Doing Business in Brazil:

2013 Country Commercial Guide for U.S. Companies

Chapter 1: Doing Business In Brazil

Market Overview

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The Federative Republic of Brazil is Latin America's largest economy and is the fifth largest country in the world in terms of land mass and population, with a population of 197 million. Brazil's economy, the 7th largest in the world, grew 0.9% in 2012. Growth slowed due to reduced demand for Brazilian exports in Europe and Asia, despite strong consumer demand and continued growth in the middle class. By 2020, Brazil is projected to be the 5th largest consumer market in the world, ahead of France and the United Kingdom.

During the past decade, the country has maintained macroeconomic policies that control inflation and promote economic growth. Inflation was 6.5% in mid-2013. Urban unemployment was at 5.8% in April 2013, while wages continue to increase. Interest rates are high by international standards. The Central Bank's benchmark rate was 7.56% in April 2013, higher than its 2012 low point, but still low by Brazilian historical standards. In 2012, the U.S. was Brazil's second largest source of imports, with 14.6% of total worldwide imports, behind China and followed by Argentina, Germany, and South Korea. U.S. merchandise exports to Brazil totaled 43.7 billion in 2012, up 1.8% from 2011, and U.S. imports from Brazil were 32.1 billion, up 1.1% from 2011. The U.S. continues to enjoy a positive trade balance with Brazil.

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, and U.S. exports are increasing rapidly. Doing business in Brazil requires intimate knowledge of the local environment, including both the direct as well as indirect costs of doing business in Brazil (referred to as the "Custo Brasil"). Such costs are often related to distribution, government procedures, employee benefits, environmental laws, and a complex tax structure. Logistics pose a particular challenge, given the lack of sufficient infrastructure expansion 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.

Market Opportunities

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Certain sectors of the Brazilian market have experienced higher than average growth in recent years, such as air transportation, infrastructure, oil and gas, and mining. Under the second phase of the Growth Acceleration Program (PAC II), the Government of Brazil will spend or attract private investment of some R$955 billion (approximately US$470 billion) in development of the country's energy generation and distribution system, roads, railroads, ports, and airports as well as stadiums as it prepares for the upcoming 2014 soccer World Cup and 2016 Olympics (also known as the Games or the major sporting events). The GOB has begun auctioning concessions to private companies to operate airports, ports, roads, and railways.

The Brazilian national oil company Petrobras' expansion plans may represent the largest global business opportunity in the oil & gas sector until at least 2020. The offshore pre-salt oil deposits discovered in 2006 and 2007 are estimated to exceed 60 billion barrels of probable or recoverable reserves and their development could place Brazil among the world's top ten oil-producing countries. Petrobras anticipates that it will invest approximately US$400 billion in exploration and development through 2020.

In the years leading up to the 2016 Olympic Games in Rio de Janeiro, the country will host several large international events. In 2012, Rio de Janeiro hosted the Rio+20 United Nations Conference on Sustainable Development (UNCSD). In 2013, Brazil hosted the soccer Confederations Cup and a papal visit for World Youth Day event. In 2014, twelve Brazilian cities will host soccer's World Cup.

Although more than half of Rio's Olympics venues are already built, a legacy from the Rio 2007 Pan American Games, investments are being funneled into areas such as airport renovation, stadium construction and renovations and infrastructure projects – all in preparation for the tourists who will attend these major events. Unlike in London, the percentage of investments dedicated to transportation such as buses, beltways and metro lines is expected to be higher than investments dedicated to Olympic sports projects such as arenas and stadiums. The GOB has stated that it is focused on using the major sporting events as an opportunity to make long-term investments in infrastructure that will improve the quality of life in Brazil well after the Games have concluded. To read more about export opportunities related to the Olympics and World Cup, visit our website dedicated to the Games: http://export.gov/brazil/games/index.asp

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

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

Market Entry Strategy

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Brazil's business culture relies heavily on the development of strong personal relationships. In most cases, U.S. firms need a local presence and must invest time in developing relationships in Brazil. The U.S. Commercial Service encourages U.S. companies visiting Brazil to meet one-on-one with potential partners. U.S. companies enter the market in a number of different ways, such as by participating in local trade shows or using the U.S. Commercial Service's Gold Key Service (GKS), through which they can meet with pre-screened potential clients or partners. It is essential to work through a qualified representative or distributor when developing the Brazilian market. Some firms establish an office or joint venture in Brazil. 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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COUNTRY FACT SHEET: BRAZIL

PROFILE

Population in 2011 (Millions): 195
Capital: Brasília
Government: Republic

ECONOMY	2009	2010	2011
Nominal GDP (Current Billions $U.S.)	1,622	2,143	2,493
Nominal GDP Per Capita (Current $US)	8,472	11,089	12,789
Real GDP Growth Rate (% change)	-0.33	7.5	2.7
Real GDP Growth Rate Per Capita (% change)	-1.3	6.6	1.9
Consumer Prices (% change)	4.9	5.0	6.6
Unemployment (% of labor force)	8.1	6.7	6.0

Economic Mix in 2011: 27.5% All Industries; 14.6% Manufactures; 67% Services; 5.5% Agriculture

FOREIGN MERCHANDISE TRADE ($US Millions)	2009	2010	2011
Brazil Exports to World	152,995	197,356	256,039
Brazil Imports from World	127,647	180,459	226,243
U.S. Exports to Brazil	26,095	35,425	42,944
U.S. Imports from Brazil	20,070	23,958	31,736
U.S. Trade Balance with Brazil	6,026	11,467	11,208
Position in U.S. Trade:			
Rank of Brazil in U.S. Exports	10	8	8
Rank of Brazil in U.S. Imports	16	18	17
Brazil Share (%) of U.S. Exports	2.5	2.8	2.9
Brazil Share (%) of U.S. Imports	1.3	1.3	1.4

Principal U.S. Exports to Brazil in 2011:	Principal U.S. Imports from Brazil in 2011:
1. Chemicals (23.8%)	1. Oil & Gas (29.3%)
2. Transportation Equipment (16.1%)	2. Primary Metal Mfg (14.6%)
3. Computer & Electronic Products (15.4%)	3. Agricultural Products (7.5%)
4. Machinery, Except Electrical (14%)	4. Machinery, Except Electrical (6.9%)
5. Petroleum & Coal Products (9.8%)	5. Chemicals (6.3%)

FOREIGN DIRECT INVESTMENT	2009	2010	2011
U.S. FDI in Brazil (US $Millions)	53,281	64,165	71,101
FDI in U.S. by Brazil (US $Millions)	-1,430	1,378	5,038

DOING BUSINESS/ECONOMIC FREEDOM RANKINGS

World Bank Doing Business in 2012 Rank: 130 of 185
Heritage/WSJ 2012 Index of Freedom Rank: 99 of 179

Source: Created by USDOC/ITA/OTII-TPIS from many sources: FDI from USDOC, Bureau of Economic Analysis. US Trade from USDOC,Census Bureau,Foreign Trade Division. Brazil Trade with World from United Nations where available. National Macroeconomic dat from IMF/World Bank databases including World Economic Outlook and World Development Indicators. .WORLD and other country aggregates are summaries of available UN COMTRADE, IMF and other data, and coverage varies over time and by source, but typically represents greater than 85 percent of world trade and production. Note: Principal U.S. Exports and Imports Are 3-digit NAICS Categories

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Chapter 2: Political and Economic Environment

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

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

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Chapter 3: Selling U.S. Products and Services

Using an Agent or Distributor

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

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

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

Establishing an Office

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

The Central Bank monitors acquisitions of existing companies. Corporations ("*sociedades anônimas*") and limited liability companies ("*limitadas*") are relatively easy to form. Local law requires that foreign capital be registered with the Central Bank. Failure to comply may cause serious foreign exchange losses, as well as problems with capital repatriation or profit remittance. More information for potential investors can be found in our Investment Climate section (Chapter 6), or through Brazil's Ministry of Foreign Affairs Trade Promotion Department:

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

Franchising

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The Brazilian franchise sector is among the world's largest and sophisticated for its business practices and growth. The sector has consistently grown faster than the overall Brazilian economy and has become one of the main growth areas, used as an expansion strategy even by the more traditional retail companies. The strength of local brands poses special challenges for foreign brands to enter the market. However, the current market size and internal consumption growth places Brazil's franchising sector in an attractive position to foreign investors.

In 2012, the Brazilian franchise sector grew by 16.2%. Total sector revenue was about US$51 billion. There are an estimated 2,426 franchising chains and 104,543 franchising units, ranking the Brazilian franchising market as the 6th largest in the world in terms of units and the 3rd largest in terms of franchise chains. The number of chains grew from 2,031 in 2011 to 2,426 (+19.4%). The ABF (Brazilian Association of Franchising) projects sector growth of 16% in revenue in 2013.

Local Brazilian franchises dominate the market with a total of 93.5% market share. Foreign groups, particularly from the U.S., are making some headway. According to ABF, 168 foreign brands are operating in Brazil.

The ranking of the top ten franchise chains in Brazil, both by revenue and number of units, show the dominance of local brands over foreign ones. Only four out of the top ten performing franchise brands (in terms of earnings revenue and number of units) are foreign. McDonald's, Subway and AM PM Mini Market are from the US and Kumon is from Japan.

