports: ABESE - Brazilian Association of Electronic Security Equipment

Imports from U.S.: ABESE - Brazilian Association of Electronic Security Equipment / VALOR

Brazil has an extensive and well-developed security market, which offers ample prospects for U.S. companies looking to invest. The Brazil market has seen an average annual growth of 9% for the last decade, with annual sales around US\$21 billion, which includes private security services. Although this marks a drop from last year's US\$28 billion, the decrease is due to the devaluation in Brazilian currency. The market, while still growing, is predicted to streamline to some extent as trends realign toward more technologically advanced methods of security requiring less personnel, which potentially provides a competitive advantage for U.S. firms. Product price will be a crucial factor due to increasing competition and the economic downturn in Brazil (source: Valor).

Brazil's market for electronic security equipment alone totaled US\$1.7 billion in 2014 and is expected to remain strong. Foreign products account for approximately 50% of the total market share for electronic security, with U.S. products representing a significant part of these imports. The public and private sectors have invested heavily in security equipment related to 2016 Summer Olympic Games and will continue to do so prior to the commencement of the Games.

The largest clients in this market are the Government of Brazil (GOB), and financial and commercial institutions. The federal government created a specific agency under the Ministry of Justice, the Special Secretariat of Security for Major Events (SESGE), which will manage overall security planning and coordination for the Olympic Games and other major future events.

Below are the areas that currently present the best prospects in the Security market:

	Surveillance Equipment	Access Control	Security Systems	Detection Devices (drug, fire, metal)	Unmanned Aerial Vehicles	Cyber Security (hardware, software)
Personal	Personal security, access control, alarm systems and surveillance circuits					
Residential Buildings	•	•	•			
Home Security			•	•		
Commercial	Personal security, access control, alarm systems and surveillance circuits					
Airport Security	•	•	•	•		
Banking Institutions	•	•	•			•
Oil & Gas	•				•	•
Public Safety & Security	Surveillance equipment e.g. UAVs, emergency response integrators and professional training					
Mass Transportation	•	•	•			
Government	•	•	•	•		

The Security Industry Association’s (SIA) Brazil Security Market Report indicates that the nation’s market for electronic security equipment is expected to be valued at US\$1.8 billion by 2017, figures which the country is on its way to fulfilling or exceeding. The market breakdown is as follows:

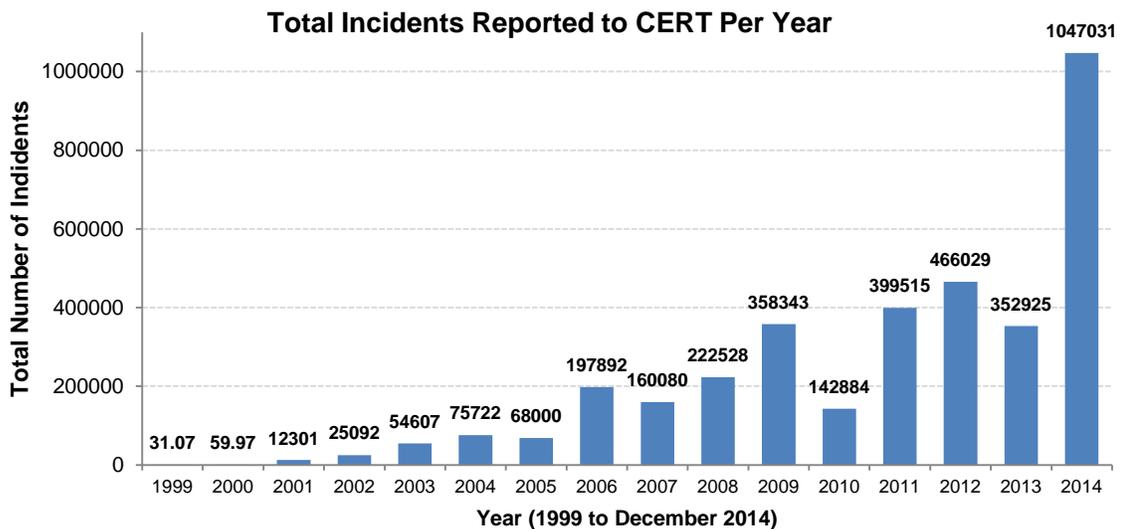
- Video Surveillance 39.6%
- Access Control 20.8%
- Intrusion Alarms 19.2%
- Fire Detection and Suppression 10.4%
- Electronic Surveillance 10%

Geographically, the market is concentrated in the South and Southeast regions of Brazil, where 63.4% of Security companies and 65.5% of personnel are located. Outside these regions, other states such as Bahia, Ceará, Pernambuco, Goiás and the Federal District (due to purchases made by the GOB) also deserve attention.

Cyber Security

Until relatively recently, cybercrime was not classified as a crime, complicating potential police efforts to fight it. However, as cybercrime developed into a serious threat for Brazil, President Rousseff acted in 2012 by passing two laws that designate cybercrime a crime in the Penal Code as determined by (1) access of confidential commercial or private data through hacking or the sale of information obtained in this manner, and (2) the use of a credit card without the owner's permission. These crimes are punishable by up to five years in prison.

Despite government efforts, cybercrime is a continually increasing problem in Brazil, and the Olympic Games present a major opportunity for criminals. A recent report compiled by the Ponem Institute cites that cybercrime led to an average loss of R\$3.6 million (US\$ 1.2 million) to each of the affected Brazilian companies, a significant increase from an average of R\$ 2.64 million (US\$ 800,000) in 2013. The total estimated cost of these incidents is over US\$ 10 billion, with Financial, Technology, Service and Media sectors seeing the most damage. Brazil's Computer Emergency Response Team (CERT) reported an astounding 130% rise in cyber-attacks from 2012 to 2014, with a total of more than one million incidents. A Kaspersky study found that Brazil's online banking users faced more losses and three times the number of cyber-attacks than users in any other country. These statistics reveal that cybercrime is a massive risk, resulting in a critical need for tighter cyber security.



Source: CERT

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Brazil has assigned its army to take on the role of protecting the nation's cyberspace and has created the **Center of Cybersecurity (CDCiber)**, which was inaugurated in 2012. Its mission includes collaborating with the president and federal police to detect threats, establishing national doctrine, improving and monitoring means of defense against these threats (including investment in hardware and software) and protecting Brazilian cyberspace. According to its leader, general José Carlos dos Santos, The government is planning on spending R\$ 400 million (US\$ 132 million) on CDCiber by the end of this

year; 41% of the funds are intended to improve the structure and security of the web, while 30% will serve to train staff and develop tools, such as the cyber net defense simulator. The other 29% are distributed in smaller divisions such as research, cyber intelligence, a cryptography system, and administration <https://medium.com/brasil/por-dentro-do-cdciber-o-centro-de-defesa-cibernetica-do-exercito-brasileiro-40ce637d119>.

CDCiber particularly noted problems due to “Hacktivism,” which was associated with street protests during the World Cup, and emphasizes that risk analysis, asset mapping and intelligence gathering were essential but still require further attention in order to minimize attacks during future events (<http://www.cert.br/docs/palestras/certbr-tcfirst2014.pdf>). Despite the current threats facing Brazil’s internet security, the Brazilian Army has shifted its focus toward potential external threats from foreign entities and terrorists, which has left a void for finding a solution to its actual rampant cybercrime problems. (<http://www.defenseone.com/technology/2015/01/why-brazil-put-its-military-charge-cyber-security/102756/>).

The GOB created the Special Secretariat of Security for Major Events (SESGE) to take charge of security planning for the Olympics and other major events. SESGE has an investment budget of approximately US\$300 million for Olympics, which will encompass upgrade of the command and control centers, training, and security items such as mobile police stations, surveillance equipment and software. SESGE is expected to announce over the next months international tenders for equipment and services such as radio communications, media intelligence monitoring, video-monitoring, geo-reference systems and cyber security software. The best resources for information about public security, including announcement of public tenders, can be followed at the website below:

<http://portal.mj.gov.br/data/Pages/MJ2774919DITEMID82884F3FB41C4E4E9CCC0E2BEAF60600PTBRNN.htm>

At the state level, local police agencies are investing in supplementing the acquisitions announced by SESGE through the State Public Security Secretaries. As a result, state fire departments and law enforcement agencies are upgrading their radio communication systems, armored vehicle fleets and video monitoring systems.

As a result of steady reduction in the price of general electronic monitoring devices, the Brazilian Association of Private Security Guards detected an increasing tendency toward electronic security and monitoring devices in the field of private security. These devices support private security companies in providing their service, and in some cases, can even replace the presence of a private guard. Local market experts indicate a potential opportunity in the use of these devices in support of local private security companies, especially for those companies that have a strong customer base. This could support market entry for innovative new products and services despite the fact that these items may fall outside distributors’ typical product line.

With the increasing value of certain cargo, such as pharmaceuticals, electronics, and luxury goods there is a growing demand for armed logistics services, particularly on Brazil’s road network, which have notorious gaps in security. According to the General Director of Logistics of Valuables, this particular sector grew 418% between 2012 and 2014. Furthermore, since February of 2015, FreightWatch International has reported four thefts from airport cargo storage areas, regarding in a total loss of over US\$ 4.25 million.

This trend will likely spark the need for tighter and more advanced airport cargo security (source: <http://www.freightwatchintl.com/node/3967>)

Additionally, the Spanish company Prosegur became the first private security company to cover all of Brazil's territory in 2014. According to its director of integrated security solutions, the company is looking to incorporate new security solutions and segments. It intends to expand its presence at large events in Brazil as well as in ports and airports (Source: valor).

The use of non-lethal weapons such as stun guns has been growing year by year, showing a market tendency and potential opportunity across both the public and private sectors.

Market Entry

As with most other industry sectors, foreign manufacturers must either establish themselves within the country or have a local representative to succeed in Brazil. Furthermore, the GOB and the private sector prefer to contact Brazilian representatives directly and perform all import procedures through them, rather than directly contacting foreign suppliers. It is also crucial to work with a distributor that can offer replacement parts, repairs, and post-sale and maintenance services.

Due to the size of the country, most distributors and systems integrators only cover specific regions. They are usually small to medium-sized companies that lack the financial capability to heavily invest in product promotion, technical training, and translation of technical manuals. Therefore, it is often important that a U.S. company provide financial support for these activities as part of the terms and conditions of the partnership agreement. U.S. companies that have seen the greatest success in Brazil have worked closely with their agents and distributors, and have made significant investments in market development, product promotion, and personnel training.

The Brazilian Army, through its Supervisory Board of Controlled Products, oversees the acquisition, transportation, importation and exportation of small arms and light weapons, ammunition, and other related public security products including non-lethal equipment. Prior to exporting any law enforcement related products, our office advises that U.S. companies contact the U.S. Department of Commerce for information regarding products that fall under this category.

2016 Summer Olympic Games

The Brazilian government will greatly invest in high-tech equipment to provide adequate security for the Olympic Games. The 2016 Rio Organizing Olympic Committee will pay special attention to providing security for the Olympic venues, following a security policy wherein private companies will be in charge of providing security services in the inner perimeter of the stadiums. Although there are no official regulations or technical standards for electronic security equipment, the Brazilian Association of Electronic Security Equipment (ABESE) issues a sector-specific certification called the "Yellow Stamp of Quality". The certification is issued by ABESE to businesses in the electronic security sector, including manufacturers, distributors, and service companies. Companies must translate technical literature into Portuguese.

The procurement process for the Olympic Games is available for viewing at the Rio 2016 Olympic Committee Website. U.S. Companies interested in participating in the bidding process are required to preregister at the Supplier Portal (<http://portaldesuprimentos.rio2016.com>).

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ABESE - 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

FENAVIST – National Federation of Security Companies
www.fenavist.org.br

Security Center of Studies, Response, and Incidents
<http://www.cert.br>

Special Secretariat of Security for Major Events
<http://sesge.mj.gov.br/>

Justice Department
<http://portal.mj.gov.br/data/Pages/MJ2774919DITEMID82884F3FB41C4E4E9CCC0E2BEAF60600PTBRNN.htm>

SelectUSA

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Brazil plays a significant role in foreign direct investment (FDI) to the United States, both as an overall source and as a fast growing source of FDI. The total stock of FDI from Brazil in the United States is nearly US\$ 14.9 billion. Between 2009-2013, FDI from Brazil grew at 19.6 percent and Brazil is the ninth fastest growing source of FDI into the United States.

According to the latest data available, U.S. subsidiaries of Brazilian firms employed over 76,100 U.S. workers in 2012. And these Brazilian-owned firms contributed \$ 6.12 billion to U.S. goods exports in 2012, and purchased \$1.7 billion in property, plant and equipment expenditures.

Unit: USD millions

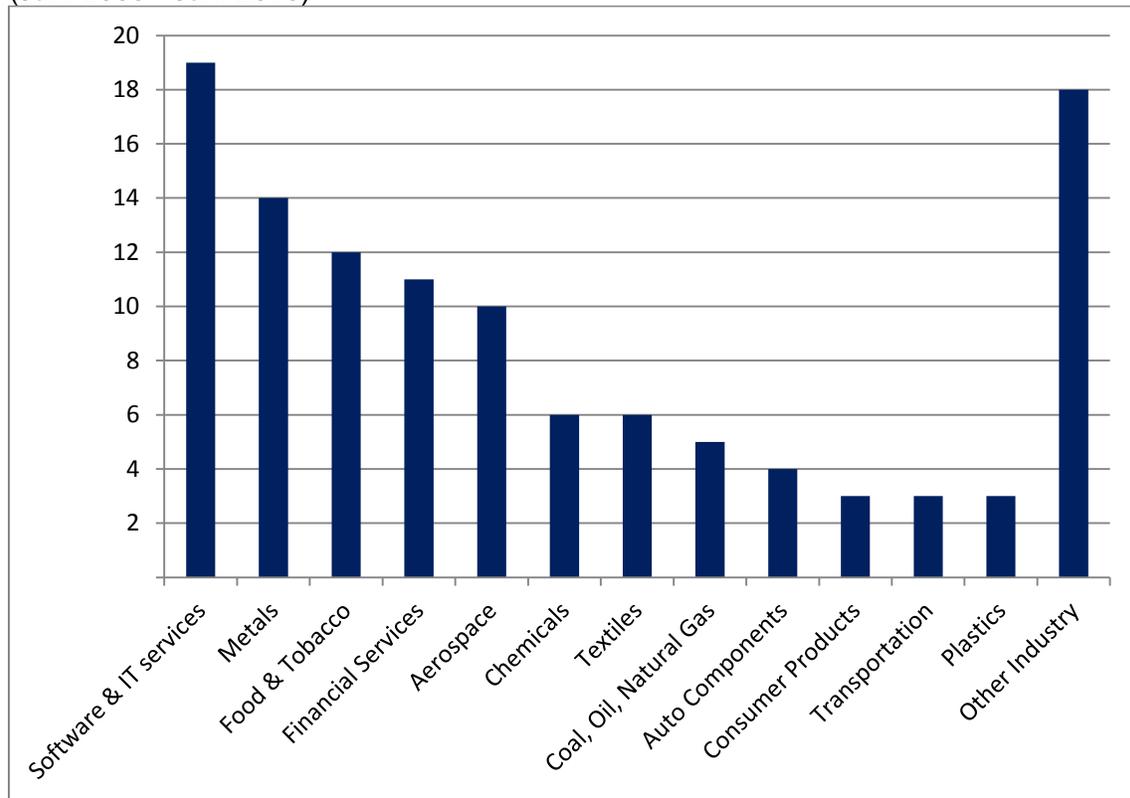
	2010	2011	2012	2013
U.S. FDI in Brazil	\$ 66,963	\$ 74,840	\$ 79,054	\$ 78,094
Brazilian FDI in the U.S.	\$ 7,270	\$ 13,647	\$ 12,516	\$ 14,852

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Between January 2003 and January 2015, 125 investment projects were announced by Brazilian firms in the United States. Nearly 40 percent of announced projects were in the Software & IT, Metals and Financial Services industries.