Ranking by Revenue

	Brand	Segment
1	O Boticário	Cosmetics
2	McDonald's	Fast Food
3	DIA %	Service & Convenience
4	Localiza Rent a Car	Car Rental
5	Flytour Franchising	Hospitality and Tourism
6	Habib's	Fast Food

Ranking by Number of Units

	Brand	Segment	# Units
1	O Boticário	Cosmetics	3,550
2	Colchões Ortobom	Matress/Furniture	1,762
3	Kumon	Education	1,565
4	AM PM Mini Market	Convenience Store	1,377
5	McDonald's	Fast Food	1,260
6	Cacau Show	Beverages, Coffee,	1,207

					Snacks	
7	Colchões Ortobom	Matress/Furniture	7	L'acua di Fiori	Cosmetics	1,166
8	AM PM Mini Market	Convenience Store	8	Wizard Idiomas	Language Schools	1,163
9	Hering Store	Clothing	9	Subway	Food	1057
10	Bob's	Food	10	Escolas Fisk	Language Schools	1002

Finding suitable master franchisees in Brazil is challenging. One strategy is to develop relationships with Brazilian franchisors and master franchisees of non-competing 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 decision in favor of a certain brand or business concept. It is important that American franchisors understand this mindset and approach the market after having done the necessary homework and estimate the true potential of the brand within the market.

It is 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 usually refers to the foreign partner making a direct investment in the form of a joint-venture partnership. As many Brazilian brands are now seeking to expand internationally, many of them will be open to discussing bilateral agreements, wherein a foreign brand is launched in Brazil as the foreign franchisor develops a Brazilian brand in its home country. According to the ABF, there are currently 112 Brazilian brands present in 53 countries.

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 prefer receiving direct mail. With increased expendable income in the growing middle class, direct marketing is an effective option to include in a company's marketing communications strategy for Brazil.

Brazil continues to lead Latin America in direct marketing activities due to its reliable postal service, large consumer base, and growing economy. The Brazilian Association of Direct Marketing (ABEMD) is a self-regulated, non-profit entity representing the direct marketing sector. Its web site provides important information regarding codes of conduct, legislation compliance, and direct marketing service providers. More information about ABEMD can be found at:

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

Joint Ventures/Licensing

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Joint ventures are 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 the "Investment Climate" section in Chapter 6.

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

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

Selling to the Government

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The Federal Government is Brazil's biggest buyer of goods and services. Winning contracts with the Brazilian Government can be challenging. U.S. exporters may find themselves at a competitive disadvantage if they do not have a significant in-country presence, as well as the patience and financial resources to respond to legal challenges and bureaucratic delays.

Brazilian Government procurement policies apply to purchases by government entities and parastatal companies. Government procurement regulations contained in Bid Law 8666 establish an open competitive process for major government procurements. Under this law, price is the overriding factor in selecting suppliers. Tenders are open for international competition, either through direct bidding, consortia or imports. However, for many of the larger tenders (e.g. military purchases) single source procurements are possible if they are deemed to meet the national interest or unique technical requirements. In case of a bid tie, nationally owned companies will gain preference over foreign competitors. Recent measures are focused on modernizing the tender process.

The Brazilian Constitution requires that all government purchases, whether at the federal, state or municipal levels, be contracted through public tenders. This process is regulated by 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. Recently, however, the GOB issued a new regulation that allows federal and state tax exemptions for certain items purchases in the cities that will host the Confederations Cup and World Cup games. The tax reduction will be for products and services that will be used for the event organization and infrastructure for the Confederations Cup and World Cup. The GOB also suspended some remedy actions on products that will be used during the games. All of these measures are limited to items that will be used for the major sporting events. Even with these exemptions in place, 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 assist with the preparation of required paperwork.

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

In 2010, then-President Lula signed a provisional measure that later was approved by the Congress and became law (No. 12,349, December 15, 2010), giving preference in public tenders to firms that produce in Brazil -- whether foreign-owned or Brazilian – and fulfill certain economic stimulus requirements such as generating employment or contributing to technological development, even when their bids are up to 25 percent more expensive than competing imported products. In August 2011, this system of preference margins was folded into Plano Brasil Maior, the national industrial policy. Government procurement is just one of thirty-five components under Brasil Maior intended to support Brazilian exporters and protect domestic producers, particularly labor-intensive sectors threatened by exports from abroad. The textile, clothing and footwear industries – among the few industries to have lost jobs during the current growth period – were the first to benefit from Brasil Maior when, in November 2011, the Ministry of Development, Industry and Commerce implemented an 8 percent preference margin for Brazilian-made goods in these industries when bidding on government contracts. In April 2012, the government added pharmaceuticals and certain heavy construction equipment to the list of products receiving preference margins. In June 2012, the defense, education, and agriculture sectors also received preference margins. US$4.2 billion was earmarked in 2012 for government purchases of domestically-made products. Special legislation was also enacted for the purchase of local trucks, vans, and road equipment.

Decree 7174 (2010), which regulates the procurement of information technology goods and services, requires federal agencies and parastatal entities to give preferential treatment to locally produced computer products and goods or services with technology developed in Brazil based on a 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.

The preference margins stipulated under Plano Brazil Maior are temporary and are set to expire between 2014 and 2015, depending on the sector. Government procurement is just one of thirty-five components under *Brasil 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. When the treaty is signed and ratified, Mercosul-produced goods will also be included in the Government of Brazil preference margins on public purchases.

It is often difficult for foreign companies to sell to Brazil's public sector unless they are associated with a local firm. To be considered a local firm, a firm's capital, decision-making authority, and operational control must be majority Brazilian-owned. A Brazilian state enterprise is permitted to subcontract services to a foreign firm if domestic expertise is unavailable, while a foreign firm may only bid to provide technical services when there are no qualified Brazilian firms.

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

Including Brazilian goods and services in your company's bid, or significant subcontracting association with a Brazilian firm, may improve your company's chance for success. Similarly, a financing proposal that includes credit for the purchase of local goods and services for the project will be more attractive. Advance descriptions of U.S. suppliers' capabilities can prove influential in winning a contract, even when they are provided before the exact terms of an investment plan are defined or the project's specifications are completed. Such a proposal should include presentations on financing, engineering, equipment capabilities, training, and after-sale service.

Distribution and Sales Channels

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

Selling Factors/Techniques

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Price and payment terms are extremely important sales factors. Generally, U.S. goods are perceived as high quality; however, depending on quality as the primary competitive advantage may be risky. To be competitive, U.S. companies should adapt their products to local technical requirements and culture. In some sectors, competing with an ever increasing amount of Chinese imports can be difficult because of their low prices; therefore, emphasizing product quality, customer service, after-sale service, financing arrangements, and warranty terms are key factors for U.S. companies. As Brazilians are becoming more environmentally-aware, it is also advisable to demonstrate commitment to sustainable development practices when introducing new products into the market.

Electronic Commerce

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Brazil is the largest and most advanced Internet market in Latin America and the ninth largest in the world. Brazil's e-commerce market grew 7.42% in 2012. Euromonitor International says that 48% of the country's population uses the internet, which

demonstrates the potential for growth. According to online market research service Marketline, the internet access market in Brazil is expected to total US$9.9 billion in 2013, a 13.5% increase over the previous year. Continued increase of broadband internet access is driven, in part, by the government's initiative, Plano Nacional de Banda Larga or PNBL.

According to the Brazilian Chamber of Electronic Commerce report, the e-commerce segment ended 2012 with US$ 11.3 billion in earnings, an increase of 20% as compared to 2011. A total of 66.7 million orders were placed in 2012, 24.2% increase compared to the previous year. The rising demand was accompanied by an increase in the number of virtual consumers (10.3 million new consumers).

Currently, over 42.2 million people have performed at least one online purchase in Brazil. Home appliances is in the first place with 12.5% followed by fashion and accessories with 12.2%, house, decoration and medication items with 12%, computer products and house decoration completed the ranking with 9.1% and 7.8% respectively. Group buying segment also increase 8% as compared to previous year. M-Commerce transactions are also on the rise reaching 2.5% of the total transactions. Amazon, Google, Yahoo and other U.S. giant companies already have offices in Brazil.

The Brazilian B2C e-commerce segment accounted for US$ 11.0 billion in 2012. One of the segment's development factors is the "long-tail" effect, which allows wider product offers focused on B2C e-commerce niches rather than the physical market, which entails a much greater inventory of virtual stores compared to physical stores – 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 2012, Black Friday saw a 368% increase in online spending compared to the average online shopping day in November, a considerably higher increase than the 63% increase observed in the United States during the same period, according to comScore.

The most profitable industry sectors for online shopping include electronic appliances, computers, electronics, and fashion and accessories. Fashion is a particularly interesting category despite 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. As of the date of this publication, the most popular online retail websites include:

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

Geographically, 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 into account this concentration when assessing potential partnerships and working with consultants and online service providers. Many of the major consulting

agencies, search engine optimization firms and e-commerce associations are based in São Paulo, the country's business capital.

Most Brazilians still use cash, checks and payment slips but the potential for electronic payment methods is huge. According to a survey conducted by ABECS (Associação Brasileira das Empresas de Cartões de Créditos e Serviços [Brazilian Association of Credit Card and Service Companies]), only 27% of the country's payments are effected via credit, debit or prepaid cards. Security continues to be a concern, with relatively little information available regarding online fraud. According to Forbes, Brazil suffers from weak legislation against cybercrimes. While international visitors to Brazil have relatively few problems using international credit cards at hotels and tourist venues, the same is not true for online purchases. Many local travelers cannot pay for services such as airline or movie tickets online as many Brazilian websites do not accommodate international credit cards. Due to the anticipated large number of international visitors coming to Brazil for the aforementioned major events, the U.S. Commercial Service has seen some improvements. 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.

As in other countries, digital travel sales have an important role in the growth of ecommerce in Brazil. Travel represented close to a third of the country's total ecommerce sales in 2012, e-market analysts estimates. Brazil's sheer size means that air travel is required to get from place to place, and airline tickets can be expensive. While the middle class, especially those in the upper end, will be a major driver of growth in ecommerce in Brazil, much of the segment's sales will continue to come from wealthier buyers, who not only have more expendable income but also have more experience online.

U.S. Business-to-Consumer (B2C) firms seeking to reach the online Brazilian consumer from the U.S. 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 US are subject to customs and duties regulations. Although Brazil has made substantial progress in reducing traditional border trade barriers (tariffs, import licensing, etc.), tariff rates in many areas remain high and continue to favor locally produced products. Tariffs, in general, are the primary instrument in Brazil for regulating imports. All tariffs are ad valorem, with rates between 0 – 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. In addition, relatively few Brazilians are comfortable navigating English language websites. Investments in advertising and search engine optimization techniques in Brazil to direct B2C traffic to the U.S or to English or Spanish-language websites is not encouraged. Instead, given the market size and potential, U.S. retailers are encouraged to explore strategies that include a local presence in the market.

Trade Promotion and Advertising

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With its well-established and diversified industrial sector, Brazil has a variety of specialized publications that can provide excellent advertising outlets. TV advertising can also be an important marketing channel for Brazil's growing consumer base. The top advertising categories by expenditure are trade and commerce, consumer services, culture, leisure, sports and tourism, media, as well as public and social services.

The most popular magazine in Brazil, with a circulation of over one million copies, is the weekly *Veja*, published by the Abril Publishing Company:

http://www.uol.com.br/veja

The largest daily circulation newspaper is *Folha de São Paulo*, published by the Folha Group, with a circulation of 400,000 on Sundays and a daily circulation of 317,000 from Monday through Saturday:

www.uol.com.br/fsp

Trade fairs are another important marketing tool. The city of São Paulo hosts around 300 trade fairs per year, and other cities host significant shows as well, e.g. Rio de Janeiro for 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 Chapter 4.

Pricing Return to top

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.

Sales Service/Customer Support Return to top

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

Protecting Your Intellectual Property Return to top

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, patent or trademark" that will automatically protect your intellectual property throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, Brazil, like most countries, offers protection for intellectual property originating outside Brazil.

Brazil has ratified the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), and the Brazilian intellectual property law incorporating international standards has been in effect since 1996. The most relevant IPR agency in Brazil is the National Institute of Industrial Property (INPI), which has actively sought to raise awareness about the concept of intellectual property in Brazil and remains up to date with the international community. This posture reflects Brazil's significant improvement on enforcement, according to the USTR Special 301 report regarding intellectual property protection. INPI is also taking measures to increase Brazil's patent processing capacity by hiring examiners, raising salaries and modernizing equipment. Brazil has also ratified the World Intellectual Property Organization Treaties on Copyright, Performances, and Phonograms.

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

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

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

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

- The U.S. Chamber of Commerce and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)

- The Coalition against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

IP Resources

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

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

- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: www.StopFakes.gov. This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), as well as the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IP-infringing products), and allows you to register for Webinars on protecting IP.

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

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

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

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

- The USPTO's IPR Toolkit for Brazil can be found at:

http://brazil.usembassy.gov/intelprop.html

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

Due Diligence Return to top

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. 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. For contact information, please visit: http://export.gov/brazil/contactus/index.asp.

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Ministry of Foreign Affairs Commercial Promotion site, Brasil Global Net:
http://www.brasilglobalnet.gov.br
Brazilian National Institute for Industrial Property:
http://www.inpi.gov.br

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

http://apps.americanbar.org/intlaw/intlproj/iprprogram_consultation.html

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

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

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

Aerospace/Aviation

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The aerospace industry is one of the most important industries in Brazil, and many companies are world-class players due to their high technology capability and the quality of products. The industry is led by Embraer, the world's third largest aircraft manufacturer. In 2012, Embraer delivered 205 aircraft and closed the year with firm orders of 185 aircraft valued at US$12.5 billion. The company produces commercial, military and executive aircraft. In January 2013, Embraer signed a memorandum of understanding with Agusta Wetland, the Italian helicopter manufacturer, to establish a joint venture partnership to produce helicopters for the military and civilian markets. On February 27th, 2013, the U.S. Air Force announced the selection of A-29 Super Tucano manufactured by Embraer for its Light Air Support (LAS) Program.

The other key player in the helicopter industry is Helibras, Eurocopter's subsidiary in Brazil since 1992, which has been manufacturing helicopters in Itajuba, Minas Gerais since 1978. Helibras has delivered more than 500 helicopters to the Brazilian civilian, military, and law enforcement markets. The company recently won a €1.9 billion bid to supply 50 helicopters to the Brazilian Armed Forces, with the commitment to develop part of the aircraft in Brazil.

Despite the presence of two strong local aircraft manufacturers, Brazil offers excellent opportunities for general aircraft suppliers. According to the Brazilian Association of General Aviation (ABAG), Brazil has the 2nd largest fleet of executive aircraft, and the 3rd largest helicopter fleet in the world. Aircraft imports in 2012 totaled US$4.7 billion, an increase of 21% from to 2011.

US suppliers of aircraft and parts wishing to export or produce in Brazil must be certified by the Brazilian National Civil Aviation Agency – ANAC. Interlocutors continue to report that this process is both lengthy and bureaucratic.

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The worldwide trend of airlines replacing larger aircrafts with smaller jets that fly more efficiently should keep Embraer as the leader in this market segment and continue to offer opportunities to U.S. aircraft component manufacturers.

Azul Trip Airlines recently announced the purchase of 12 Embraer aircraft, and Latam Airlines plans to double its fleet in the next ten years with an additional 100 aircraft. Latam's current fleet is composed of Boeing and Airbus aircraft.

Brazil's hosting of the 2014 soccer World Cup and the 2016 Olympic Games should increase the demand for executive aircraft and helicopters. The offshore oil segment where the Petrobrás and other oil companies are making enormous investments, also presents significant business opportunities for helicopter manufacturers.

Aeronautical maintenance and repair is an additional sub-sector that should not be overlooked. This sector, currently estimated at US$600 million, has enjoyed annual growth of approximately 5-6% over the last few years.

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Companies interested in supplying to original equipment manufacturers (OEMs) must undergo a strict qualification process which examines the company, product and technology. Once approved, companies will find excellent opportunities. Embraer imports annually over US$2 billion of aircraft components to support its Brazilian operations, and is always open to include new suppliers with recognized technology in the aeronautic industry.

Having a local agent that is familiar with how OEMs operate and that has developed long-term contacts would facilitate access to the right decision-makers within companies. Marketing directly to Tier 1 and Tier 2 suppliers would also be a way to successfully enter the Brazilian market. Suppliers of parts and products for aircraft maintenance and repair will be more successful having a well-informed local agent or a stocking distributor.

For more information contact Industry Specialist Marina Konno at marina.konno@trade.gov

Airport Industry

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(US$ million)	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	$2,000	$2,500	$ 3,500	$ 4,000
Total Local Production	$ 1,700	$ 2,200	$ 3,000	$ 3,400
Total Exports	N/A	$ 0	$ 0	$ 0
Total Imports	$ 300	$ 300	$500	$600
Imports from the U.S.	$150	$150	$250	$300

- *Statistical data are unofficial estimates from trade sources*

Brazil's airports are operating above their capacity limits. From 2003 until 2012, the number of passengers at Brazilian airports more than doubled (+136%). Investments made by Infraero, the federal agency in charge of airport operations, have not come close to matching the ever-increasing passenger numbers. Almost all major airports in Brazil are regarded as having reached a critical level in terms of occupation capacity, and both government and the private sector agree that large amounts of capital need to be invested quickly.

The government of Brazil estimates that investments of R$7.8 billion (approximately US$3.9 billion) are needed to upgrade the 13 most relevant airports. This investment would far exceed the average annual investments made during the entire previous decade. Given the size of the challenge, the federal government is looking at the private sector to provide the needed resources and expertise, thus presenting opportunities for U.S. firms.

On February 6, 2012, long-term concessions for three important airports were granted to private investors: contracts for Guarulhos (São Paulo), Viracopos (in Campinas, São Paulo state), and Brasília (Federal District) were signed in June 2012. The federal government, through Infraero, will still hold a 49% share in each of the airport concessions. Other Brazil airports will see an array of improvements in infrastructure and services in the near future, thanks to the Logistics Investment Program: Airports, launched on Dec. 20, 2012 by President Rousseff.

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In December 2012, the federal government announced its plans to concession two additional major hub airports, Galeão in Rio de Janeiro (RJ) and Confins in Belo Horizonte (MG). Bids are currently scheduled to take place around September 2013. These concessions should generate investments of US$3.8 billion and US$2.9 billion

respectively. Viracopos in Campinas (SP), Guarulhos (SP), and Brasília (DF) had concession contracts signed in June 2012.

The Logistics Investment Program will also target 270 regional airports, with US$3.8 billion in federal funds to be invested for better service, more flights and other improvements. The government aims at having 94% of Brazil's population within a 100-kilometer range of an airport with regular flights.

Improvements will include the repair and construction of ramps and runways, upgrades in terminals and more. Resources will come from the National Civil Aviation Fund (FNAC), with project and investment management by Banco do Brasil.

The Northeast will receive the highest investment: US$1 billion in 64 regional airports; US$900 million are allotted for 67 airports in the North; US$800 million in 65 airports in the Southeast; US$450 million in 43 airports in the South; and US$460 million in 31 airports in the Center-West.