Projects announced by U.S. subsidiary of Brazilian firms per sector
(Jan. 2003 - Jan. 2015)



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The number of large-scale Brazilian multinational companies has grown considerably, from less than 100 in 2010, to about 400 in 2014. While the Brazil market still remains the principal focus of most of these companies, new international operations and subsidiaries are established to open new markets, consolidate existing operations, as well as develop new technologies (products/services) to service both international and Brazilian markets.

The U.S. is highly regarded by Brazilian companies looking to expand internationally, known as a stable and safe place to invest. Additionally, it is considered a very competitive and less bureaucratic market. Sectors of major interest from Brazil in the U.S. include: aerospace, energy, ICT, food & beverages, manufacturing and consumer goods.

- **Aerospace.**
Brazil is a strong player in aircraft manufacturing and produces a diversified portfolio of aerospace products. Embraer, the world's third largest aircraft maker, is best known in this segment, but Brazil also has a strong cluster of smaller local aerospace firms. The U.S. is the largest market for Brazilian aircraft producers and suppliers, which has spurred interest to internationalize operations, seek new business opportunities, and grow R&D activities in the U.S. Most Brazilian players are SMEs in this segment.

- **Automotive**
The Brazilian automotive industry is among the largest in the world, but a recent downturn in the market has led local players/suppliers to seek growth internationally, especially in the U.S. Many well-known Brazilian auto parts companies, such as Fras-le, lochpe-Maxion and Sabó, are active in the U.S. market with manufacturing operations, servicing the U.S., Canadian and Mexican markets. Current investment opportunities exist for the Tier 2 segment, with smaller and more specialized companies.
- **Food & Beverage**
Recent investments by agricultural powerhouse JBS and private equity firm 3G Capital (owner of Heinz, which is in the process of merging with Kraft) demonstrate the strength of Brazilian companies in the food & beverage segment in the U.S. Other Brazilian companies active in the U.S. market include Marfrig, Minerva Foods and other smaller players. These firms are keen to explore opportunities in the U.S. given its scale and growing consumer demand. Brazilian firms are also considering the U.S. to expand global supply chains and as a platform for international expansion.
- **ICT**
ICT is a growing sector for the Brazilian economy, and the most important source of FDI from Brazil to the U.S. Some of the Brazilian companies present in the U.S. market are Totvs (5th major ERP company in the world) as well as Stefanini (IT outsourcing). Brazilian companies looking to expand internationally usually “follow the client,” thus the increase of Brazilian IT companies investing in the U.S. is a function of other Brazilian firms growing their operations there as well. SMEs and start-ups are also investing in the US, both to develop new technologies as well as to open new markets.

The U.S. Commercial Service, through SelectUSA, can help EDOs attract Brazilian investors - via our SelectUSA events, as well as customized activities to promote a single location.

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www.SelectUSA.gov

Sporting Goods and Recreational Equipment Industry

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The majority of Brazil's sporting goods and recreational equipment market today is supplied by small to medium sized domestic manufacturers. Imports represent approximately 30% of the market. Imports from the United States, as well as from Europe and Japan, will grow as demand for quality and certified products accelerate. Although at a much smaller scale, imports from Asia may grow rapidly, due to aggressive pricing.

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Olympic Games

There may still exist procurement opportunities with the Organizing Committee for the 2016 Summer Olympic Games, presenting a strong opportunity for U.S. exporters of sporting goods equipment and services. The 2016 Rio Olympic Organizing Committee will pay special attention to sustainable development in their procurement announcements. U.S. firms that are not invested in Brazil may still have a strong incentive to bid on these projects, especially firms that have had experience supplying sporting goods or specialized event-related services to previous Olympics or major sports events, and that can address Brazil's sustainable development goals within their bids.

The Brazilian Constitution provides that all governmental purchases at Federal, State and Municipal levels should be contracted through public tenders. This is regulated by Bid Law 8,666/1993. The procurement process, along with a timeline of when specific procurements are to be announced for the Olympic Games, was announced by the Organizing Committee in mid-2013 and is posted the Rio 2016 Olympic Committee Website: <http://www.rio2016.org/>

The Rio 2016 Olympic Organizing Committee (OOC) also administers a supplier registration site, known as the "Supplier Portal": <http://portaldesuprimentos.rio2016.com/sustentabilidade/> Foreign and domestic companies can pre-register at this website. The U.S. Commercial Service encourages U.S. companies to pre-register as a way to inform the Committee of their interest in becoming an official supplier. Companies that are pre-registered through the portal will receive information as specific bids are announced.

The OOC released the majority of its requests for proposals in 2014, but will continue to do so in 2015. In order to ensure a transparent process, the Supplier Portal will be the only means through which foreign and domestic companies can register and receive information about upcoming bid announcements.

Boats, Sailing and Water Sports

The potential for water sports equipment in Brazil is positive. This segment is projected to grow at a rate of 5% over the next three years. Natural conditions such as good

weather and the extensive Atlantic coast line (over 5,000 miles long), as well as inland waterways, make this a large market.

The Brazilian personal craft fleet is comprised of about 30,000 motorboats and about 5,000 sailboats of over 4.8m (16ft). The estimated total figure for motorboats and sailboats docked in marinas across Brazil is 40,574 and 6,430, respectively. The majority of boats in Brazil are runabouts and yachts, representing 83.64% of the market; while the market share for sailboats is 16.36%. Roughly 60% of motorboats are in the range of 7.9m (26ft), while most craft in marinas range from 6m-7.9m (20ft-26ft). Over 50% of sailboats are up to 7.9m (26ft).

Brazil lacks a strong supply chain of parts and accessories. Electronics used in boats and sailboats, such as radar and GPS, is the most advantageous market for U.S. companies. Over 90% of such products are imported from the United States.

The leisure marine infrastructure comprises 480 regulated marinas across Brazil's five regions, of which 13% have opened in the last seven years. These represent 10% of berthing spaces available in the market. The majority of the marinas are small, most have been in operation for a long time, and some have invested in upgrades to meet growing demand. The Government of Brazil lacks a legal framework to oversee the construction of marinas, while high taxation on imported marine equipment such as travelifts and trailers is seen as a barrier for the development of marinas.

Boatbuilding companies are distributed across the country and focus on supplying the domestic market. There are 120 registered boatbuilding companies manufacturing boats of 4.8m (16ft) or greater. Seventy percent of boatbuilding companies produce motorboats, and 15 percent of them have models ranging from 15m (50ft) and above. Only 13% of Brazilian boatbuilding companies produce sailboats.

Two great potential niches in water sports are surfing and diving. The local industry produces excellent equipment; however, this could prove to be an attractive market for U.S. companies due to superior designs and the prestige of U.S. brand names. Diving is an emerging sport and is increasingly popular among Brazilians as a result of beautiful natural locations where scuba diving is very popular. Tourist locations that offer various beach-related activities are also creating a demand for snorkeling equipment. Other high demand products include jet skis and equipment for windsurfing, water skiing, stand up paddling and canoeing.

The water sports market is less-price sensitive than the larger sporting good segments because prospective consumers tend to belong to higher income brackets. These consumers also tend to have more leisure time. This market is expected to increase with the rising number of beach resorts being constructed along the north and northeastern coasts of the country.

ACOBAR - The Brazilian Boat Builders Association is generating interest with its "Venha Navegar" (Come Boating) outreach campaign to attract new boaters. The campaign is supported by US-based trade association National Marine Manufacturers Association (NMMA)

Fitness Equipment

Brazil is Latin America's fitness industry leader, and currently ranks fourth in the world in terms of revenues. Although less than 10% of Brazil's population exercises regularly – whether at home or in “academias” (gyms), this situation is slowly changing because of concerns about obesity and sedentary lifestyles. Gym membership is gaining greater priority in household budgets, and increasingly seen as a status symbol. Also, employers and health insurers are beginning to worry about employee health as it relates to their work-life balance, quality of life and on-the-job productivity. As a result, companies are purchasing equipment for in-house gyms and encouraging employees to take advantage of subsidized gym membership.

Brazil's fitness market can be broken down into a number of sub-sectors:

Spas and Hotels - With 5% growth projection over the next three years, spas and hotels demonstrate potential for fitness equipment. Tourist spas and hotels were opened throughout Brazil as a response to heightened demand for the 2014 and 2016 major sporting events. In fact, a 6.8% growth in the number of hotels was specifically anticipated for these mega sporting events.

Fitness Centers / Social Clubs - Intense competition has prompted this segment to improve their facilities and invest substantially in new equipment and activities, especially in gyms, which represent approximately 92% of the total market. It should be noted that some 95% of gyms are locally-owned, signaling growth opportunities for US-based fitness facility companies. Additionally, large franchised gyms, some owned by foreign investors, are increasingly present in Brazil and should not be ignored by U.S. firms, whether in joint-ownership, partnership or franchise partnerships.

Home Market - The home market for exercise equipment has high growth potential. Time constraints, traffic and concern about crime are driving more Brazilians to opt for at-home exercise. This segment is also expanding because newly constructed apartment buildings are expected to offer sporting or exercise facilities as an amenity to attract tenants. U.S. manufacturers should pay special attention to condominium developers who may define the equipment to be used. U.S. equipment is often favored because Brazilians tend to believe that US-made products have higher quality.

Hospitals - Though this segment has not been very well explored by U.S. companies, the potential for U.S. made treadmills and other specialized physical therapy equipment in health care and rehabilitation facilities may be an option.

Corporate - Multinational corporations are increasing their spending on fitness equipment to improve employee morale and health. These enterprises tend to purchase imported products as they look to purchase the highest quality equipment.

Safety Equipment

Participation in extreme sports such as mountain climbing, rock climbing, bicycling, skate boarding, roller skating, parachuting, hang-gliding is increasingly popular. As a result, more safety equipment is necessary to support this market.

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The best means of entering the Brazilian market is by a tiered distribution channel agreement with a local established partner. Trade fairs are an excellent opportunity to meet potential business associates and should be attended by all who are considering entering the Brazilian sporting goods market. In choosing a partner, it is crucial to bear in mind the ability of the party to perform after-sales service such as maintenance of equipment. Additionally, companies should take into consideration the partner's capacity for geographic distribution, as well as its ability to offer financing options to potential clients. Other strategies to penetrate the market include identification of an agent. However, these are rarely going to be exclusive, which might pose a conflict of interest.

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ACOBAR – Brazilian Association of Boat Manufacturers
<http://www.acobar.org.br>

IHRSA
<http://www.ihrsa.org>

FIFA and Olympic Games Organizing Committee

U.S. Commercial Service Brazil World Cup and Olympics reports
<http://export.gov/brazil/games/index.asp>

For more information contact Industry Specialist Patricia Marega at
Patricia.Marega@trade.gov.

Patrick Levy is the Commercial Specialist liaison for the Olympic Games. He can be contacted at Patrick.Levy@trade.gov.

Telecommunications

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With approximately a third of the region's population, Brazil is Latin America's largest telecom market. The Brazilian telecommunications services market was valued at US\$93.5 billion in 2014. This represents only 1.0% increase as compared to previous year. Investments in the sector represented a total of \$11.5 billion. With the increasing use of broadband, new mobile apps and technologies the market is forecasted to reach US\$104 billion by 2015. However, many subsectors of the telecommunications market may be impacted due to the poor performance of the Brazilian economy in 2015.

Telecom operators will focus on integrating data centers and increasing revenues from fixed data and voice in converged networks. Mobile and professional services for corporate networks should boost demand while 4G continues to build critical mass, surpassing the current 11 million users by the end of the year. Revenue from mobile data, driven by mobile applications and payments, will grow by 16.2%, offsetting the 1.7% drop in fixed voice services.

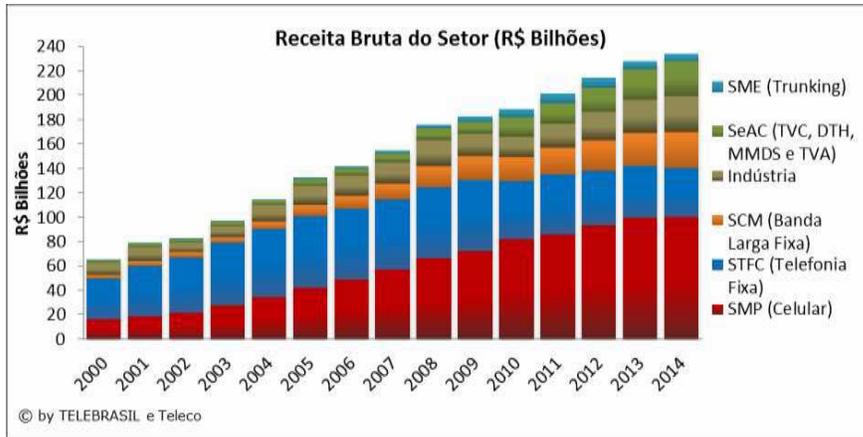
Regulatory and legislative adjustments have been and will continue to be essential in the telecommunications sector in order to maintain sustained growth. The implementation of a new framework allowing telecommunications companies to offer cable and internet protocol television services has increased competition, reduced prices and accelerated adoption. Likewise, the National Government Broadband Plan is already spurring the expansion of broadband services throughout Brazil. However, high taxes are a persistent problem in hindering growth.