Aside from the concession efforts underway, Infrarero has already begun making substantial improvements to major airports throughout the country. The following provides a summary of the some of the major improvements underway independent of private sector investment.

Planned and ongoing investment projects at Infraero-administered airports

AIRPORT	ACTION	INVESTMENT UNTIL 2014 (PAC2) – in millions of reais	START FORECAST	COMPLETION FORECAST
Belo Horizonte/Confins	Renewal of PST and road system	236.7	Sep 2011	Dec 2013
Belo Horizonte/Confins	Runway and apron	169.0	Jan 2013	Dec 2013
Belo Horizonte/Confins	PST 3	100.0	Mar 2013	Dec 2013
Brasília	Renewal of PST	5.5	Apr 2011	Dec 2012
Brasília	TOM 2	4.6	Aug 2011	Jun 2012
Curitiba	PST, access roads	41.3	May 2013	Dec 2013
Curitiba	Apron enlargement	24.6	Jul 2011	Feb 2013
Curitiba	Enlargement of cargo terminal	17.8	Dec 2010	Dec 2012
Curitiba	Renewal of runway	17.8	Sep 2011	Jun 2012
Fortaleza	TPS – phase 1, access roads	347.8	Jun 2012	Dec 2013
Manaus	TPS – phase 1, road system	393.5	Nov 2011	Dec 2013
Natal/São Gonçalo	Runway and apron - Phase 2	98.3	May 2011	Nov 2013
Porto Alegre	PST 1 expansion, apron and taxiways	345.8	Jan 2013	Dec 2013
Porto Alegre	Runway extension	223.2	Apr 2013	Oct 2014
Porto Alegre	New Cargo Terminal	137.2	Apr 2013	Apr 2014
Porto Alegre	Temp. operational module	5.2	May 2011	Jan 2012
Recife	Control tower	18.5	Jan 2013	Dec 2013
Recife	Connector	6.1	May 2011	Jan 2012

Rio de Janeiro/Galeão	**PST 1 renewal**	**254.1**	**Aug 2012**	**Dec 2013**
Rio de Janeiro/Galeão	**PST 2 renewal**	**316.5**	**Aug 2012**	**Jul 2014**
Rio de Janeiro/Galeão	**Runways and apron improvements**	**103.4**	**Oct 2011**	**Oct 2013**
Rio de Janeiro/Galeão	**Export cargo terminal renewal**	**23.2**	**Jun 2013**	**Mar 2014**
Salvador	**TPS Renewal**	**15.4**	**Dec 2012**	**Dec 2013**
Salvador	**Apron extension**	**17.0**	**Sep 2012**	**Sep 2013**
Salvador	**Control Tower**	**15.4**	**Jun 2012**	**Dec 2013**
São Paulo/Guarulhos	**PST 3 earthmoving**	**417.0**	**May 2011**	**Dec 2012**

Source: Infraero 2012

Brazil's airport infrastructure upgrades present significant business opportunities for U.S. companies to provide products such as passenger bridges, baggage handling systems, handling equipment, check-in conveyors, x-ray integration, baggage claim carousels, X-ray machines and other safety and security equipment. Also companies with expertise and experience in the areas of airport management and operations may wish to establish partnerships with major Brazilian entities that plan to participate in future privatization auctions. Infraero has 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.

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The implementation of many airport programs and projects depend on the work articulated among various public and private institutions in the "Terms of Reference" period. Both public and private sector can influence the process and specifications that will be eventually announced in an official public tender. Accordingly, the U.S. Commercial Service advises firms to become proactive in the process as early as possible, including collaborating with Brazilians entities that may evolve into a partner for a bidding consortium in the tender process.

To be successful in Brazil, U.S. firms must either be established in the country or have a well-informed local representative; or alternatively, partner with a large well established prime contractor. It is also important to have a distributor or system integrator that can offer after sales and maintenance services, replacement parts and repairs.

The next Brazilian airport auction bidding documents should be published in August 2013; the terms will be similar to the first round of auctions with fixed and variable concession fees where Infraero holds 49% of the shares. However, the Brazilian government will set higher minimum standards for international partners, including a requirement that these partners have experience in operating at least one airport with 35 million passengers per year.

Prospective Buyers

Company	
Infraero	Brazilian Airport Management Authority
Aeroporto Internacional de Guarulhos	The consortium is formed by the Brazilian

	infrastructure investment company Invepar (set up by the pension funds Previ, Funcef and Petros) with the construction firm OAS and the South African airport operator ACSA
Aeroportos Brasil Viracopos	The consortium is formed by Brazilian companies Triunfo Participações e Investimentos and UTC Participações in partnership with the French group Egis Airport
Inframérica Aeroportos	The consortium is a joint venture of the Brazilian engineering and construction company Infravix - Engevix Participações SA and the Argentine Corporación America

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INFRAERO: www.infraero.gov.br
ANAC - National Agency of Civil Aviation: www.anac.gov.br
Ministry of Defense www.defesa.gov.br
For more market research reports please visit:
http://www.export.gov/mrktresearch/index.asp

U.S. Commercial Service Brazil: www.buyusa.gov/brazil

For More Information: The U.S. Commercial Service in Rio de Janeiro can be contacted via e-mail at genard.burity@trade.gov ; Phone: 55 21 3823-24101; Fax: 55 21 3823-2424; or through our website: www.export.gov/brazil

Agriculture Food, Equipment and Services

Agriculture 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_12-27-2012.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

Agriculture Equipment and Services

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Unit: US$ million

	2011 (estimated)	2012 (estimated)	2013 (estimated)
Total Market Size	11,522	11,884	14,303
Total Local Production	14,514	14,419	15,861
Total Exports	3,259	2,915	2,128
Total Imports	267	380	570
Imports from the U.S.	139	198	296

Brazil 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, meat, and orange juice.

The 2013 estimate for purchases in Brazil's agricultural machinery market is around US$14 billion. Of that amount, nearly US$600 million will likely be imported, with approximately US$300 million being imported from the United States.

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 & backhoes. The domestic industry will most likely supply a growing demand for agricultural machinery. In 2012, according to ANFAVEA, Brazil produced 83,600 agricultural machines, 2.5% more than in 2011. Imports increased 30% in 2012, reaching 2,175 units. In 2013, it is estimated that imports will increase more than 50%. This is mainly due to price increase for agricultural commodities, as well as to Brazil's large and prosperous domestic market for food and other agricultural products.

Agricultural Machinery Production (Thousand Units)

	2010	2011	2012	2013 (estimated)
Local Production	88,9	81,5	83,6	82,5
Exports	19,2	18,3	16,9	12,3
Imports	0,9	1,5	2,1	3,5
Domestic Wholesales (locally-manufactured and imported)	68,5	65,3	69,4	73,7

Brazil's 13 agricultural equipment production units are owned by seven large agricultural equipment manufacturers, including AGCO (Massey Ferguson), Agrale, Caterpillar, John Deere, Komatsu, Valtra and New Holland Fiat Allis CNH.

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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.

Improved techniques are resulting in record harvest for some crops. However, logistics and supply chain limitations prevent some crops from reaching markets.

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

Trade Barriers

Tariff rates and other trade barrier areas remain high for many types of goods, and there continues be a strong preference for locally-manufactured products. Although there are significant market obstacles for imported products in Brazil, growth in U.S. agricultural equipment exports has averaged 20% annually since 2001. The U.S. share of the imported market was 52% in 2011, and will likely stay the same or increase for 2013.

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. Parts accounted for 50% of U.S. exports or US $247 million, in 2011.

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

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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 2011, agribusiness was responsible for 20% of Brazil's GDP (US$492 billion). It represented 37% of Brazilian exports (US$95 billion), and the sector employs 37% 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, sugarcane ethanol, coffee, and meat are Brazil's leading export commodities. Brazil's grain production for the harvest period 2011/2012 was 166 M/t, and it is estimated that it will increase to 182 M/t for the 2012/2013 harvest period, a 10% growth. Soybean and corn account for the majority of grain production. Thus, reflecting the tremendous growing 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.

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, 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 2013 - U.S. manufacturers can present new products, technologies, and production systems to Brazilian buyers at AGRISHOW 2014, 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.

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- Brazilian Automotive Vehicles Manufactures Association (ANFAVEA)
  www.anfavea.com.br

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

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

Architecture, Construction and Engineering (ACE) Industry

Although U.S. architectural firms face a competitive environment, many U.S. firms have won contracts.

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Brazil is experiencing major growth in the ACE industry. The country will capture global attention as its major cities are undergoing a construction boom in preparation for the World Cup in 2014 and, specifically for Rio de Janeiro, the Olympic Games in 2016.

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

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, American ACE firms with a niche expertise are welcome to do business in Brazil, provided they understand the regulatory procedures for being able to work in Brazil.

Market Challenges

In order for 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 process, 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 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 is not a short-term process.

More information on the regulatory process can be read here:
http://buyusainfo.net/docs/x_1475447.pdf

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Best Prospects in the architectural, construction and engineering 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.

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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 de Janeiro 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 relocated to 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.

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

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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.confea.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
- The U.S. Commercial Service Brazil World Cup and Olympics reports at: http://export.gov/brazil/games/index.asp

Computer Software and Services

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Computer Software

Unit: USD million	2011	2012 *	2013 *
Total Market Size	$6,300	$6,930	$7,623
Total Local Production	$1,240	$1,364	$1,500
Total Exports	$123	$135	$148
Total Imports	$5,183	$5,701	$6,271

Computer Services

Unit: USD million	2011	2012	2013*
Total Market Size	$15,140	$16,654	$18,319
Total Local Production	$13,306	$14,636	$16,099
Total Exports	$1,834	$2,017	$2,219
Total Imports	$3,668	$4,034	$4,437

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

- Statistical data are unofficial estimates from trade sources
- Source: Abes – Brazilian Software Market – Scenario and Trends 2012

The Brazilian software industry has been positively affected. This segment grew 10% in 2012 compared to 2011. Brazil's IT market ranks among the top ten worldwide in the last three years.

Given the forecast for growth of the Brazilian economy over the next several years, Brazilian IT spending should increase at a healthy pace. The most significant trend in this sector is the increase of data communication in cellular telecommunications, which is expected to continue over the next few years. 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 10% per year until 2015.

According to Brazilian Association of Software Companies (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. The domestic market for IT investments is forecasted to be at US$25 billion in 2013, representing an increase of 10% from 2012.

The services and financial sectors represent almost 50% of the user market, followed by industry, trade, government, oil and gas, and agricultural sector. The software market consists of nearly 10,300 companies dedicated to the development, production and distribution of software and services. Of the segment in software development and production, 93% can be classified as small and medium sized enterprises.

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The demand for telecommunications software is expected to grow as a result of the convergence of data, voice, and conventional and mobile telecommunication. The most significant trend in this sector is the increase of data communication in cellular telecommunications. 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. 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. It is projected that by 2015 more than three million homes will obtain their first computer and the number of households with at least one computer should exceed 30 million. The number of notebooks is greater than those of desktops in the Brazilian market. The demand will motivate the launch of more specific software applications.

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 2013. 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 2013, with the rapid proliferation of Platforms as a Service (PaaS) and Infrastructure as a Service (IaaS).

Mobile data will also continue to grow at exponential rates. Some service solutions carriers will start to offer 4G, which will make expansion of the mobile network critical. Data Centers will modernize or increase their current capacity in the coming years, and "Big Data" may become the challenge for solutions providers.

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.

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The majority of computer distributors in Brazil are national companies, but in recent years foreign distributors have entered the market joining Brazilian dealers/re-sellers to become more competitive.

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

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

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 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. IT vendors could seize opportunities created by the World Cup and Olympic Games, especially for software related to command & control centers and intelligent transportation solutions.

Web Resources

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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

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

Defense

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(billion dollars)	2011	2012	2013(estimated)
Total Market Size	4.5	4.6	4.7
Total Local Production	3.1	3.1	3.2
Total Exports	1.1	1.1	1.1
Total Imports	2.5	2.5	2.6
Imports from the U.S.	1.1	1.1	1.1

In 2012 the Brazilian government published the National Defense White Book (LBDN) which clarifies Brazil's defense activities and summarizes the country's 2008 National Defense Strategy and National Defense Policy. The LBDN is a key document that Brazil's defense agencies refer to frequently and which describes the priority projects of Brazil's armed forces.

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The military budget proposal for 2013 is around R$66 billion (US$37 billion). It is important to note that salaries and pension benefits comprise 55-70% of Brazil's federal military budget. In a 2011 ranking of the ten countries with the highest defense spending in the world, Brazil ranked tenth.

According to the Defense Articulation and Equipment Plan *(*Plano de Articulação e Equipamento de Defesa or PAED), the Ministry of Defense has identified and is coordinating the following priority projects for the armed forces:

Brazilian Navy: The Brazilian Navy has seven priority projects to be implemented by 2031. The total estimated value is R$211 billion (US$119 billion). The most important Navy opportunities for U.S. companies include:

- ✓ Navy Modernization Program: This is an extensive program that includes the gradual replacement of naval air and sea combat platforms. Some of the projects include:
  - PROSUB: program to develop non-nuclear submarines.
  - PROSUPER (*Programa de Obtenção de Meios de Superfície)*: a surface vessel procurement program for five 1,800-ton ocean patrol vessels, five 6,000-ton frigates and a single support vessel, all of which are to be built locally in cooperation with Brazilian companies according to Brazilian law and offset requirements.
- ✓ Amazon Blue Management System (SisGAAz): This is the Navy's program for the surveillance and monitoring of Brazilian waters. It will also increase efficiency of search and rescue operations developed in conjunction with the police. Full implementation is scheduled to occur by 2024.
- ✓ Navigation Safety: This project foresees the expansion of the Brazilian Navy presence in the Amazon and Midwest region as well as surveillance in border areas and large river basins.

Brazilian Army: The Brazilian Army strategic priority projects aim to equip the Army Brigades with equipment, weapons, transportation and supplies according to their growing needs. The projects will be implemented by 2035 and the total estimated value is R$60 billion (US$34 billion).

- ✓ Army's Modernization Program: This includes the modernization and revitalization of M60 combat vehicles, Leopard 1A1 and M113 armored vehicles, Urutu and Cascavel. The program also includes the acquisition of river vessels, vehicles, artillery equipment, ammunition, and IA2 rifles developed by Brazilian industry.

- ✓ Cyber Defense: This initiative includes the construction of a Cyber Defense Center and acquisition of software and hardware solutions.
- ✓ Guarani: This project consists of the implementation of a new family of wheeled armored vehicles. The plan calls for 2,044 armored vehicles over the next twenty years. The project includes several subprojects including research and development, integrated logistic support, nationalization of ammunition, infrastructure and professional training.
- ✓ SISFRON: An integrated border monitoring system to protect Brazil's borders. The project is divided into nine phases, the first of which came out in 2012 and was won by Consortium Tepro, a group made up by Savis Tecnologia e Sistemas S/A, OrbiSat Industrie e Aerolevantamento.
- ✓ PROTEGER: This is a complex system composed of units of ground forces to protect strategic infrastructures and systems whose total or partial destruction would be a threat to national security. It will be integrated to the other security systems in the country and will be under Ministry of Defense supervision and coordinated by the Ground Operations Command.
- ✓ Antiaircraft System: This project's goal is to upgrade the existing air defense system in order to meet the requirements of the Brazilian Aerospace Defense System (SISDABRA). The anti-aircraft artillery will be equipped with modern instruments and sensors and assisted by an integrated logistics system that supports the equipment during its life cycle.
- ✓ Astros 2020: The goal of this program is to protect Brazil's borders and includes the development of a rocket/missile system with a range of up to 300 km, called Astros 2020. The army intends to have two sets of missile launchers and rockets.

Brazilian Air Force: The Brazilian Air Force has nine strategic high priority projects to be implemented by 2030. The total estimated value is R$132 billion (US$74 billion). The most important Air Force opportunities for U.S. companies include:

- ✓ Recovery of operating capacity: It includes activities such as pilot training, rebuilding the stock of weaponry, the technological upgrade of aircraft and systems on AMX, F5 fighters, Maritime patrol P-95, P-3BR, and KC-130 and C95M.
- ✓ Airspace Control: This program will modernize the Aerospace Defense Operation Center (Centro de Operações de Defesa Aeroespacial) and acquire a new navigation control system called CNS/ATM.
- ✓ Operational Capability: This is one of most important projects among all as it includes the acquisition of several aircraft and equipment such as:
    - o F-X2 project: acquisition of 36 fighter jets. Final decision could be announced in September of this year. There are three competitors: Boeing (Super Hornet), Saab (Gripen) and Dassault (Rafale).
    - o KC-X2 project: acquisition of two transport and replenishment aircraft to replace the KC-137. The Brazilian Air Force recently announced the Boeing 767-300 as the winner. The aircraft will be outfitted by Israel Aerospace Industries (IAI).
    - o VU-Y: acquisition of ten transport aircraft to replace the VU-35 and the EC-93. This project is in study phase.
    - o VANT: The Brazilian Aerospace industry started developing an UAV in partnership with international companies. Transfer of technology is required.
    - o CL-X: acquisition of six CASA 295 aircraft for transport and search and rescue. The acquisition process has already started.
- ✓ Scientific-Technological Proficiency: This project aims to gain technological independence with the development of several aircraft such as R-X for

reconnaissance missions, E-X alarm and control, I-X flight inspection, F-XBR multiuse fighter, and UAVs.

- ✓ Strengthening Brazilian Aerospace and Defense Industry: This project aims to promote better integration between the Brazilian aerospace & defense industries with the Armed Forces.
- ✓ Development Space Activities: The National Program for Space *Activities (Programa Nacional de Atividades Espaciais - PNAE)* establishes the requirement for the development of the geostationary satellite program and the launch vehicle program.

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To conduct business with the Brazilian Armed Forces, companies must be prepared for long and complex campaigns. Having a local office or a trusted and well-respected local representative with extensive contacts and a solid sales record is 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 companies for co-development and local production of components, parts, and assembly.

Defense equipment acquisition programs tend to move at a slow pace in Brazil. The Brazilian Armed Forces have long-term acquisition plans that include: weapons, escort ship platforms, submarines, transport ships, offshore patrol vessels, tugs and hydrographic/oceanographic ships, UAVs, long range radars, helicopters, jetfighters, tactical radio communication systems and others.

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- Ministry of Defense: www.defesa.gov.br
- AIAB - Associação das Indústrias Aerospaciais do Brasil: www.aiab.org.br
- Ministry of Development, Industry and Trade Commerce www.mdic.gov.br
- For more market research reports please visit: www.export.gov/marketresearch.html
- National Defense White Book (LBDN) (https://www.defesa.gov.br/projetosweb/livrobranco) in available in Portuguese only.