Telecommunications Market – Gross Revenue

US\$ Billion	2012	2013	2014	2015 (estimated)
Telecom Equipment (industry)	9.1	10.7	11.8	12.7
Fixed Telephony	17.9	16.8	16.1	15.3
Fixed Broadband	10	11	11.6	13.5
Wireless Telephony	37.4	40	40.1	46.1
Pay TV	8.1	10	11.4	13.7
Trunking	3.3	2.7	2.5	2.7
Total	85.8	91.2	93.5	104.0

Source: Telebrasil – Brazilian Association of Telecommunications

Telecommunications Market Gross Revenues



Source: Telebrasil – Brazilian Association of Telecommunications and Teleco

The market for manufactured equipment reached US\$12.7 billion in 2014 and expected to grow by 2% in 2015. Nearly all of the world's largest telecom OEMs have plants in Brazil and most of them have global supply chains for items like components, instrumentation, processing and telecommunications equipment.

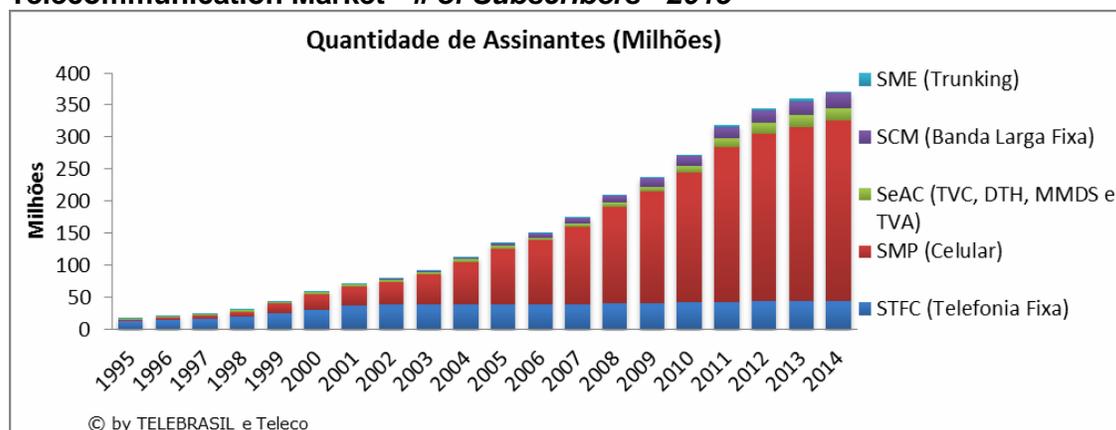
The deployment of 4G networks is occurring rapidly. In June of 2014, 43% of the population already had access to 4G. The Brazilian regulator, Anatel, announced that it will oblige carriers to increase 4G coverage to 77 % in the major cities throughout Brazil by December 2017. The telecom carriers still need to improve the infrastructure network to improve service quality.

Telecommunication Market - # of Subscribers

Million	2012	2013	2014	2015 (estimated)
Wireline Telephony	44.3	44.9	45.0	46.0
Wireless Telephony	261.8	271.1	280.7	308.7
Pay TV	16.2	18.0	19.6	21.0
Broadband	19.8	22.2	24.0	26.4
Other	3.9	3.8	2.7	2.8
Total	346.0	360.0	372.0	404.9

Source: Telebrasil – Brazilian Association of Telecommunications

Telecommunication Market - # of Subscribers - 2015



Source: Telebrasil – Brazilian Association of Telecommunications and Teleco

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Cellular Phone Services: 2014 represented a milestone for the Brazilian mobile market as it reached a density of more than 139 lines per 100 inhabitants. The voice market is already mature and operators are increasing their focus on mobile broadband, which grew 48% in 2014. For 2015 the mobile operators will not be able to count on the growth of their cellular base to increase revenues. Voice revenues are likely to drop, pressured by decreases in prices charged for on-net calls and a drop in interconnection revenue determined by the Brazilian regulatory agency Anatel. WhatsApp is also contributing to the decrease in Telecom revenues. Considering this scenario, operators will continue to focus on data services to stimulate smartphone sales and expand their “4G” networks. There are four cellular operators, with Vivo as the market leader, followed by TIM, Claro and Oi, However, new entrants like Virgin Mobile, which entered the market with its mobile virtual network operator service (MVNO), could be a catalyst to developing a burgeoning MVNO market in Brazil.

Wireline Market: The fixed services market, which includes fixed telephony, broadband and Pay-Tv services, will focus on increasing investments in Fiber to the Home (FTTH)-fixed broadband networks. Fixed broadband grew 7% in 2014 and for the coming years is expected to continue growing at an annual rate of 7%. Pay-TV, which increased 27.6% in 2013 due to Direct-to-Home TV, is likely to grow 7% in the coming year.

Broadband / Satellite: Demand for broadband in Brazil continues to soar. Broadband operators have been struggling to meet the growing demand, which has led to problems of system overload. Brazil's government has been drafting plans to spread broadband across the 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 still too high for the Brazilian socio-economic environment. On the other hand, the growth of mobile broadband in Brazil has increased 44% in 2014. The largest wireless telecom carriers are: Vivo (Telefonica) – 28.3% market share; Tim (Telecom Italia (26.6%); Claro (América Movil) 25.1% and Oi (Private Brazilian Funds and Portugal Telecom) 18.0%.

On September 30, 2014, the Brazilian regulator, Anatel conducted an auction of 700MHz spectrum. Four operators acquired blocks – three national (Claro, TIM and Vivo) and

one regional (Algar Telecom) – leaving two blocks unsold. Oi did not participate due to lack of financial resources as reported in the press. Anatel decided that the winners of the auction will be responsible for cleaning the 700 MHz band and created a group called GIREL to coordinate this cleaning process. Members of the GIREL group include Anatel, Ministry of Communications, the auction winners and the broadcasters.

In 2013, the Government of Brazil (GOB) decided to create its own satellite company to provide a civil-military satellite communications system and lay the groundwork to assure Brazil's future satellite autonomy. GOB founded Visiona Tecnologia Espacial, a company jointly owned by Embraer (51%) and Telebras (49%). The company's mission is to integrate the GOB Defense and Strategic Communications Geostationary Satellite (SGDC) system, which supports GOB's satellite communications policy objectives, including the National Broadband Program (PNBL) and a broad spectrum of strategic and defense communications. The Geostationary, Defense, and Strategic Communications Satellite (SGDC) will also signal Brazil's entry into the high-throughput satellite market as it will carry 50 Ka-band transponders with an aggregate 80 gigabits per second of throughput capacity. Brazil's Ministry of Communications will use this satellite to extend Internet access throughout the country. The satellite is expected to be launched by the end of 2016, two years later than expected.

Media: Free-on-the-air broadcast (non-cable) television companies are subject to a regulation that requires 80% of their programming content be of domestic origin. Foreign cable and satellite television programmers are subject to an 11% remittance tax. However, the tax can be avoided if the programmer invests 3% of its remittances in co-production of Brazilian audio-visual services. President Rousseff signed a law in September 2011 encompassing the subscription television market, including satellite and cable TV. Under the law, telecom companies are allowed to offer television packages with their services. The law also removed the previous 49% limit on foreign ownership of cable TV companies.

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The use of social media is exploding in Brazil. It is the third largest market for Facebook, the fifth for Twitter and first for LinkedIn with more than 6 million professional users. The Brazilian mobile market is eager to play games and consume apps in general. Apple opened its first store in Rio de Janeiro at the end of 2013 and intends to open new stores in the largest cities of Brazil. The Apple App Store is already popular in Brazil and its year-on-year revenue growth outpaced that of U.S. App Store. Brazilian app sales grew 83% in the last year, compared to 44% growth in the U.S. Brazil ranks sixth in the world for App Store revenue growth.

Data prices are dropping in Brazil as carriers offer competitive pricing plans. With prepaid plans as the most popular model, the major carriers are offering data plans from 20 to 25 cents per day. Some carriers are even offering no-charge access to data-heavy services like mobile video streaming. Thanks to government support in the form of auctions that encouraged telecom carriers to purchase 4G bandwidth at competitive prices, Brazil is laying the groundwork for widespread 4G access.

ABINEE - Brazilian Electrical and Electronics Industry Association
<http://www.abinee.org.br>

ANATEL – Brazilian Telecommunications Agency
www.anatel.gov.br

Telebrasil – Brazilian Association of Telecommunications
<http://www.telebrasil.org.br>

Trade Events

SET EXPO Convention and Trade Show

<http://www.setexpo.com.br>

August 25-27, São Paulo, SP Brazil

Futurecom International Congress and Trade Show

<http://www.futurecom.com.br>

October 26-29, São Paulo, SP Brazil

For more information about export opportunities in this sector, please contact the U.S. Commercial Service Industry Specialist Ebe Raso: Ebe.Raso@trade.gov

Transportation

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Brazilian transportation infrastructure faces many challenges. Roads and ports need to be upgraded. Trucks hauling cargo on roads are the most used method of transportation. Despite the existence of several rivers, waterways are rarely used, except in the Amazon region, where rivers are usually the only way to access many isolated points. 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 raw minerals.

According to the Government of Brazil (GOB), investments needed to reduce bottlenecks in the transportation sector in the medium and long term will total US\$220 billion over the next eight years. However, with the recent downsize of the economy in the past year, GOB is planning a reduction of 40% in expenditures and investments in the transportation sector. Projects in progress will continue to be funded but there will be no funds for new projects. According to the Valor newspaper, at least 30 major projects that were planned for this year will be postponed. This includes investments in port construction, highways and railways.

Major international sporting events, such as the 2014 World Cup and 2016 Olympics, have spurred Brazil to act quickly to improve its transportation infrastructure. The government is developing new concessions and public-private partnerships in many sectors, providing opportunities for the private sector to play a more active role in financing major infrastructure projects.

Between 2012 and 2013, President Rousseff launched the Logistics Investment Program, an initiative based on strategic partnerships with the private sector and focused on the renewal and integration of Brazil's transportation network. The goal is to meet growth demands of a country with continental dimensions. The Logistics Investment Program is designed to create numerous transportation logistics concessions that will leverage private capital to finance infrastructure projects. Since 2013, GOB has conducted concession auctions for large projects such as highways (7,500 km), railways (10,000 km) and ports.

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Total investment in logistics for roads and railways:

<i>LOGISTICS INVESTMENT SCHEDULE</i>	<i>US\$ billion</i>
<i>Roads (7,500 km)</i>	<i>32.8</i>
<i> Within the next 5 years:</i>	<i>21.0</i>
<i> Within the following 20 years:</i>	<i>11.8</i>
<i>Railways (10,000 km)</i>	<i>45.5</i>
<i> Within the next 5 years:</i>	<i>28.0</i>
<i> Within the following 25 years:</i>	<i>17.5</i>

<i>Total investments:</i>	78.3
<i>Within the next 5 years:</i>	49.
<i>Within the following 20 years (roads) and 25 years (railways):</i>	29.3

Source: <http://www.brasil.gov.br>

Logistics: Brazil has one of the highest logistics costs in the world. Market analysts estimate that the distribution cost structure represents approximately 31.8% of logistics cost. This includes management, warehousing, inventory, legal requirements and transportation costs. Logistical costs represent an average of 12% of Brazil's gross domestic product (GDP), while in the United States this amount is 8%. The objective of GOB's Logistics Investment Program is to provide Brazil with a transportation system that reflects its continental size. The project faced some challenges initially, but will use an investment model that favors partnerships between public and private sectors. Concessions will be used for highway projects, while public-private partnerships will be developed for railway projects.

Roads: Highways represent more than half of all public transportation infrastructure in Brazil, followed by railways with 25%, waterways with 17% and others, such as air transportation. As the chart above indicates, GOB plans to spend US\$32.8 billion over the next five years, with another US\$11.8 billion in the following 20 years. This amount will be used to construct and improve roads in the five Brazilian regions (North, Northeast, Midwest, Southeast, and South). This process includes not only the construction of bridges and roads, but also their paving, duplication and maintenance. Brazil will also open concessions for some major highways in the northern and northeastern states of Minas Gerais, Bahia, Espírito Santo, Goiás and Tocantins.

Railways: Brazil has less than half as many kilometers of railroads as do either China or India. Transportation by roads represents 61% of total freight, while that of railroad comprises 21%. Rail transportation has proven to be up to 30% cheaper and more efficient than paved roads. To make the country more competitive, the federal government plans to invest US\$46 billion to build, repair and modernize Brazil's railroads. US\$28 billion will be invested within the next five years and US\$17 billion in the 25 years following (see above chart). Such investments would result in 10,000 kilometers of expanded routes. The objective is to improve the connection between the North and South regions by connecting preexisting railways and building new ones.

Ports: Currently the Brazilian government is studying a drastic change in its port concession program. The criteria for defining the new leasing contracts for terminals at organized ports will be primarily a fee-based concession paid by the companies operating the facilities. The main objective is to increase Brazil's competitiveness, reduce barriers to market entry, modernize port management, increase trade, and reduce the high cost of doing business in Brazil.

The current ports law gives preference to the lowest service cost rate with the largest movement of cargo. The probable return of the fee-based criteria is motivated by the need of the government to raise cash in a scenario of fiscal adjustment. The change should take effect for the first block of concessions, which includes 29 lease contracts at ports in Santos (São Paulo) and in the state of Pará (North of Brazil). A relevant change in the new model is that concessions for dredging of ports will be open to foreign

companies. Until now, state-run Companhia Docas or the Secretariat of Ports has been in charge of dredging. Bidding will be open to private companies, including international companies.

Waterways: Brazil's use of transportation by waterways is small when compared to other countries. For example, 25% of cargo is transported by river in the United States and 35% in Canada. In Brazil, only 14% of cargo is transported by this method. Brazil has enormous potential for river traffic with approximately 63,000 km of rivers and lakes, of which 45,000 km are navigable. The potential is still largely untapped, however, with navigation occurring in only 15,000 km, most of which is in the Amazon region. Currently, the largest share of investments comes from the public sector, representing 97% of the funds (or about US\$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 investment of US\$ 4.6 billion.

Public Transportation: Millions of Brazilians spend 3 to 6 hours a day traveling to and from work or school. The current metropolitan rail system transports about 8 million people daily throughout all major Brazilian cities. Research indicates that this figure should equal the number of people transported by the metro system in the metropolitan area of São Paulo alone. According to a study done by the National Association of Public Transportation (ANTP), 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\$22.22 billion). Furthermore, the study showed that 63% of cities with more than 300,000 residents use illegal, unsafe and unreliable means of transportation. These many problems with the current system signal opportunities for growth and investment, including for U.S. companies.

Opportunities

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Brazil has historically invested in other sectors, resulting in an infrastructure deficit. Recent growth and new opportunities arising in Brazil are shifting the focus to infrastructure. The hosting of international events such as 2014 World Cup and the upcoming Summer Olympic Games in 2016 has compelled Brazil to develop a modern transportation infrastructure.

Market analysts agree with GOB's approach of working with the private sector in order to improve the nation's roads, railways and ports. This approach could help Brazil focus on shorter term goals, such as the Olympic Games, with long-term benefits. Today, only 14% of Brazil's roads are paved, while traffic congestion in the large cities is a serious problem. Long queues of trucks outside of ports cause delays for imports and exports. In a recent study by the World Economic Forum, Brazil ranked 119th out of 142 countries in terms of road quality and 130th in terms of quality of its ports.

Although there are major export opportunities in Brazil, there are also substantial challenges, including relatively high tariffs with a heavy and complex customs system, tax structure, and regulatory framework. Additionally, U.S. exporters face expanding GOB involvement in the marketplace to promote the development or preservation of those Brazilian industries which the government deems to be strategic. This includes increased use of local content and technology transfer requirements.

Sales to the Government: GOB procurement rules apply to purchases by government entities and state-owned enterprises. Brazil has an open competition process for major government procurements. 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 procurement rules give preference to Brazilian goods and services. While price is the overriding factor in selecting suppliers, the laws also allow for consideration of non-price factors, allowing preferences for certain goods produced in Brazil and local content requirements to be eligible for tax incentives and subsidies. Additionally, nearly all bids require the establishment of a local representative for any foreign company bidding.

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Trade Events:

NT Expo / Rail Expo

<http://ntexpo.com.br/en/>

November 3-5, 2015 São Paulo

TranspoQuip Latin America

<http://transpoquip.com.br>

November 10-12, 2015 São Paulo

Intermodal South America

<http://www.intermodal.com.br/en/>

April 5-7, 2016 São Paulo

Infraportos South America

<http://www.infraportos.com.br/>

April 5-7, 2016, São Paulo

Websites:

ANTP - National Association of Public Transportation

www.antp.org.br

ANTF – National Association of Railway Transport

<http://www.antf.org.br>

ABIFER – Brazilian Association of Railroad Industry

<http://www.abifer.org.br>

ABTP –Brazilian Association of Port Terminals

<http://www.abtp.org.br>

For more information about export opportunities in this sector, please contact the U.S. Commercial Service Industry Specialist Ebe Raso: Ebe.Raso@trade.gov

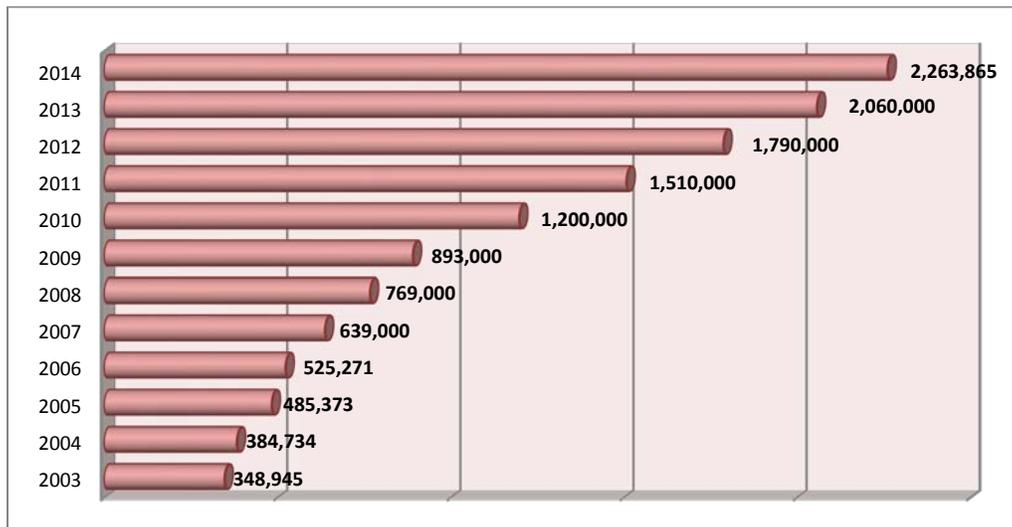
Travel and Tourism

Overview

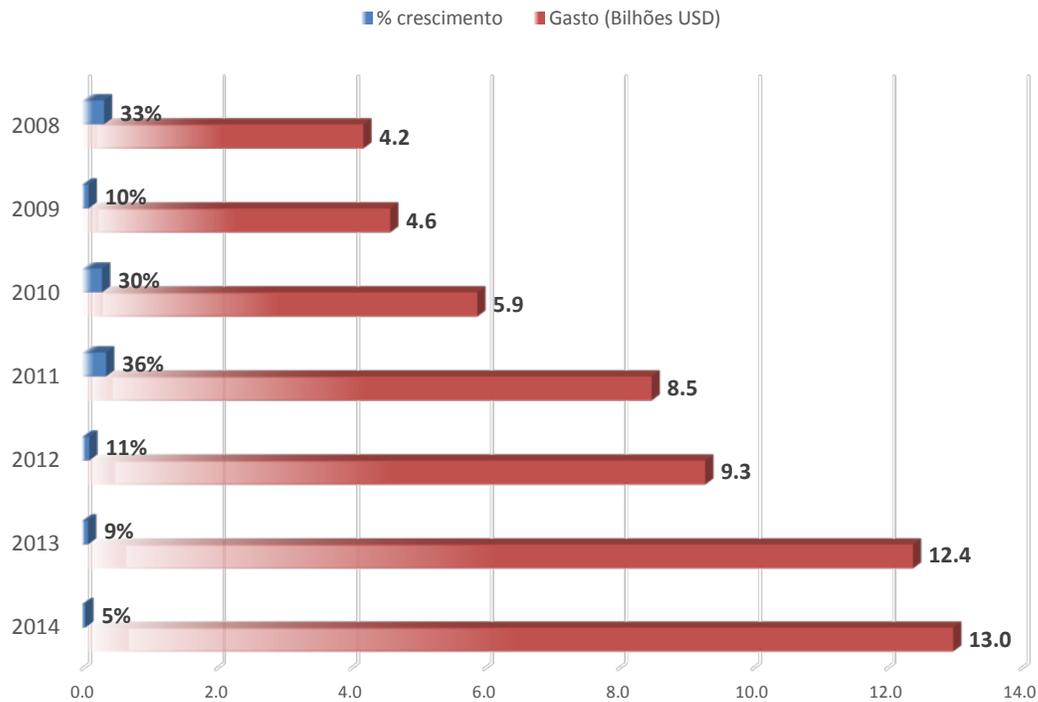
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Brazil is the 3rd largest overseas source of visitors to the United States (excluding Canada and Mexico), and is the top arrivals market from South America. Brazil accounts for more than 30% of all arrivals in the United States from that continent.

With both the fifth largest land mass and population in the world, economic growth over the past decade, and a booming middle class, Brazilian travelers to the US are expected to continue to significantly increase for years to come. At a major travel and tourism awards event in Brazil last year, the U.S. was recognized as the #1 destination of choice for first-time Brazilian international travelers and the destination of choice for Brazilians that have yet to make their first trip abroad. 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 a record 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. Arrivals from Brazil in 2012 reached 1,791,103 visitors, an 18.8% increase over 2011. In 2013, more than 2 million Brazilian travelers visited the United States, a 15% increase over 2012. This number rose 10% in 2014, totalizing 2,270,000 Brazilian visitors to the U.S. during the year.



Spending by Brazilian visitors to the United States continues to grow every year. In 2012, Brazilians reached \$9.3 billion in expenditures in the U.S., which represented spending of more than \$ 5,000 for each Brazilian visitor. Expenditures by Brazilians in the United States in 2013 reached a record-breaking number of \$ 12.4 billion, and continued to rise in 2014 reaching \$13 billion in expenditures.



In 2012, the State Department added more consular officers at its visa issuing posts in Brazil to speed up the visa process for Brazilians wishing to visit the U.S.

The U.S. Consulate São Paulo, the major post in Brazil, and one of the biggest posts in the world, issued 554,440 visa in 2014, which represents 52.4% of the total number of visas adjudicated in Brazil last year.

The table below shows the top 20 countries that send tourists to the United States in 2014.

Top 20 Countries

	<u>Country of Residence</u>	<u># of arrivals</u>	<u>% change</u>
1	Canada	22,975,195	-1.8
2	Mexico	17,334,495	19.2
3	UK	3,972,655	3.6
4	Japan	3,579,363	-4.0
5	BRAZIL	2,263,865	9.9
6	People's Republic of China (excl. HK)	2,188,387	21.1
7	Germany	1,968,536	2.7

8	France	1,624,604	8.0
9	South Korea	1,449,538	6.6
10	Australia	1,276,124	5.9
11	India	961,790	11.9
12	Italy	934,066	11.3
13	Colombia	881,219	17.8
14	Spain	700,084	12.9
15	Argentina	684,727	-0.2
16	Venezuela	615,975	-21.8
17	Netherlands	615,856	4.5
18	Sweden	543,336	14.0
19	Switzerland	486,506	2.8
20	ROC (Taiwan)	413,048	7.4

Best Prospects

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The U.S. is Brazil's second most popular destination just behind neighboring Argentina. More Brazilians are traveling to the U.S. because of promotions offered by U.S. companies, and new routes to the United States from Brazil offered by U.S. carriers.

Brazil ranked 5th in country of origin for overseas visitors to the U.S. during 2014. Top tourism activities when visiting the U.S., includes shopping, which accounted for 92% of their preferences; sight-seeing: 68%; visits to National Parks: 34%; dining in fine restaurants: 23%; visiting historical sites: 26%; and amusement/theme parks: 52%. Other activities include guided tours: 15%; Art Gallery/Museums: 28%; Concert/Play/Musicals: 25%; visiting small towns: 16%; cultural heritage sites: 21%; sports: 13%; visit to casinos: 7%; water sports: 3%; golf and tennis: 2%; ski: 2%; ecotourism: 2%; and fishing: 1%.

The most popular destinations for Brazilian visitors in the U.S. are Florida (Orlando: 883,000 and Miami: 835,000 visitors) and New York City (555,000 visitors), followed by Las Vegas and Los Angeles. Washington, DC, New Orleans, Massachusetts, San Francisco and Texas are popular secondary destinations.

The high season for Brazilian travel to the U.S. is December through January, and July during school holidays. Shorter trips during public holidays are also very popular. Fly and drive trips are becoming increasingly attractive to Brazilian families wishing to drive through Arizona, California, Nevada, Colorado, Florida, Louisiana or New England.

Brazil's Travel & Tourism Distribution System

While wholesalers are key travel distributors, Brazil's has 10,000 travel agencies with 60% issuing international tickets. Many travel agencies also serve as tour operators start out as travel agencies. As a result there is stiffer competition prompting many agencies to upgrade technologies to improve efficiency. 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 to purchase tickets through the Internet. Others use state/city travel offices.

Opportunities

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Travel and tourism promotion in Brazil has seen success over the past two 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.

Those working in tourism may want to capture some of the increasing niche markets of Brazilian travelers to the United States. Visa adjudicating officers at the US Consulate in Sao Paulo, the largest visa issuing post in Brazil, have indicated notable trends among Brazilian visitors. Among Brazilians traveling with the specific aim of shopping, agents should consider tours specifically designed to cater to the soon-to-be mothers and wedding shoppers. Officers also indicated that modest Brazilian shoppers find inexpensive accommodations in the outskirts of major cities and even take advantage of outlet shopping. Another growing market is the adventurous traveler who aspires to trek the famous Route 66 or participate in motorcycle road tours in the South.

Officers discussed new trends among first time travelers. While Florida remains a popular destination, some are making New York City, Los Angeles, San Francisco, New Orleans or Las Vegas their first destination. Among this group, several have specific intentions to drive along the California coast or drive from Los Angeles to Las Vegas. Officers found several couples planning to renew their vows in various themed wedding chapels in Las Vegas.

Young professional and business travelers have also shown notable trends. In congruence with Brazilian holiday leave, many young professionals opt to use their 30 days of vacation for an extended stay in the United States. The vast majority take a light load of English language courses as incidental to tourism. Hours spent outside of class are dedicated to exploring a major city and getting a taste of American living before returning home. Consular officers specifically highlighted Chicago as a major destination for architects and building lovers. Other trends include Industry shoppers traveling specifically to purchase equipment, and people interested in notable hobbies and professionals like photographers, disc jockeys, artists and farmers.

Several Brazilian travelers obtain U.S. visas with the specific purpose of transiting to destinations in Canada, Mexico, Japan and Caribbean cruises with intentions of doing a quick stay in the U.S. for shopping. Agents may want to capture this market to facilitate

the needs of these travelers, who simply want quick and easy access to shopping and dining.

Each year, the U.S. Commercial Service in 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 2015 Brazil** took place in Rio de Janeiro, São Paulo and Campinas (interior of the state of São Paulo) in April 2015, and was visited by over 1,600 select travel agents, tour operators and media visitors in all three cities.

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

<http://travel.trade.gov/>

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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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. Venezuela became a full member of Mercosul in 2012. 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:

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>

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/aliquotas/downloadarqtipi.htm>

Merchandise and Service Circulation Tax (ICMS)

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

Effectively, the tax is paid only on the value-added; the tax is generally passed on to the buyer since it is included in 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%. 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.

Trade Barriers

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Brazil ranked 120 out of 189 countries in the World Bank's 2015 Doing Business Report. U.S. exporters to Brazil face challenges. U.S. companies cite high tariffs, an uncertain customs system, high and unpredictable tax burdens, and an overburdened legal system as major hurdles they must overcome to do business in Brazil. U.S. exporters in regulated industries (e.g., medical devices, health, and safety products) have a particularly challenging time navigating Brazilian rules and regulations.