Drugs and Pharmaceuticals

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Unit: US$ billions	2011	2012	2013 (estimated)
Total Market Size	25,690	25,409	25,517
Total Local Production	20,643	20,063	19,787
Total Exports	1,453	1,494	1,270
Total Imports	6,500	6,840	7,000
Imports from the U.S.	1,170	1,231	1,260

Total Market Size = US$25.409 billion
Data Sources: Sindusfarma
Total Local Production: US$20,063 billion
Total Exports: US$1,494 billion
Total Imports: US$6,840 billion
Imports from U.S.: US$1,231 billion

The Brazilian pharmaceutical industry is comprised of 540 local and international companies established in the country, representing total market value of approximately US$25 billion in 2012 and an annual growth rate of 15%. Brazil is among the five largest pharmaceutical markets in the world in terms of unit sales and the 8th in market size. According to Brazil's Pharmaceutical Industry Syndicate (SINDUSFARMA), Brazilian pharmaceutical product imports in 2011 reached US$6.84 billion. This reflects a 4.6% increase over the previous year's level. US exports account for approximately 18% of Brazilian pharmaceutical imports.

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

Taxes applied to medicines in Brazil are among the highest in the world. The government collects over US$1 billion in taxes from the pharmaceutical sector. The cascading tax method applied on manufactured goods in Brazil affects several industries, and is one of the most important topics that private industry has raised with the government. 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. In 2012, generic drugs accounted for 24% 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 poorest.

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Best prospects are products related to modern Brazilian life style, such as contraceptive, erectile dysfunction, cholesterol, weight control, diabetes and other medicines that treat chronic diseases. Nutritional supplements, 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 U.S. 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 forgo cost prohibitive medications and other treatments due to financial constraints.

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

Due to the recent 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.

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

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

Education and Training

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The education sector in Brazil is ranked as the 10th largest sector in the economy, and generates about US$75 billion per year. Brazil has 51 million students in the basic education system (which includes pre-school, elementary and high school), and around 6 million students are enrolled in university courses. Approximately 75% of graduate students go to private institutions, generating US$12.5 billion per year. In 2015, 10 million students will be in universities, many of whom will be supported by Federal Government loans (with FIES loans, students finance up to 100% of their education, while with PROUNI loans, public school students finance up to 50%).

The education sector is 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 government of Brazil is investing in a wide range of educational programs.

The government's Scientific Mobility Program (formerly called "*Science without Borders*"), will provide 101,000 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 specific focus is on promoting scientific research, increasing international cooperation in science and technology and initiating and engaging students in a global dialogue through international education.

The education sector has grown exponentially in recent years in Brazil, and industry specialists project that it will continue to grow in the coming years driven by the stable economy and the growing middle class. In the past 5 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 is 5.5% of Brazil's GDP, up to US$19 billion for 2013. 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 many opportunities are available for U.S. companies. Of the total value of the education industry in Brazil, school materials make up 44% of this total market value, while university books comprise 18%, basic education books comprise 20%, and alternative educational systems comprise 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 a country of origin for sending students to U.S. universities. According to a report by the Institute of

International Education (IIE), 9,029 Brazilian students studied in the U.S. in 2012, a 6% increase from 2011.

The consensus is that these numbers will continue to increase over the next few years, due to the Scientific Mobility Program created in 2010 by President Rouseff. By the end of 2012, 22,600 scholarships had been awarded, and the U.S. is the leading country for receiving Brazilian students. 22% of the Scientific Mobility students (almost 5,000 students) were placed in 238 U.S. universities. Most of these students (58%) are in undergraduate courses.

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

Sub-Sector Best Prospects

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Approximately 80% of Brazilian students studying abroad come from Brazil's southern and central eastern states. São Paulo has the largest applicant pool, and attracts the most talented students to its own university campuses. The capital city of Brasilia has the highest GDP per capita in the country, at approximately $25,000 USD, 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 the Brazilian market.

For this reason in 2012, the Ministry of Education launched the English without Borders program, an initiative to support university students by improving English language teaching in schools and offering a variety of learning methodologies for English language training. 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 students that fit the profile for the Brazil Scientific Mobility program.

The Brazil Scientific Mobility Undergraduate Program is focused on the STEM fields (Science, Technology, Engineering, and Mathematics). 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
- Environmental Science and Engineering

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With sustained economic growth and increased availability of credit, Brazilian families have been able to plan and make longer term financial commitments. The country is experiencing growth in the purchase of homes, cars, and other durable goods. As the lower income portion of the market becomes more sophisticated and families become more aware of the importance of quality education, opportunities for educational 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 includes installations of technology labs in the public schools, laptops for teachers and students, digital boards, projectors and tablets. The budget will also be used to invest in classroom infrastructure and training for teachers. In 2013, 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, although the procurement process starts three years before the actual purchase. The Ministry of Education opened the process for book purchases for 2016 and proposals will be received until May 2013 (the budget allocated for 2016 school book purchases is US$800 million). The book purchasing program is divided into three categories, books used in libraries, textbooks for students, and books for teachers to use as reference materials.

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. Since its inception, PRONATEC has funded technical and vocational courses and 2.5 million students, and expects to fund an additional 2.3 million students for 2013. It is projected that in 2014, the program will fund an additional 8 million students' courses. Companies and educational institutions interested in participating in these programs should consider partnering with local companies or universities. The National Confederation of Industry, thru its Technical School SESI and SENAI, is also helping the government on offering the 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, CAPES recently launched a program providing scholarships for intensive English language training in the U.K. to Brazilians that are certified in teaching English. The State of Bahia is sponsoring free English classes for taxi drivers. Private English language schools throughout the larger cities are abundant.

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 in the Ministry's list, which will create a fast-track system for students to have their foreign diplomas recognized.

Education Fairs and Trade Shows

Education fairs are one of the most efficient means to recruit Brazilian students. Brazil has quite a few education fairs throughout the year. EducationUSA continues to offer its annual fairs in Brazil each year. This year's fairs will take place in late August to early September 2013. Universities interested in participating and exhibiting at the fairs should visit the Education USA office in Brazil

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- Institute of International Education - Open Doors: http://www.iie.org
- EducationUSA Brazil: http://educationusa.org.br
- Brazilian Ministry of Education: http://www.mec.gov.br
- Proinfo: http://portal.mec.gov.br/index.php?Itemid=462
- FNDE: http://www.fnde.gov.br/
- English without Borders: http://isf.mec.gov.br/
- For additional market research, please visit: http://export.gov/mrktresearch/index.asp

http://export.gov/industry/education/index.asp

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

Electrical Power

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Unit: USD thousands

	2011	2012 (estimated)	2013 (estimated)
Total Market Size	8,105	8,510	8,935
Total Local Production	7,821	8,212	8,622
Total Exports	551	578	606

Total Imports	835	876	919
Imports from the U.S.	91	95	99

The estimated 2013 market for Brazil's power generation, transmission, and distribution (GTD) equipment market is projected at approximately US$ 8.9 billion of which US$ 919 million is projected to be imported with about US$ 99 million of that total forecasted to be from U.S. sources.

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In the power generation subsector, best sales prospect opportunities include the supply of control and supervision equipment, rectifiers, converters, inverters, heat recovery steam generators and condensers, power generation sets, heat exchangers, gas and steam turbines and parts.

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 from 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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Generation

According to GOB's Power Expansion Plan (PDE) for 2011-2021, published by Brazil's Power Energy Research Company (EPE), the per capita electricity consumption in Brazil will increase from 2.4 MWh/inhabitant in 2011 to 3.5 MWh/inhabitant in 2020.

In the 2011-2021 PDE, the Brazilian government will focus on hydroelectric and renewable resources, relying on thermal power only when necessary.

A third nuclear power plant (Angra III) is currently under construction in Brazil. The plant, when operational in July 2016, 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

The growing focus on thermal power plants in Brazil is aimed at offsetting the country's dependency on hydropower generating plants, which are currently suffering from low levels of rainfall or in some cases drought conditions. Brazil's study of additional nuclear plants was interrupted after the Fukushima nuclear accident in March 2011. However, the recent power shortage in Brazil due to a shortfall in rain has made it clear to the

Ministry of Mines and Energy that existing hydroelectric plants cannot be relied upon to meet the needs of the country for ever increasing amounts of electricity.

A new National Power Expansion Plan (PNE) will be published in 2013, which will define Brazil's energy demands through 2050. Industry sources anticipate that the PNE will include increasing the number of nuclear power plants.

The Brazilian Nuclear Energy Association sees positive prospects for the nuclear sector in 2013. Several projects are expected to continue making progress this year. Among them will be the selection of the consortium that will build the Angra III nuclear plant in the state of Rio de Janeiro. Furthermore, Eletronuclear, owner of the nuclear power plants, will contract for a number of plant inspections and upgrades, which will include maintenance of turbines, pumps, and the replacement of the Angra I water control system among other services.

Eletronuclear will also contract for the construction of an irradiated fuel storage unit, scheduled to start construction in January 2015 with a projected completion date of January 2018. The main systems required in connection with this new storage unit will include radiation controls, instrumentation, and monitoring equipment.

Additional opportunities in connection with the existing nuclear power plants, and possibly the planned Angra III nuclear power plant are related to the supply of the following items:

- Safety analysis and safety equipment (in view of the Fukushima accident);
- Instrumentation & control activities (the plants are transitioning from analogical to digital);
- Centrifugal horizontal pumps;
- Power transformers and parts;
- Decontamination basins plus supervision and assembly services;
- Humidity separators and filters; and
- Power conversion equipment.

The PDE estimates that the energy generation capacity will increase from 116.5 GW in 2011 to 182.4 GW in 2021. Of this new capacity, approximately 33.2 GW will come from hydropower, while 22.4 GW will be from renewable sources (wind, biomass and small hydropower plants), 8.9 GW from thermal power and 1.4 GW from nuclear.