As Brazil has implemented the *Brasil Maior* (Greater Brazil) plan, we have seen a rise in trade protections such as tax breaks to benefit local manufacturers, increased tariffs, and local content requirements. U.S. companies will increase their chances of success by working with strategic Brazilian partners and highlighting their commitment to the Brazilian market. While U.S. companies have faced market access challenges in Brazil over the past several years, such as high tariffs, local content requirements and a "Buy Brazil" policy, recent cooperation between USG and the GOB to reduce non-tariff barriers in the area of trade facilitation, technical standards and regulations and conformity assessment is expected to increase bilateral trade opportunities.

Import Requirements and Documentation

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U.S. exporters and Brazilian importers must register with the Foreign Trade Secretariat (SECEX), a branch 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.pmdtdc.state.gov>

A list that consolidates eleven export screening lists of the Departments of Commerce, State and the Treasury into a single search as an aid to industry in conducting electronic screens of potential parties to regulated transactions is available here:

<http://developer.trade.gov/consolidated-screening-list.html>

Temporary Entry

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Since 2000, the Government of Brazil has made an allowance for temporary importation of products that are used for a predetermined time period and then re-exported. Brazil has already ratified the International Convention for the Temporary Admission of Goods. Under Brazil's temporary import program, the II and IPI are used to determine the temporary import tax. Products must be used in the manufacture of other goods and involve payment of rental or lease fees from the local importer to the international exporter.

The Brazilian Government is studying the adoption of the ATA Carnet, an international customs document that allows importers to temporarily import goods up to one year without payment of normally applicable duties and taxes, including value-added taxes. The adoption of ATA Carnet use in Brazil would have a huge impact on customs clearance for U.S. trade show exhibitors that currently face difficulties and delays in getting these temporary imports into Brazil. Admission of Brazil to the carnet system would ease costly trade barriers between the U.S. and Brazil.

The 2016 Olympic Organizing Committee has received approval from the federal and state government that no taxes will be levied on products and services that will be temporarily imported into Brazil for the Olympics. In order to qualify, U.S. companies must document that the product or service will only remain in the country temporarily. However, this will be accounted for in the procurement guidelines that will be published by the Olympic Committee.

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. Taxes due are proportional to the time frame the imported product will remain in Brazil. This also applies to temporary entry of personal belongings.

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. 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 and Contact Information

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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 in Brazil, visit the Customs website (in Portuguese):

<http://www.receita.fazenda.gov.br>

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 Internet URL: <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.

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 and 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 de facto 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 recertified (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>

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.

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.

Licensing Requirements for Professional Services

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Many professions in Brazil are regulated or inspected by councils. Doctors, lawyers, engineers, pharmacists, etc., there is a council in Brazil for this. Councils are public authorities, with responsibility to regulate, supervise, direct, and discipline certain professional categories.

It is up to the councils to certify that a certain individual is able to exercise the profession they are responsible for. It is also the council's responsibility to make sure that unauthorized people do not do so. Councils have a code of conduct and ethics parameters that must be followed.

Certain workers are obliged to be registered at corresponding councils in order to exercise their profession. Anyone that works without a registration is subject to penalties according to Brazilian law. There are also many professions that are not supervised by councils in Brazil. For example anyone can be a farmer, software developer or a bus driver, if approved by a hiring company.

Registering at a Professional Council

The basic requirement to be licensed by a professional council is to own a valid graduation certificate in the chosen area. Since there are several different professional councils, requirements to be registered in each one of them may vary. The most common procedure is to visit a regional council or send the necessary documents.

The required documents are usually:

- Completed registration form
- Proof of payment of the registration fee
- Copies of personal documents, like ID, proof of residence, CPF
- Copies of the diploma and of the undergraduate transcript
- Photos to be used on the registration card

This registration has an expiration date, and needs to be renewed periodically, according to the council's rules.

Can foreigners be registered by a council?

The registration of a foreigner in a Brazilian professional council also varies according to each profession. Some — like the Council of Psychology and the Council of Administration, for example — allow foreigners to be registered. The main conditions for this are the revalidation of the foreign diploma and a proficiency test in the Portuguese language.

Other councils have stricter rules, allowing foreigners to register only in exceptional cases, like a lack of manpower, or only providing temporary permits for the realization of a specific project in Brazil. This is the case in the Council of Engineering and Agronomy.

Examples of Professional Councils

Below are some examples of some of the main federal and regional professional councils in Brazil. The first acronym refers to the federal council, while the second acronym refers to the regional one.

Cofea/CREA - Council of Engineering and Agronomy (Conselho de Engenharia de Agronomia)

CFP/CRP - Council of Psychology (Conselho de Psicologia)

CFA/CRA - Council of Administration (Conselho de Administração)

CFM/CRM - Council of Medicine (Conselho de Medicina)

CFF/CRF - Council of Pharmacy (Conselho de Farmácia)

COFECI/CRECI - Council of Real Estate Brokers (Conselho de Corretores de Imóveis)

CAU - Council of Architecture and Urbanism (Conselho de Arquitetura e Urbanismo)

CFC/CRC - Council of Accounting (Conselho de Contabilidade)

CFO/CRO - Council of Odontology (Conselho de Odontologia)

CFQ/CRQ - Council of Chemistry (Conselho de Química)

Confere/Corce - Council of the Commercial Representatives (Conselho dos Representantes Comerciais)

OAB - The Brazilian Bar Association

Technically, the Brazilian Bar Association, or *Ordem dos Advogados do Brasil*, which acronym is OAB, is not a professional council. It was already a federal authority, like the councils mentioned previously, but nowadays OAB is an independent organization. It is autonomous, benefits of tributary exemption and its employees are hired like in any other company, not needing to apply for a public service entrance exam — known in Brazil as *concurso público*, which is basically the selective process for a position offered by the government.

Some of the OAB functions, though, are very similar to the councils' ones. They also inspect and regulate the work of lawyers in Brazil, as well as take part in political questions when necessary.

Web Resources:

The Brazil Business: <http://thebrazilbusiness.com/>

Web Resources

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Brazilian country profile with useful customs and standards information:

<https://smallbusiness.fedex.com/international/country-snapshots/brazil.html?gtmcc=us#C07>

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>

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

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Summary

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Brazil is open to and encourages foreign direct investment (FDI). According to the United Nations Conference on Trade and Development (UNCTAD), Brazil was the fifth largest destination for global FDI flows in 2014. New FDI into Brazil reached approximately USD 64 billion in 2013, and Brazil typically receives close to half of South America's total incoming FDI. The Government of Brazil (GOB) has made attracting private investment in infrastructure a top priority for 2015.

The United States is a major foreign investor in Brazil; according to the Brazilian Central Bank (BCB), the United States had the highest stock of FDI in Brazil as of 2013. While Brazil is generally considered a desirable market for investment given its large economy and growing middle class, complex tax, local content, and regulatory requirements exist. In most cases, these impediments apply without discrimination to both foreign and domestic firms. The GOB generally makes no distinction between foreign and national capital in cases of direct investment.

The Brazilian economy disappointed in 2014 with 0.1 percent GDP growth, and market participants surveyed by the Brazilian Central Bank expect a contraction in 2015. Since 2014, Brazil's anti-corruption oversight bodies have been investigating allegations of widespread corruption involving state-owned energy firm Petrobras and a number of

private construction firms. A separate tax bribery investigation, announced in 2015, is also ongoing. Medium- and long-term prospects still remain favorable, however, supported by strong domestic demand, anticipated investments in infrastructure, development of offshore oil reserves, and prudent macroeconomic policies.

Openness to Foreign Investment

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Foreign Direct Investment (FDI) is prevalent across Brazil's economy. Brazil is open to and encourages FDI.

Other Investment Policy Reviews

The latest Organization for Economic Cooperation and Development (OECD) Economic Survey for Brazil was released in 2013. The OECD Survey applauds Brazil's efforts to promote inclusive growth and to sustainably manage natural resources, but recommends continued fiscal consolidation, more aggressive monetary policy to bring inflation closer towards the center of the target band, and improvements to productivity and competitiveness. The OECD report can be found at:

http://www.oecd.org/eco/surveys/Brazil_2013_Overview_ENG.pdf.

Laws/Regulations of Foreign Direct Investment

Aviation: The GOB currently restricts foreign investment in domestic airline companies to a maximum of 20 percent (Law 7565/1986, Article 181). A bill in the Chamber of Deputies (PL6716/2009) that would increase the ceiling to 49 percent has been pending since 2009. On March 19, 2011, representatives from the U.S. and Brazilian governments signed an Air Transport Agreement that will lead to an Open Skies relationship between the United States and Brazil, eliminating numerical limits on passenger and cargo flights between the two countries. If it is approved by Brazil's Congress, the agreement will take effect in October 2015. The agreement currently sits with the Brazilian executive branch waiting to be reviewed and sent to Congress for ratification. On March 18, 2011, both parties also signed a Memorandum of Consultation (MOC) that incrementally increases flight limits in the interim.

Insurance: To enter Brazil's insurance and reinsurance market, U.S. companies 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. Of the top 50 banks in Brazil, 20 are owned or controlled by foreign interests. The Brazilian reinsurance market opened to competition in 2007. In December 2010 and March 2011, however, the Brazilian National Council on Private Insurance (CNSP) 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. 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 walked back some of the restrictions of Resolution 225 by allowing the 40 percent requirement to be waived if local reinsurance capacity does not exist.

Media: In September 2011, President Rousseff signed into force a law covering the subscription television market that removed the previous 49 percent limit on foreign

ownership of cable TV companies. Under Law 12485/2011, telecom companies will be allowed to offer television packages with their service. Content quotas require every channel to air at least three and a half hours per week of Brazilian programming during primetime. Additionally, one-third of all channels included in any TV package have to be Brazilian.

Land Ownership: Foreign ownership of land within 150 km of national borders remains prohibited unless approved by Brazil's National Security Council, per Law 6634/1979. On August 23, 2013, the National Land Reform and Settlement Institute (INCRA) published a set of rules covering the purchase of Brazilian land by foreigners. Under the new rules, the area bought or leased by foreigners cannot account for more than 25 percent of the overall area in any municipal district. Additionally, no more than 10 percent 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.

On February 25, 2014, the Attorney General of Brazil and the Minister of Agrarian Development co-signed a bill that stipulates the rural lands purchased by foreigners between June 7, 1994 and August 22, 2010 in which companies that have foreigners as partners will be considered Brazilian and be regulated to prevent judicial insecurity. In the state of São Paulo, due to a judicial impasse, foreigners have been able to buy unrestricted amounts of land since the end of 2013. Companies controlled by foreign entities have been taking advantage of the opportunity and have been seeking investment properties.

Industrial Promotion

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, set targets for investment spending to reach 22.4 percent of GDP by 2014, up from a 2010 baseline of 18.4 percent. Private investment in R&D was to reach 0.90 percent of GDP by 2014, up from the 2010 figure of 0.59 percent. Brasil Maior also set targets for making the economy more energy-efficient, reducing the amount of petroleum used per unit of GDP by 9 percent, and nearly tripling broadband internet penetration from 13.8 million households in 2010 to 40 million households in 2014. The GOB is still assessing the results of the 2011-2014 period.

Limits on Foreign Control

FDI is prevalent across Brazil's economy, although certain sectors are subject to foreign ownership limitations as specified in the sections above. A 1995 constitutional amendment (EC 6/1995) terminated the distinction between foreign and local capital in general, but there are laws that restrict foreign ownership within some sectors, notably aviation, insurance, and media.

Privatization Program

Brazil has begun an ambitious USD 133 billion Logistics Investment Program (PIL) to draw in private capital and managerial expertise to upgrade the nation's infrastructure, including projects in roads, ports, airports, energy, and urban mobility. All of the infrastructure concessions are open to foreign companies. In fact, in the airport concessions, foreign companies have not only been encouraged to bid, but the auction criteria have been defined in a way that has the effect of requiring the participation of foreign airport operators. The bidding process is non-discriminatory, transparent, and performed without political interference.

In addition to the PIL mentioned above, between January 2011 and December 2014, the government's Program to Accelerate Growth (PAC) disbursed USD 530 billion to fund transportation, energy, housing, and sanitation projects, representing 96.5 percent of total spending projected by the end of 2014. The next phase of PAC will launch in 2015.

Screening of FDI

Foreigners investing in Brazil must register their investment with the BCB 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).

Competition Law

Regulatory review of mergers and acquisitions are carried out by the Administrative Council for Economic Defense (CADE). In October 2012, Brazil performed its first-ever pre-merger review of a pending merger, bringing Brazil in line with U.S. and European practices. This shift in merger review was a result of 2011 legislation (Law 12529), which was adopted to modernize Brazil's antitrust review and to combine the antitrust functions of the Ministry of Justice and the Ministry of Finance into those of the so-called "Super CADE." This government body is responsible for enforcement of competition laws, consumer defense, and combating abuse of economic power.

Investment Trends

Brazil was the fifth largest destination for global FDI flows in 2014. New FDI into Brazil reached approximately USD 64 billion in 2013, and Brazil typically receives close to half of South America's total incoming FDI. The GOB has made attracting private investment in infrastructure a top priority for 2015.

TABLE 1: Brazil's International Ranking

Measure	Year	Rank or value	Website Address
TI Corruption Perceptions Index	2014	69 of 175	transparency.org/cpi2014/results
World Bank's Doing Business Report "Ease of Doing Business"	2015	120 of 189	doingbusiness.org/rankings
Global Innovation Index	2014	61 of 143	globalinnovationindex.org/content.aspx?page=data-analysis
World Bank GNI per capita	2013	US\$ 11,690	data.worldbank.org/indicator/NY.GNP.PCAP.CD

Conversion and Transfer Policies[Return to top](#)

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

All incoming foreign loans must be approved by the BCB. 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 BCB may request additional information regarding the transaction. Foreign loans obtained abroad do not require advance approval by the BCB, 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's Treasury Secretariat, and must be registered with the BCB.

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

On March 6, 2014, the Federal Revenue Service of Brazil consolidated the regulations on withholding tax (IRRF) applicable to earnings and capital gains realized by individuals and legal entities resident or domiciled outside Brazil. The regulation states that the cost of acquisition must be calculated "in reais." The drafting is not clear enough to determine, however, whether the acquisition cost in reais is obtained by converting the value of the direct foreign investment registered with the BCB using the quoted exchange rate on the date of acquisition (the historic rate), or the quoted rate for the date of the sale, or the rate for day two days prior to the sale. Additional requirements were also created for the application of a zero-rate IRRF, such as good tax standing (formalities not specified). Also, the "technical services" definition was broadened to include administrative support and consulting services rendered by individuals (employees or not) or resulting from automated structures having clear technological content. This change is significant for the purposes of determining the applicable IRRF rate, whether the Contribution of Intervention in the Economic Domain (CIDE) tax applies, and for the application of Treaties to Avoid Double Taxation.

Foreign investors, upon registering their investment with the BCB, are able to remit dividends, capital (including capital gains), and, if applicable, royalties. Remittances must also be registered with the BCB. 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 CIDE.

Expropriation and Compensation

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There have been no known 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. Some claims regarding land expropriations by state agencies have been judged by Brazilian 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. In June 2014, an amendment to Article 243 of the Constitution was approved, determining that assets can be expropriated if human slavery or planting of illegal psychotropic plants is confirmed on the grounds. Expropriation will be done through all lawful means, with the right to appeal, but once determined, the owner will not receive the money generated through the sale of the asset.

Dispute Settlement

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Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

The Brazilian court system is overburdened, and contract disputes can be lengthy and complex. 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.

Bankruptcy

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 improve creditors' ability to recover their debts.

Investment Disputes

Article 34 the 1996 Brazilian Arbitration Act (Law 9307) 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 9307 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 Brazilian 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."]

International Arbitration

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

Duration of Dispute Resolution

The 2015 World Bank, Doing Business report found that on average it takes 44 procedures and 731 days to litigate a contract breach at an average cost of 16.5 percent of the claim.

Performance Requirements and Incentives

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WTO/TRIMS

Brazil is not a signatory to the World Trade Organization (WTO) Agreement on Government Procurement (GPA). U.S. companies seeking to participate in Brazil's public sector procurement effectively need to partner with a local firm or have operations in Brazil. Foreign companies are often successful in obtaining subcontracting opportunities with large Brazilian firms that win government contracts.

Investment Incentives

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. BNDES is one of the largest development banks in the world, outpacing the lending of even the World Bank. BNDES lending in 2014 was concentrated in infrastructure and Micro, Small and Medium Enterprises, accounting respectively for 36.7 and 32 percent of total disbursements. Industry accounted for 26.7 percent of total disbursements, a setback of 14 percent compared to 2013. The telecommunications sector saw the largest proportional growth

in lending, with total disbursement of R\$5.3 billion, a 97 percent increase over the previous year.

As part of its package of fiscal tightening, in December 2014, the GOB announced its intention to scale back the expansionary activities of BNDES. The GOB will end direct Treasury support to the bank, which provided 20 percent of BNDES cash flow in 2014, and raised the Long Term Interest Rate that serves as the basis for BNDES loans from 5.0 to 5.5 percent.

The GOB extends tax benefits for investment in less developed parts of the country, such as 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 benefits have spurred a so-called “fiscal war” between the states, with some states challenging the tax benefits as harmful fiscal competition. In June 2011, the Brazilian Supreme Court ruled that the benefits granted by 14 states on interstate commerce are unconstitutional, since they were implemented without unanimous consent from the National Council of Fiscal Policy (Confaz). In November 2012, the Ministry of Finance proposed to Congress an end to the “fiscal war” by setting the interstate tax rate on goods at 4 percent for all states, thus limiting states’ ability to offer special tax incentives to attract investment away from other states. However, state finance secretaries have been unable reach consensus on the tax rate exemptions proposal.

In January 2015, the Minister of Finance proposed reversing an October 2012 decree (7819) in support of domestic auto manufacturers. The decree raised the Industrial Products Tax (IPI) by 30 percentage points of the price of the vehicle on all vehicle sales in the Brazilian market on or after January 1, 2013. This change affected all vehicles in Brazil. Auto manufacturers are able to apply for a tax credit based on their ability to meet certain criteria, including the number of manufacturing processes performed in Brazil, enhancing fuel efficiency, committing to invest in research and development in Brazil or to use Brazilian engineering services, and agreeing to participate in a fuel-efficiency labeling scheme.

In September 2014, the GOB issued Decree 8304 to reinstate the Special Regime for the Reinstatement of Taxes for Exporters, dubbed the Reintegra Program. Under the program, exporters of products covering 8,630 tariff codes receive a subsidy of 3 percent of the value of their exports. To qualify, the imported content of the exported goods cannot exceed 40 percent, except in the case of high-tech goods, such as pharmaceuticals, electronics, and aircraft and parts, which are permitted to have up to 65 percent 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. On February 27, 2015, Decree 8415 revoked Decree 8304 and determined new regulations for the program; however, the three percent subsidy on the value of the exports is still in effect.

In May 2010, the GOB launched a National Broadband Plan, which featured fiscal incentives, private sector participation, and regulatory reform to build out internet

infrastructure under the leadership of state-owned firm Telebras. While the plan provided commercial opportunities for foreign investors, it also sought to boost Brazilian technology by granting domestic IT equipment tax exemptions, favorable BNDES financing, and preference in the procurement process.

Tax credits are available based on a producer's ability to meet certain criteria, including investing in research and development in Brazil.

Performance Requirements

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, according to Brazilian Labor Law Articles 352 to 354. Foreign specialists in fields where Brazilians are unavailable are not counted in calculating the one-third permitted for non-Brazilians.

Law 8666 (from 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. GOB procurement rules apply to purchases by government entities and state-owned companies. Brazil has an open competition process for major government procurements. The GOB 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 for Brazilian goods and services. Price is to be the overriding factor in selecting suppliers. However, the law's implementing regulations also allow for consideration of non-price factors, giving preferences to certain goods produced in Brazil and stipulating local content requirements in order to qualify for tax benefits. Additionally, nearly all bids require establishment of a local representative for any foreign company bidding.

Government procurement is just one of thirty-five industrial policy components under Brasil Maior intended to support Brazilian industry and protect domestic producers, particularly the labor-intensive sectors threatened by imports. 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, Decrees 7709 and 7713 expanded the use of preference margins to pharmaceuticals and medicine (8 or 20 percent) and excavators and bulldozers (15 and 25 percent). The preference margins for these goods are valid until December 31, 2015.

Decree 7174 (2010), which regulates the procurement of information technology goods and services, requires federal agencies and parastatal entities to give preferential treatment to domestically produced computer products and goods or services with technology developed in Brazil based on a complicated price/technology matrix.

Data Storage

In general, the government does not explicitly practice “forced localization” in which foreign investors must use domestic content in goods and technology, but local content products have the advantage of tax breaks, BNDES financing, and price preferences of

up to 25 percent in government purchases. To date, there is no general requirement for foreign IT providers to turn over source codes or otherwise provide access to surveillance, but Decree 8135 of 2013 calls for auditing of hardware and software used in government data communications.

In 2014, Brazil passed the comprehensive Marco Civil Internet Law without an explicit data localization requirement. The law states, however, that data collected, stored, retained, or treated in Brazil shall respect Brazilian law, implying that certain data stored overseas by foreign companies might be subject to the law. Penalties for non-compliance could include fines of up to 10 percent of gross Brazil revenues and/or suspension or prohibition of related operations in country.

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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Real Property

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 (from 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

The quality of Intellectual Property Right (IPR) protection and level of enforcement within Brazil is improving. The country has an array of domestic laws and regulations that address IP, and government entities and private industry pay attention to the issue. National and local authorities are active in carrying out enforcement actions, but a long land border and active ports complicate this effort. While Brazil itself is not a major producer of counterfeit and pirated products, societal attitudes toward their purchase remain permissive, and industry stakeholders are increasingly concerned about online IP violations.

Brazil is a member of the WTO, and has legislatively implemented its obligations under the Trade Related Aspects of Intellectual Property (TRIPS) agreement through its 1996 Industrial Property Law and 1998 Copyrights Law. Brazil is a signatory of the Berne Convention for the Protection of Literary and Artistic Works, the Patent Cooperation Treaty, the Convention on Plant Variety Protection, and the Paris Convention on Protection of Intellectual Property, and plays an active role at the World Intellectual Property Organization (WIPO). Brazil is not a party to the WIPO Copyright Treaty or the WIPO Performances and Phonograms Treaty, collectively known as the

WIPO Internet Treaties, nor the Anti-Counterfeiting Trade Agreement (ACTA). Brazil has been taking steps to join the Madrid Agreement Concerning the International Registration of Marks ("Madrid Protocol"), which would make the process of obtaining a trademark in Brazil faster.

In multilateral negotiations and the WTO TRIPS Council, Brazil, together with other countries, presses demands for unlimited technology transfer that could lead to coercion of private rights holders, weakening their property rights. These outcomes could undermine innovation, trade, and investment in IP-intensive products and services that are critical parts of the response to climate change, sustainable economic development, and other challenges. By advancing such positions, the Brazilian government is creating uncertainty with respect to its commitment to create a domestic environment that will encourage innovation and investment in innovative industries.

Brazil is developing a revised copyright law that will more directly address digital issues, as well as other bills to address such items as the ownership of genetic biodiversity resources. These laws might clarify the IP landscape, but foreign industry stakeholders are watching carefully to see how they might affect their IP interests.

Brazil does not publish a comprehensive database on counterfeit seizures, but a recent non-government estimate placed losses to illicit commerce (including contraband) at over USD 20 billion in 2014 <http://arte.folha.uol.com.br/mercado/2015/03/12/crime-sem-castigo/> . Brazil has remained on the "Watch List" of the U.S. Trade Representative's Special 301 report since 2007, when it was upgraded from the "Priority Watch List" in recognition of improvements in its IPR regime. Continuing challenges include regulatory issues such as the longstanding role of the health regulator in reviewing pharmaceutical patent applications before the patent office considers them, long wait time in the patent application process, and high levels of digital and hard-goods piracy and counterfeiting. USTR's 2015 "Notorious Markets" report flagged Sao Paulo's Galeria Page market for its high levels of illicit goods and low levels of enforcement. The report also flagged baixeturbo.org, an overseas website with infringing content that targets Brazilian users.

Customs officers have ex-officio authority to seize suspected counterfeit goods. The authorities, however, are required to retain such goods throughout the investigative and legal process, rather than merely keeping a representational sample. This taxes physical storage and budget capabilities of the authorities, hampering overall enforcement. Rights holders are not responsible for paying for the storage and destruction of counterfeit goods. Counterfeit goods readily available in Brazil include apparel, fashion accessories, toys, and audiovisual entertainment products; these items are produced within Brazil, in neighboring countries such as Paraguay, and in Asia. Smuggled genuine goods, such as cigarettes and beverages, are also a serious concern.

Industry stakeholders continue to voice concern over INPI's backlog of pending patent applications. INPI has increased its hiring and training of new examiners, but it still takes about 10 years for a patent to be granted. The average time from application to grant of trademark is 46 months. Brazil has modern trade secret laws, including criminal penalties, and Brazilian courts are accessible and equitable to foreigners. In most respects, the Industrial Property Law meets the international standards specified in TRIPS regarding patent and trademark protection. The law does provide for compulsory licensing if a patent owner has failed to adequately commercialize the technology, but

there are several exceptions to this that can be referenced by the patent holder so that compulsory licensing can be averted.

IP protections in general are improving in Brazil, exemplified by continued whole-of-government dialogue and efforts under the National Council on Combating Piracy. Authorities conduct and publicize raids in cities like Brasilia and Rio. The 2014 FIFA soccer World Cup helped draw attention to IP issues, and it is expected that the 2016 Olympics will further boost enforcement and IP protection efforts.

Embassy point of contact: Albert Keyack, U.S. Patent and Trademark Office, Rio de Janeiro, Albert.Keyack@trade.gov

Local lawyers list: <http://brazil.usembassy.gov/lawyers.html>

Transparency of Regulatory System

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In the 2015 World Bank “Doing Business” report, Brazil ranked 120th out of 189 countries in terms of overall ease of doing business, an improvement of three positions compared to the 2014 report. According to the study, it takes an average of 12 procedures and 102.5 days to start a new business in São Paulo, significantly longer than the OECD high-income economies’ average of 9.2 days. In Rio de Janeiro, it takes an average of 11 procedures and 54 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 176 hours in the OECD high-income economies. According to this same study, the total tax rate for a medium-sized business in Brazil is 69 percent of profits, compared to 41.3 percent in the OECD high-income economies. Business managers often complain of not understanding tax regulations, despite their investments in 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 when goods are exported abroad, 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-made products. In addition, the U.S. government is evaluating Provisional Measure 668, which increases the PIS/Cofins tax rate on imported goods only and is scheduled to take effect May 1, 2015.

Of Brazil’s ten federal regulatory agencies, the most prominent include ANVISA (the Brazilian equivalent of the U.S. Food and Drug Administration), which has regulatory authority over the production and marketing of food, drugs and medical devices; ANATEL, the country’s telecommunication agency, which handles licensing and assigning of bandwidth; ANP, the National Petroleum Agency, which regulates oil and gas contracts and oversees the bidding process for oil blocks, including for pre-salt oil; ANAC, the agency that oversees the civil aviation industry; and ANEEL, the country’s electric energy agency. In addition to these federal regulatory agencies, Brazil has at least 27 state-level agencies and 17 municipal-level agencies.

The Office of the Presidency's Program for the Strengthening of Institutional Capacity for Management in Regulation (PRO-REG), created in 2007 by Decree 6062, has tried to introduce a broad program for improving the regulatory framework in Brazil including via a 2014 Work Plan with the White House Office of Information and Regulatory Affairs to exchange best practices in developing regulations. Five exchanges under the work plan occurred in 2014.

Pursuant to the GOB's priority to improve transparency, the general public has online access to both approved and proposed federal legislation via websites for the Chamber of Deputies, Federal Senate, and the Office of the Presidency. Brazil is seeking to improve its public comment and stakeholder input process. Since 2004, the Brazilian government has instituted a Transparency Portal, a website in which data is available on funds transferred to and from the federal, state and city governments, as well as to and from foreign countries. It also includes information on civil servants' salaries. The Brazilian Transparency Portal has been a model for other developing countries, and the United States partnered with Brazil to replicate the portal in El Salvador.

Foreign investors have encountered obstacles engaging 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 unclear licensing requirements, though the process was reportedly streamlined in 2008. There have also been examples of federal agencies levying significant fines on U.S. companies.

Efficient Capital Markets and Portfolio Investment

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Brazil's credit market has grown significantly over the past several years. Real interest rates, once among the highest in the world, fell dramatically in 2012, driven by continued decreases in the BCB's benchmark overnight Selic lending rate and a concerted effort by the GOB to reduce lending spreads charged by public and private banks. The BCB initiated a cycle of monetary policy tightening in April 2013, which continued into 2014 and 2015, and real interest rates have increased again.