The expansion in generation, for the period from 2011 to 2020, will require US$ 90 billion in investments, of which 55% for hydropower and 45% for renewable energy (biomass, wind and small hydro).

Transmission

Total investments in transmission for the 2011-2020 period will reach around 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. The expansion in the transmission segment will involve 137 projects with tension equal or greater than 230kV and the extension equal or more than 10 km. Of these projects, 118 are expected to be installed by 2015.

Distribution

The Brazilian energy distribution network is composed of high, medium and low tension lines. Even though some transmission companies also have line with tension below 230 kV, most of the transmission lines between 69 kV and 138 kV are under the responsibility of the electrical energy distribution companies (utilities). These lines are known in the sector as sub-transmission lines. Besides the sub-transmission network, the energy utilities also operate the medium and low tension lines, called primary and secondary networks, respectively.

The Brazilian energy distribution sector is one of the mostly regulated in the electrical energy sector. The private sector is responsible for 67% of the total energy distributed in Brazil, while state-owned companies are responsible for the remaining 33%. To reach the goal of energy universalization, the electrical energy distribution sector invested approximately US$ 5 billion in 2012 in new equipment, training, expansion of the system and others.

Several local energy utilities have recently completed their R&D projects in smart grids and are ready to begin studying and implementing full-scale smart grid projects. Because of numerous technical questions, local energy utilities are interested in learning from the U.S. experience as well as consider U.S. suppliers to meet the requirements of their future projects.

On August 7th, 2012, Agencial Nacional de Energia Elétrica (ANEEL) approved the resolution that establishes the minimum requirements for smart meters. Smart metering will be compulsory for all new meter installations, and for old meters that are currently being replaced. However, there will not be a mass replacement of all meters by 2020, as had been previously announced. This decision frustrated some companies that expected a mass replacement. Nevertheless, the current implementation is projected to create a market of about US$36 billion through 2022. Through this initiative, Brazil will transform into one of the 10 largest global markets for these modern networks.

With the Normative Resolution 582 that allows for micro-generation, smart grids may also signify a revolution in the consumers' role. Aside from choosing differentiated rates, the consumer may be able to generate his or her own energy at home and obtain credit from the system. In addition to making the use of energy more rational - which will increase productivity - and requiring less investment in new plants, it can also transform the user into a micro energy generator, thus reducing losses in the interconnected system, increase energy effectiveness, modify relations between public utility concessionaires and clients, and allow further progress regarding alternative sources, such as solar and wind power, in the matrix.

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 the question of reliability and interconnection.

Trade Events

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- Power-Gen/Distribute Brazil: http://www.powergenbrasil.com/en/index.html

Web Resources

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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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(US$ Billions)	2011 (estimated)	2012 (estimated)	2013 (estimated)
Total Market Size	10.60	10.47	11.70
Total Local Production	8.60	8.40	8.80
Total Exports	0	0	0
Total Imports	2.00	2.07	2.90
• *Imports from the U.S.*	*0.63*	*0.66*	*0.70*

Source: All figures were estimated by market analysts

Environmental experts estimate that Brazil's environmental technologies market (including equipment, engineering/consulting services, instrumentation, construction and clean up services) is around US$11.13 billion, of which US$6.13 billion is related to the water and wastewater subsector; solid waste management at US$4 billion and air pollution control at US$1 billion. 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.

Best Prospects/Services

Water distribution in Brazil is available for 93% of Brazil's 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 top priority. The Attorney General's Office is enforcing Federal and legislation from 2007 and 2010 to strive towards adequate water, wastewater (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. The Ministry of Cities estimates that until 2030, total investments of R$ 420 billion (US$ 210 billion) would be needed to achieve universal access. The funds which will be made available by federal, state and municipal governments, multilateral development agencies and private sector companies should be invested as follows:

- Sewage – 37%
- Water Supply – 25%
- Utility management – 21%
- Drainage – 13%
- Solid Waste – 4%

Currently there are 27 state-owned utilities serving 76% of the population, and municipal and private sector utilities serving about 10% of the population.

In Brazil, there is increasing demand for effluent treatment and energy/water saving technologies as well as for specialized consulting services. Such technologies include advanced water treatment, water loss prevention solutions, “intelligent valves”, efficient water distribution and reuse projects, water saving devices, and rain water systems. Suppliers of water treatment stations incorporate specific imported equipment. Laboratory and analytical equipment are also imported.

Opportunities for U.S. firms include solutions related to water distribution systems, including services and equipment. According to the Ministry of Cities, the water loss rate in Brazil corresponds to about 35% of the potable water produced in the urban areas (unofficial figures are of 40% to 50%), compared to 14% in the USA. Additionally, water reuse is increasingly important in Brazil, especially in the large centers where water scarcity represents high operational costs of water impounding and adduction. Existing legislation that imposes charges for collecting and disposing effluents in water bodies increases the demand for specialized consulting services and effluent treatment technologies.

In addition to the municipal demand, private industry in the chemical, oil & gas, metallurgy, textile, automotive, sugar and ethanol, pulp and paper, and food and beverage sectors all are potential buyers of W & WW solutions. According to an IADB study, entitled “Solid Waste Management – an Opportunity for Municipal Development and for Small Business”, Brazil’s National Solid Waste Policy, which was announced in 2010 and is being implemented in Brazil generates a variety of business opportunities for private sector companies.

According to an IADB study, entitled “Solid Waste Management – an Opportunity for Municipal Development and for Small Business”, Brazil’s National Solid Waste Policy, which was announced in 2010 and is currently being implemented, generates a variety of business opportunities for private sector companies, including:

- Using methane gas derived from sanitary landfills to generate electricity, thereby increasing the landfills operating efficiency;
- Using energy generated from animal manure (Brazil’s animal protein industry is among the world’s largest);
- National Solid Waste Policy determined that by mid-2014, the municipalities will no longer be allowed to dispose waste in open dumps and should be using landfills. This generates a need for installation of new sanitary landfills (50% of the 5,564 municipalities still have garbage dumps);
- Adopting reverse logistic methods to collect and return specific types of waste (i.e. electronic, batteries, tires, fluorescent lamps, lubricant oils, pesticides) from those manufacturers, importers, distributors and retailers who create the waste;
- Installing and managing voluntary delivery points;
- Implementing warehouses for recyclable waste, composting units, waste sorting areas, transshipment and recycling of debris and small sanitary landfills;
- Consulting services for both public and private sector clients.

According to CETESB, the state of São Paulo’s environmental authority, those technologies and services that are in highest demand related to air pollution includes:

- 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 is currently being drafted).

Opportunities

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According to the Brazilian Association of Urban Cleaning Companies (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. IBGE - the National Institute of Geography and Statistics indicates that only 32% of the 5,565 municipalities in Brazil have some type of selective waste collection, and that only 10% met the August 2012 deadline to present their solid waste management plan, a policy imposed by the National Solid Waste Policy of 2010, to the Environmental Ministry. Market analysts predict that it is unlikely that municipalities will comply with other legal requirements such as replacing garbage dumps with sanitary landfills, implementing selective waste collection and recycling programs that are currently scheduled to be met by mid-2014.

Despite the slow pace of municipalities in complying with these recommendations, the solid waste management business in Brazil offers significant business opportunities to private sector companies. ABRELPE estimates that there are currently 200 companies in the business, and that 80% of the solid waste management services are performed by private sector companies. The market for municipal urban cleaning in Brazil is estimated at US$10.5 billion (R$21 billion), and is expected to reach US$22.5 billion (R$45 billion) by 2016, once Law 12.305 of August 2010 is implemented and enforced. 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.

The industry has an interest in the implementation of incinerators, or energy generation plants, in larger and mid-sized metropolitan cities. One example that is common in many industries is the Public-Private Partnership (PPP) model, which was established by the Brazilian organization Foxx in Barueri, in the state of São Paulo. The goal is to install an incinerator with a daily capacity of 825 metric tons of waste. http://urebarueri.com.br/ According to media sources, Foxx will invest about US$100 million in the incinerator, located near a sewage treatment plant. The State of São Paulo's environmental authority, CETESB, is expected to issue the license for the plant by June 2013. SABESP, São Paulo State's water and wastewater utility, is conducting technical feasibility studies to install incinerators in several municipalities and municipal consortiums.

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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 Brazil's Exhibition of Environmental and Sanitation Services
Date: July 30 to August 1, 2013
Site: Expocenter Norte – São Paulo
Organizer: São Paulo State water utility Engineers Association
Website: http://www.fenasan.com.br
Comments: FENASAN attracts a large audience and international exhibitors and visitors.

FIMAI – International Industrial Environmental Trade Show - Traditional annual trade show with focus in environmental technologies for the industrial market.
Dates: November 2013
Site: Expocenter Norte – São Paulo
Organizer: Editora Tocalino
Website: www.**fimai**.com.br

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

Medical Equipment

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Unit: US$ billions

	2011	2012	2013 (estimated)
Total Market Size	6,056	6,238	6,663
Total Local Production	2,415	2,487	2,661
Total Exports	0,759	0,781	0,847
Total Imports	4,400	4,532	4,849
• *Imports from the U.S.*	*1,320*	*1,450*	*1,551*

Total Market Size = US$6,328 billion
Data Sources: ABIMED, ABIMO
Total Local Production: U$ 2,487
Total Exports: US$0,781
Total Imports: US$4,532
Imports from U.S.: US$1,450

Brazil is the largest medical equipment market in South America, and until 2011 presented an annual growth rate of 15% to 19%. The total market for medical equipment in Brazil should continue to expand through 2013. It is expected that this segment will recover the double digit annual growth in 2014. Brazil is both a major medical equipment producer 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 in 2012 reached an estimated US$6.3 billion, which represents an increase of 4.5% from the previous year. The United States accounts for approximately 30% of the import market, mainly by using local agents, distributors and importers who sell to hospitals and clinics. The market for electro medicine equipment is around US$200 million, which represents approximately 50% of total sales in Latin America. In 2012, imports for In Vitro Diagnostics reagents and devices increased approximately 10%, reaching sales of US$210 million.