While local private sector banks are beginning to offer longer credit terms, BNDES, the state-owned national development bank, has been the traditional Brazilian source of long-term credit, and also provides export credits. BNDES provides foreign- and domestically-owned companies operating in Brazil financing for the manufacturing and marketing of capital goods. As part of its package of fiscal tightening, in December 2014 the GOB announced its intention to scale back the expansionary activities of BNDES. The GOB will end direct Treasury support to the bank, and it has raised the Long Term Interest Rate that serves as the basis for BNDES loans from 5.0 to 5.5 percent. Further increases are expected.

All stock trading is performed on the Sao Paulo Stock Exchange (BOVESPA), while trading of public securities is conducted on the Rio de Janeiro market. In 2008, the Brazilian Mercantile & Futures Exchange (BM&F) merged with the BOVESPA to form what is now the fourth largest exchange in the Western Hemisphere, after the NYSE, NASDAQ, and Canadian TSX Group exchanges. BOVESPA has launched in 2000 a "New Market" in which the listed companies comply with stricter corporate governance

requirements. A majority of initial public offerings (IPOs) are listed on the New Market. There are currently 133 companies listed under the “New Market” program. In 2014, two new IPOs and follow-ons raised over R\$ 14 billion in capital.

At the end of 2014, there was an average of 367 companies traded on the BM&F/BOVESPA. Total daily trading average volume has risen from R\$ 2.4 billion in 2006 to R\$ 7.29 billion in 2014, and the number of trades has reached historical high and increased to 228,100,922.

The BM&F/BOVESPA currently has no competition, but that may change soon. In January 2013, Direct Edge, the fourth-largest stock exchange operator in the United States, applied for a license to launch its services in Brazil in 2013. Direct Edge’s position in the Brazilian market may be strengthened after its proposed merger with BATS Global Markets in 2014. Direct Edge is expected to begin operations in Brazil in 2015.

Foreign investors, both institutions and individuals, can directly invest in equities, securities and derivatives. Foreign investors are required to trade derivatives and stocks of publicly held companies on established markets. At year-end 2014, foreign investors accounted for 51.2 percent of the total turnover on the BOVESPA. Domestic institutional investors were the second most active market participants, accounting for 28.9 percent of activity. Individual investors comprised 13.7 percent of activity, followed by financial institutions (5.1 percent), and public and private companies (1 percent). Law 10303 of 2001 limits preferred shares to 50 percent of new issuances.

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

Money and Banking System, Hostile Takeovers

The Brazilian financial sector is large and sophisticated. Banks lend at Brazilian market rates, which remain 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 BCB data indicating that the 10 largest commercial banks (excluding brokerages) account for approximately 89.6 percent of the commercial banking sector. Three of the five largest banks (in assets) in the country -- Banco do Brasil, Caixa Economica Federal, and BNDES -- are partially or completely 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.

The BCB 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 and Exchange Commission (CVM) independently regulates the stock exchanges, brokers, distributors, pension funds, mutual funds, and leasing companies with penalties against insider trading.

In the 1990s and early 2000s, the GOB privatized state-owned enterprises across a broad spectrum of industries, including mining, steel, aeronautics, banking, energy, and electricity generation and distribution. While the GOB has divested itself from many of its state-owned companies, it maintains partial control (at both the federal and state level) of some 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.

The 2010 “pre-salt” legislation gives Petrobras sole operator status for the development of the new oil discoveries. The terms and conditions of the new regime favor Petrobras as the sole operator, although foreign firms are still anticipated to play a role in the pre-salt oil fields.

OECD Guidelines on Corporate Governance of SOEs

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 non-government shareholders. Brazilian enterprises with state ownership are concentrated in the energy, electricity generation and distribution, transportation, and banking sectors. Many of these firms are also publically traded companies on the Brazilian and other stock exchanges.

Sovereign Wealth Funds

The Sovereign Fund of Brazil (FSB) is the sovereign wealth fund of Brazil, established on December 24, 2008. It is a non-commodity fund that is required to support national companies in their export activities and acts as a mechanism for anti-cyclical development, promoting investment in projects of strategic interest to Brazil domestically and abroad.

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 for corporate officials to 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 its website: www.maisunidos.org.

Brazil adheres to the OECD Declaration on International Investment and Multinational Enterprises.

Political Violence

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Strikes and demonstrations occur occasionally in urban areas and may cause temporary disruption to public transportation. Occasional port strikes also impact commerce. Large, spontaneous protests occurred in June 2013 during the Confederations Cup. The protests started in response to a hike in bus fares and later grew to include complaints regarding the government's perceived inability to tackle corruption and improve public services, such as education and healthcare. During the 2014 FIFA World Cup, protests were far smaller. On March 15, 2015, nearly two million Brazilians, principally in Sao Paulo, organized to protest the government of President Rousseff, citing the economic downturn and the Petrobras corruption scandal. Although U.S. citizens have traditionally 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 in international business, for example 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 generally makes it unlawful for U.S. persons and businesses (domestic concerns), and U.S. and foreign public companies listed on stock exchanges in the United States or which must file periodic reports with the Securities and Exchange Commission (issuers), to offer, promise or make a corrupt payment or anything of value to foreign officials to obtain or retain business. 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. In addition to the anti-bribery provisions, the FCPA contains accounting provisions applicable to public companies. The accounting provisions require issuers to make and keep accurate books and records and to devise and maintain an adequate system of internal accounting controls. The accounting provisions also prohibit individuals and businesses from knowingly falsifying books or records or knowingly circumventing or failing to implement a system of internal controls. In order to provide more information and guidance on the statute, the Department of Justice and the Securities and Exchange Commission published *A Resource Guide to the U.S. Foreign Corrupt Practices Act*, available in PDF at:

<http://www.justice.gov/criminal/fraud/fcpa/guidance/>. For more detailed information on the FCPA generally, see the Department of Justice FCPA website at: <http://www.justice.gov/criminal/fraud/fcpa/>.

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

OECD Antibribery Convention: The Antibribery Convention entered into force in February 1999. As of January 2015, there are 41 parties to the Convention, including the United States (see <http://www.oecd.org/corruption/oecdantibriberyconvention.htm>). Major exporters China and India are not parties, although the U.S. Government strongly endorses their eventual accession to the Antibribery Convention. The Antibribery Convention obligates the Parties to criminalize bribery of foreign public officials in international business transactions, which the United States has done under U.S. FCPA. [Insert information as to whether your country is a party to the Antibribery Convention and has a foreign bribery law.]

UN Convention: The UN Convention entered into force on December 14, 2005, and there are 174 parties to it as of March 2015 (see <http://www.unodc.org/unodc/en/treaties/CAC/signatories.html>). The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption, from basic forms of corruption such as bribery and solicitation, embezzlement, and 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. [Insert information as to whether your country is a party to the UN Convention.]

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 January 2015, the OAS Convention has 34 parties (see <http://www.oas.org/juridico/english/Sigs/b-58.html>) and the follow-up mechanism created in 2001 (MESICIC) has 31 members (see http://www.oas.org/juridico/english/mesicic_intro_en.htm). [Insert information as to whether your country is a party to the OAS Convention.]

Council of Europe Criminal Law and Civil Law Conventions on Corruption: Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention on Corruption, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and accounting offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on whistleblower protection, compensation for damage relating to corrupt acts, and nullification of a contract providing for or influenced by corruption, 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). See http://www.coe.int/t/dghl/monitoring/greco/general/about_en.asp. As of January 2015, the Criminal Law Convention has 44 parties and the Civil Law Convention has 35 (see <http://conventions.coe.int/Treaty/Commun/QueVoulezVous.asp?CL=ENG&NT=173>; <http://conventions.coe.int/Treaty/Commun/QueVoulezVous.asp?CL=ENG&NT=174>). [Insert information as to whether your country is a party to the Council of Europe Conventions.]

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 transnationally) 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>. [Insert information as to whether your country has an FTA with the United States: Country [X] has a free trade agreement (FTA) in place with the United States. The [name of FTA] came into force in [date].]

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. and Foreign 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 United States provides commercial advocacy on behalf of exporters of U.S. goods and services bidding on public sector contracts with foreign governments and government agencies. An applicant for advocacy must complete a questionnaire concerning its background, the relevant contract, and the requested U.S. Government assistance. The applicant must also certify that it is in compliance with applicable U.S. law, that it and its affiliates have not and will not engage in bribery of foreign public officials in connection with the foreign project, and that it and its affiliates maintain and enforce a policy that prohibits bribery of foreign public officials. 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 reported through the Department of Commerce Trade Compliance Center "Report a Trade Barrier" Website at tcc.export.gov/Report_a_Barrier/index.asp. Potential violations of the FCPA can be reported to the Department of Justice via email to FCPA.Fraud@usdoj.gov.

Guidance on the U.S. FCPA: The Department of Justice's (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals and issuers to request a statement of the Justice Department's present enforcement intentions under the anti-bribery provisions of the FCPA regarding actual, prospective business conduct. The details of the opinion procedure are available on DOJ's Fraud Section Website at www.justice.gov/criminal/fraud/fcpa and general information is contained in Chapter 9 of the publication *A Resource Guide to the U.S. Foreign Corrupt Practices Act*, at <http://www.justice.gov/criminal/fraud/fcpa/guidance/>. Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general information 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 General Counsel, U.S. Department of Commerce, website, at <http://www.commerce.gov/os/ogc/transparency-and-anti-bribery-initiatives>. More general information on the FCPA is available at the websites listed below.

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

POST INPUT: Public sector corruption, including bribery of public officials, [remains a major/minor challenge for U.S. firms operating in xxx xxx. Insert country specific

corruption climate, enforcement, commitment and information about relevant anticorruption legislation.

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 Resource Guide to the U.S. Foreign Corrupt Practices Act*, translations of the statute into numerous languages, documents from FCPA related prosecutions and resolutions, and press releases are available at the U.S. Department of Justice's Website at: <http://www.justice.gov/criminal/fraud/fcpa> and <http://www.justice.gov/criminal/fraud/fcpa/guidance/>
- The U.S. Securities and Exchange Commission FCPA Unit also maintains an FCPA website, at: <https://www.sec.gov/spotlight/fcpa.shtml>. The website, which is updated regularly, provides general information about the FCPA, links to all SEC enforcement actions involving the FCPA, and contains other useful information.
- General information about anticorruption and transparency initiatives, relevant conventions and the FCPA, is available at the Department of Commerce Office of the General Counsel website: <http://www.commerce.gov/os/ogc/transparency-and-anti-bribery-initiatives>
- The Trade Compliance Center hosts a website with anti-bribery resources, at <http://tcc.export.gov/Bribery>. This website contains an online form through which U.S. companies can report allegations of foreign bribery by foreign competitors in international business transactions
- 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/>.
- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: <http://www.oecd.org/corruption/oecdantibriberyconvention.htm> See also Antibribery Recommendation <http://www.oecd.org/daf/anti-bribery/oecdantibriberyrecommendation2009.htm> and Good Practice Guidance Annex for companies: <http://www.oecd.org/daf/anti-bribery/44884389.pdf>.
- GRECO monitoring reports can be found at: http://www.coe.int/t/dghl/monitoring/greco/evaluations/index_en.asp
- MESICIC monitoring reports can be found at: http://www.oas.org/juridico/english/mesicic_intro_en.htm
- The Asia Pacific Economic Cooperation (APEC) Leaders have also recognized the problem of corruption and APEC Member Economies have developed anticorruption and ethics resources in several working groups, including the Small

and Medium Enterprises Working Group, at <http://businessethics.apec.org/>, and the APEC Anti-Corruption and Transparency Working Group, at <http://www.apec.org/Groups/SOM-Steering-Committee-on-Economic-and-Technical-Cooperation/Working-Groups/Anti-Corruption-and-Transparency.aspx>. For more information on APEC generally, <http://www.apec.org/>.

There are many other publicly available anticorruption resources which may be useful, some of which are listed below without prejudice to other sources of information that have not been included. (The listing of resources below does not necessarily constitute U.S. Government endorsement of their findings.)

- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in approximately 180 countries and territories around the world. The CPI is available at: <http://www.transparency.org/research/cpi/overview>. TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents, and an overview of the latest research findings on anti-corruption diagnostics and tools. See <http://www.transparency.org/research/gcr>.
- The World Bank Institute's Worldwide Governance Indicators (WGI) project reports aggregate and individual governance indicators for 215 economies over the period 1996-2013, for six dimensions of governance (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.aspx#home>. 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>. See also the World Bank Group *Doing Business* reports, a series of annual reports measuring regulations affecting business activity, available at: <http://www.doingbusiness.org/>
- The World Economic Forum publishes every two years the *Global Enabling Trade Report*, which assesses the quality of institutions, policies and services facilitating the free flow of goods over borders and to their destinations. At the core of the report, the Enabling Trade Index benchmarks the performance of 138 economies in four areas: market access; border administration; transport and communications infrastructure; and regulatory and business environment. See <http://www.weforum.org/reports/global-enabling-trade-report-2014>.
- Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which typically assesses anti-corruption and good governance mechanisms in diverse countries. (The 2012 and 2013 reports covered a small number of countries as the organization focused on re-launching a modernized methodology in mid-2014.) For more information on the report, see <https://www.globalintegrity.org/global-report/what-is-gi-report/>.

Brazil does not have a Bilateral Investment Treaty (BIT) with the United States. On March 26, 2015, Brazil signed a Bilateral Investment Treaty with Mozambique. In the 1990's Brazil signed BITs with Belgium and Luxembourg, Chile, Cuba, Denmark, Finland, France, Germany, Italy, the Republic of Korea, the Netherlands, Portugal, Switzerland, the United Kingdom and Venezuela, but none of these have been approved by the Brazilian Congress. In 2002, an inter-ministerial working group decided to withdraw the agreements from Congress for approval, so they have not and will not be voted on any time soon. Brazil also has not ratified the Mercosul investment protocol.

Brazil does not have a double taxation treaty with the United States, but it does have such treaties with 33 other countries, including, among others, Japan, France, Italy, the Netherlands, Canada, Spain, Portugal, and Argentina. Brazil signed a Tax Information Exchange Agreement (TIEA) with the United States in March 2007, and that agreement entered into force on May 15, 2013, signed by President Dilma Rousseff in Decree 8003/2013.

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 has been a member of the Multilateral Investment Guarantee Agency (MIGA) since 1992.

Labor

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The Brazilian Ministry of Labor estimates that in 2014, only 396,993 formal jobs were created, a drop of 64.4 percent compared to 1.1 million in 2013. Job creation results for 2014 were Brazil's worst on record since 1999, when the country created only 196,000 formal jobs. Still, the Brazilian Institute of Geography and Statistics (IBGE) estimated unemployment in the six major metropolitan areas to be 4.3 percent at the end of 2014, the lowest level since the survey began in 2002. Unemployment levels vary significantly across regions.

According to a 2011 IBGE report, the Brazilian labor force has 92.5 million workers. In 2014, roughly 58 percent were located in the services sector, 15 percent in agriculture, and 21 percent in the construction and manufacturing sectors. Brazil has ratified a number of International Labor Organization (ILO) conventions. Brazil is party to the UN Convention on the Rights of the Child and major ILO conventions concerning the prohibition of child labor, forced labor and discrimination.

Brazil's labor code is highly detailed. Formal sector workers are guaranteed 30 days of annual leave and severance pay in the case of dismissal without cause. Brazilian employers are required to pay a "thirteenth month" of salary to employees at the end of the year. 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 nearly 11,000 labor unions in Brazil, but 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 advocating for wages and working conditions and account for approximately 19 percent of the official workforce according to a recent IBGE release. 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 considered to be closely associated with political parties.

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

Foreign-Trade Zones/Free Ports

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The federal government has granted tax benefits for certain free trade zones. Most of these free trade zones aim to attract investment to the country's relatively underdeveloped North and Northeast regions. 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. In October 2011, President Rousseff signed a constitutional amendment that extends Manaus's status as an industrial zone for another 50 years. Constitutional amendment 83/2014 came into force in August 2014 and extended the status of Manaus Free Trade Zone until the year 2073.

Foreign Direct Investment Statistics

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Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

Economic Data	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data
	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (\$M USD)	2013	2,243,074	2013	2,243,074	www.worldbank.org/en/country
Foreign Direct Investment					
U.S. FDI in partner country (\$M USD, stock positions)	2013	87,500	2013	78,094	http://www.bea.gov
Host country's FDI in the United States (\$M USD,	2014	14,086	2013	1,054	http://www.bea.gov

	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data
<i>stock positions)</i>					
Total inbound stock of FDI as % host GDP	2013	28%	N/A	N/A	

* <http://www.bcb.gov.br>

Table 3: Sources and Destination of FDI

Results from the IMF's Coordinated Direct Investment Survey (CDIS) are generally consistent with host country data. There is a discrepancy between BCB and IMF calculations for U.S. FDI distribution in Brazil, as well as Brazilian FDI distribution in the United States. According to the BCB, the United States had the highest stock of FDI in Brazil as of 2013. The BCB calculates FDI distribution by ultimate investing country (for which the United States ranks number one), whereas the IMF calculates FDI distribution by immediate investing country (for which the Netherlands ranks number one). The ultimate investor occupies the top of the control chain and does not necessarily coincide with the immediate investor.

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)					
Inward Direct Investment			Outward Direct Investment		
Total Inward	715,182	100%	Total Outward	225,635	100%
Netherlands	182,610	26%	Austria	66,172	29%
United States	107,693	15%	Cayman Islands	38,806	17%
Spain	73,628	10%	Virgin Islands	25,407	11%
Luxembourg	53,254	8%	Spain	19,273	9%
France	36,393	5%	The Bahamas	18,165	8%

"0" reflects amounts rounded to +/- USD 500,000.

Table 4: Sources of Portfolio Investment

Results from the IMF's Coordinated Portfolio Investment Survey (CPIS) are generally consistent with host country data.

Portfolio Investment Assets									
Top Five Partners (Millions, US Dollars)									
	Total			Equity Securities			Total Debt Securities		
All Countries	29,217	100%	All Countries	15,554	100%	All Countries	13,757	100%	
United States	10,661	36%	United States	6,260	40%	United States	4,620	32%	
Denmark	3,452	12%	Cayman Islands	2,145	14%	Denmark	3,439	25%	
South Korea	2,483	8%	Bermuda	1,630	10%	South Korea	2,483	18%	
Cayman Islands	2,263	8%	Switzerland	750	5%	The Bahamas	1,279	9%	
Bermuda	1,631	6%	Portugal	612	4%	Spain	860	6%	

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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 corresponding 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 an 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.serasaexperian.com.br>) (SERASA recently merged with the Irish firm EXPERIAN, which has a strong presence in the U.S.). In the event of a commercial dispute or non-payment by a Brazilian importer requiring legal action, the U.S. exporter should contact a reputable 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).

How Does the Banking System Operate

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The Brazilian banking system today is extremely efficient. Most banks have sophisticated Internet sites detailing 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 affiliated banks around the world.

Number of Foreign Banks and Origin

According to the Brazilian Central Bank, of the top 10 banks in Brazil ranked in December 2013 by net equity, three are state owned banks (Banco do Brasil, Caixa Economica Federal and BNDES, though this latter is not a commercial bank); five are Brazilian (Bradesco, Itaú-Unibanco, Votorantim, Safra and BTG Pactual); two are foreign (Banco Santander from Spain, and HSBC Bank from England). The US-based Citibank ranks 11.

Of the top 50 banks in Brazil, 20 are foreign owned or controlled, ranked by net equity as follows (as of December 2014):

Country	# of Banks	Banks (ranking)
U.S.A.	7	Citibank (ranking 11 th); JP Morgan (13 th); GMAC (28 th); Morgan Stanley (36 th); BofA Merrill Lynch (39 th); IBM Bank (40 th) and Goldman Sachs (46 th)
Germany	3	Volkswagen , Deutsche Bank , Mercedes Benz
Netherlands	2	RaboBank Int'l, De Lage Landen
U.K.	2	HSBC Brasil , Barclays
France	2	Société Générale, BNP Paribas
Spain	1	Santander
Switzerland	1	Credit Suisse
Bahrain	1	ABC Brasil
Japan	1	Tokyo-Mitsubishi

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 Affiliated Banks

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Following the acquisition of BankBoston by Banco Itaú in May 2006, the U.S. presence in the Brazilian banking system was reduced. U.S. banks operating in Brazil now include Citibank, investment banking by JP Morgan, Merrill Lynch, Morgan Stanley and BNY Mellon, and consumer credit for automobile, agricultural machinery and goods and IT products purchases by General Motors (Banco GMAC), IBM (Banco IBM), Caterpillar (Banco Caterpillar), John Deere (Banco John Deere), Cargill (Banco Cargill), Ford (Banco Ford) and remittances (Western Union).

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

Note: the U.S. Export Import Bank (EXIM) 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 affiliated banks in Brazil and to see if they work with EXIM Bank. You will also find contact information for EXIM 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. EXIM Bank also offers a variety of trade and project finance options.

Multilateral Development Banks (World Bank, Inter-American Development Bank)

The Commercial Service maintains Commercial Liaison Offices in each of the main Multilateral Development Banks, including the World Bank and the Inter-American Development Bank. These institutions lend billions of dollars in developing countries on projects aimed at accelerating economic growth and social development by reducing poverty and inequality, improving health and education, and advancing infrastructure development. The Commercial Liaison Offices help American businesses learn how to get involved in bank-funded projects, and advocate on behalf of American bidders.

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.ustda.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/cc/default.htm>

USAID (U.S. Agency for International Development)

<http://www.usaid.gov>

Commercial Liaison Office to the World Bank

<http://export.gov/worldbank>

Commercial Liaison Office to the Inter-American Development Bank <http://export.gov/idb>

Brazilian Central Bank

www.bcb.gov.br

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Business Customs

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Business visitors should be aware of several customs 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 in most major Brazilian business centers mean 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 U.S. 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.

Brazilians are very proud of their country and their culture. It is appreciated when visitors can comment intelligently on culture during meetings. Also, refrain from making cultural

references to other countries and cultures in Latin America. Brazilian culture is unique and is regarded as distinct from Spanish-speaking nations.

Lastly, don't be afraid to share personal information that can help establish a good relationship up front.

It is advisable not to use brochures in Spanish or translate presentations from Spanish. While many Brazilian executives speak some level of English, they will be more comfortable and open in Portuguese. Having an interpreter available is recommended. English is not widely used by service workers, such as drivers or restaurant staff.

Travel Advisory

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U.S. Department of State travel advisory on Brazil:

<http://travel.state.gov/content/passports/english/country/brazil.html>

In general, crime rates throughout Brazil are high, especially in large cities. The incidence of crime against tourists is greater in areas surrounding beaches, hotels, 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 domestic 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.

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://washington.itamaraty.gov.br/en-us/>.

Travelers may also contact Brazilian consulates in Atlanta, Boston, Chicago, Hartford, Houston, Miami, New York, Los Angeles, or San Francisco. Addresses, phone numbers, web and e-mail addresses, and jurisdictions of these consulates can be found at: http://washington.itamaraty.gov.br/en-us/brazilian_consulates_in_the_us.xml.

U.S. companies that require travel of foreign businesspersons to the United States should be advised that visa adjudications are handled via an interagency process. Visa applicants should go to the following links:

State Department Visa Website: usvisas.state.gov

U.S. Embassy in Brazil: <http://brazil.usembassy.gov/nonimmigrant-visas.html>

Telecommunications

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Within metropolitan areas, the telecommunications system is robust and reliable. The major cell phone service providers in Brazil are Vivo (Telefónica from Spain), TIM (Telecom Italia from Italy), Claro (América Móvil from Mexico), and Oi (Brazil). Cell phone penetration in Brazil is about 140%. Internet can easily be found in most hotels as well as at Internet cafes in most cities and towns. Internet penetration is just over 50%.

Transportation

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Brazil has numerous international and domestic airports, and [American](#), [Delta](#), [TAM](#), [United](#), and [Azul](#) offer direct flights between Brazil and the U.S. The country's taxi services run very well, though U.S. citizens are recommended, for safety reasons, to meet one at a taxi stand or to call a radio-dispatched taxi, not to simply hail a taxi on the street. Public transportation, such as busses and subways, 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

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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. Beyond yellow fever, insect-borne illnesses such as malaria and dengue are also present in Brazil. There is a low risk for malaria outside of the Amazonian region and it can be prevented through medication. There is currently no vaccination for dengue.

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

Local Time, Business Hours, and Holidays

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Most of Brazil observes daylight savings time from October to February – with the exception of the Northeast region, which does not observe daylight savings. Note, however, that the U.S. and Brazil do not change daylight savings at the same time. 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 to 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 and noon, and 3 pm and 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 vacation; hence many families choose this time to take their long vacations. Brazilians go back to work after the Carnival holiday (which usually falls in late February or early 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. Brazil has already ratified the International Convention for the Temporary Admission of Goods.

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 fees from the local importer to the international exporter.

The Brazilian Government is in the process of adopting 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 GOB selected a Brazilian agency to issue and guarantee ATA carnets in April 2014; however, as of this writing, implementation of the program is pending.

The federal and Rio de Janeiro state governments have approved a request by the 2016 Olympic Organizing Committee to not levy taxes on products and services that will be temporarily imported into Brazil for the Olympics. In order to qualify, U.S. companies must document that the product or service will only remain in the country temporarily. However, this will be accounted for in the procurement guidelines that will be published by the Olympic Committee.

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.

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

Web Resources

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U.S. Government:

CIA World Factbook

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

U.S. Embassy in Brazil

<http://brazil.usembassy.gov/>

U.S. Department of State Travel Advisory on Brazil

<http://travel.state.gov/content/passports/english/country/brazil.html>

State Department Visa Website
http://travel.state.gov/visa/visa_1750.html

Government of Brazil:

Brazilian Embassy in the U.S.
<http://washington.itamaraty.gov.br/en-us/>

Other:

Brazilian Business Culture
<http://www.worldbusinessculture.com/Brazilian-Business-Style.html>

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Chapter 9: Contacts, Market Research and Trade Events

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Contacts

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Market Research

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

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

Trade Events

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Please click on the link below for information on upcoming trade events.

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

The Department of Commerce organizes trade missions throughout the world; for more complete information, please visit <http://export.gov/trademissions/index.asp>

The Department of Commerce also brings International Buyers to U.S. Trade Shows through its International Buyers Program. Learn more about this worldwide service at http://export.gov/ibp/eg_main_018009.asp

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Chapter 10: Guide to Our Services

SelectUSA:

SelectUSA was created by President Obama in June 2011 through Executive Order 13577, as the U.S. government-wide program to promote and facilitate business investment into the United States, including foreign direct investment (FDI) and reshoring.

The program is housed within the Commerce Department and coordinates investment-related resources across more than 20 federal agencies through the Interagency Investment Working Group (IIWG).

SelectUSA provides services to two types of clients: investors and U.S. economic development organizations at the state and local level. Services include:

Information Assistance:

- SelectUSA provides information to investors on the benefits of establishing operations in the United States, as well as the information needed to move investments forward. Investors can access facts, data and local contacts for the U.S. market.
- SelectUSA also works closely with state, local and regional economic developers to provide counseling on strategy, best practices, and on-the-ground intelligence from the Foreign Commercial Service network across more than 70 foreign markets.

Ombudsman Services: SelectUSA coordinates federal agencies to address investor concerns relating to a wide range of federal regulatory issues – helping them to navigate an unfamiliar system.

Investment Advocacy: U.S. state and local governments often find themselves competing with a foreign location for a project. SelectUSA can coordinate senior U.S. government officials to advocate to the investor to bring those jobs to the United States.

Promotional Platform: SelectUSA brings the power of the “USA” brand to high-profile events, such as, such as the upcoming 2015 Investment Summit, to attract investors to learn about our nation’s investment opportunities. SelectUSA organizes international Road Shows and missions to trade fairs, while also offering tailored on-the-ground assistance in more than 70 markets.

Note: SelectUSA exercises strict geographic neutrality, and represents the entire United States. The program does not promote one U.S. location over another U.S. location.

For more information on SelectUSA and services provided for investors and economic development organizations please click on the following link:

<http://selectusa.commerce.gov/>

National Export Initiative:

The President’s National Export Initiative/NEXT marshals Federal agencies to provide customer service-driven services and actionable information resources that ensure American businesses are able to capitalize on expanded opportunities to sell their goods and services abroad.

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: (Insert link to Products and Services section of local buyusa.gov website here.)

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact **(800) USA-TRAD(E)**.

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.

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