There are few high-quality Brazilian manufacturers producing advanced medical equipment, thus 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 is the National Agency of Sanitary Surveillance that regulates registration of medical related products. Risk class III, IV and some II may demand international inspections for GMP. Electrical and battery powered devices must receive certifications from Inmetro, the Brazilian Conformity Mark.

Sub-Sector Best Prospects

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Brazil's strengthened currency has meant that private and public hospitals have greater purchasing power. With continued expansion of Brazil's private health care sector, the market should grow. Approximately 80% of all products used in hospitals have no similar manufacturing in the country and must be imported. New opportunities for US exporters abound, particularly for:

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

Opportunities

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The market for home health care products will maintain its expansion for the next years. Brazilian health insurance companies are responsible for paying 99% of the costs related to home care treatment.

The Government of Brazil issued the Decree 7.767 that sets margin of preference for local made products over imported goods in public purchases. This will affect procurement processes of 77 materials and products for hospitals. The margin granted ranges from 8% to 25%, according to the level of technology added in the product, respectively. U.S. exporters should consider the opportunities offered by Mercosur for companies that manufacture or assemble medical devices in Brazil and use it as a "spring board" for export into other South American countries.

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

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ANVISA - Brazilian Agency for Sanitary Surveillance: http://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

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.
- Reabilitacao – 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

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	2011	2012	2013 (estimated)
Total Market Size	4,670	5,000	5,180
Total Local Production	5,100	5,400	5,600
Total Exports	800	800	830
Total Imports	370	400	410
• *Imports from the U.S.*	*100*	*100*	*110*

Data in US$ millions.
** Statistical data are unofficial estimates from trade sources and press reports.*

Brazil has one of the largest mining markets in the world, with a strong local presence of subsidiaries of multinational companies that have local factories, as well as Brazilian companies that manufacture a wide variety of mining equipment and components.

Brazil is the world's fifth largest mineral producer and as a result, one of the world's largest mining equipment markets. The economic crisis significantly affected the sector in 2009; however, Brazilian output of most minerals has consistently increased in the last

three years and the production level for most minerals is back near the record year of 2008. Although output of Brazilian mineral commodities increased, prices decreased significantly in 2012, except for gold, causing negative impacts on the financial situation of the mining companies. These prices depend basically on the international supply of and demand for raw materials.

China has played a very important role for Brazilian mining companies in recent years, as it has become the largest importer of Brazil's minerals, especially iron ore, Brazil's most important mineral. Most of the new projects developed in Brazil are linked to China's desire for Brazilian mineral resources such as iron ore. The concern is that the sector is becoming increasingly dependent on China's demand for mineral goods.

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

Brazil's largest installed mining operations are for iron ore, with 2012's output at 480 million metric tons/year (Mt/y), representing nearly 16.5% of the world's total. Brazil has other significant production in minerals such as:

- Bauxite 35 Mt/y in 2012, or 14% of the world's total
- Gold 70 t/y in 2012 of metal contents, or 2.4% of world's total
- Kaolin 3 Mt/y or 6% of the world's total in 2011
- Manganese 2.6 Mt/y of concentrate or 20% of the world's total in 2011
- Niobium 80,000 t/y in 2011, with 94% of the world's totals
- Potassium Chloride 550,000 t/y in 2012
- Phosphate concentrate 6.5 Mt/y of concentrate in 2011
- Zinc 290,000 t/y of metal content in 2012 or 2.3% of world's total
- Lead 25,000 t of primary lead and 142,000 t of recycled lead
- Copper 450,000 t of ore in 2012 (2.5%), estimated 660,000 t/y by 2016
- Tin 12,000 t of Sn content in 2011
- Nickel 83,000 t Ni content in 2012
- Uranium 180 t of U3O8 concentrate
- Construction aggregates 700 million t/y in 2012
- Raw Mat. for cement 68 Mt/y of cement made in Brazil in 2012

The total Brazilian mineral output in 2012 was US$55 billion, including the value of commodities concentrated in the central state of Minas Gerais (48% of the total) and in the northern state of Pará (in the Carajás mining area of the Amazon region), with 28% of the total.

Brazil's coal production is small and has been stagnant for the last 20 years. The output in 2011 was only 6 Mt/y of steam coal (compared to 5 Mt/y in 1991), but there are plans to increase its output to 12 Mt by 2016, in order to supply several coal power plants. Total Brazilian deposits of coal are estimated to be 32 billion metric tons. There are nine coal power plants currently in operation in Brazil, with a combined capacity of 2,000 MW, equivalent to only 2% of the total electricity consumption of this country. There are projects by local companies to start up several new coal power plants in Brazil in the next 5 years, for a combined capacity of 4,000 MW.

Brazil is one of the largest importers of metallurgical coal, used by local steel manufacturers. It has imported approximately 16 million metric tons/year (US$2 billion) of metallurgical coal in the last year. Metallurgical coal totaled 46% of the total value of Brazilian mineral imports in 2011. The main supplying countries have been Australia, United States of America, Canada, and South Africa. Vale, the largest Brazilian mining company has made large investments in coal mining in Australia and in Mozambique in the last five years. It had an output of 7 million t/y of coal in these countries during 2011. The total deposits are 2.5 billion metric tons and the total output is planned to reach 40 Mt/year.

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

Sub-Sector Best Prospects

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Brazil has a very limited market for turnkey machinery in general, as a large number of leading multinationals manufacturers have their own factories in Brazil. Many of them even export their products made in Brazil. These companies, however, provide excellent opportunities for U.S. manufacturers of hundreds of parts and components for most types of mining equipment, such as earth-moving machines, belt conveyors, crushers and grinding equipment, laboratory instruments, drill bits and geological survey.

Products (or components) that are not 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, leading buyers to favor local over imported products.

Opportunities

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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 had line of earthmoving machinery in Brazil for over 50 years, has added a factory of locomotives in Brazil.

Other international firms present in the market include Cummins, GE, P&H MinePro, Ingersoll Rand, Goodyear, Terex, 3M, Eaton, ITT, Bucyrus Erie, Timken (US), Volvo, Scania, Tamrock, Asea Brown Bovery, Atlas Copco, Sandvik, SKF (Sweden), Case New Holland, Iveco, FIAT (Italy), Siemens, Liebherr, Schenk Process, Voith, Mercedes Benz,

Wehr, Thyssen Krupp, Kuttner, Koch, MAN, Schaeffler (Germany), Michelin Tires, Alstom, Saint Gobain (France), Komatsu, Toshiba, NSK (Japan), Metso, Outokumpu (Finland), Orica (Australia), and JCB (UK).

There are many Brazilian manufacturers competing with similar technologies, or have technology transfer agreements with foreign companies and dominate big shares of the market. The largest ones include Randon, Villares, Bardella, Dedini, Jaraguá,and Isomonte. There are also hundreds of medium-sized Brazilian companies that specialize in manufacturing all types of parts and components for the suppliers of turn-key equipment.

Prospective Buyers:

VALE S.A. (formerly known as Companhia Vale do Rio Doce): Brazil's largest, and the world's second largest mining company is VALE. Privatized in 1997, VALE is responsible for nearly 50% of Brazil's mineral output in terms of value, and represents an excellent opportunity for U.S. equipment suppliers. VALE produces nearly 90% of Brazil's iron ore output; 100% of potash, 85% of manganese, 43% of kaolin, 80% of bauxite, and it is also the top player in aluminum, copper, and nickel production. The output of its main minerals in 2012 was 320 million metric tons (Mt) of iron ore, plus 55 Mt of iron ore pellets, 2.4 Mt of manganese ore, 237,000 tons of nickel (metal content in ore), 15 Mt of bauxite, 292,000 tons of copper (contents in ore), 550,000 tons of potassium chloride, 7 Mt of coal and 8 Mt of phosphate rock. 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. Over the last decade, VALE has diversified further, buying the Canadian company INCO (the world's second largest nickel producer), plus increasing coal projects in Australia and Mozambique. VALE had significant years of increased growth until the economic crisis of 2008. Since the end of 2009, however, the situation has been slowly improving again albeit at a slower pace.

Anglo American has a large iron ore project located in Minas Gerais, which will start in 2014 with an output of 26 million metric tons. Since 2010, Anglo also has a big nickel project named "Barro Alto," with an output of 36,000 kt/year in ferro-nickel alloys.

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

MMX, a newcomer that had started three large iron ore projects in Brazil in 2007, but sold a majority to Anglo American. Its output was nearly 9 million t/y of iron ore in 2012. MMX has a "Bom Sucesso" project that will start in 2015 with an estimated 9 million t/y.

Usiminas, Brazil's largest steel manufacturer, has an output of currently 12 Mt of iron ore, and projects to expand to 29 Mt by 2017, in a joint-venture with the Japanese-owned Sumitomo.

CSN: 30 Mt/y of iron ore in 2012, with a project to expand its output to 40 Mt/y. It is also the second largest Brazilian steel producer.

ArcelorMittal with an output of 4 Mt of iron ore in 2012, and projected expansion to to 10 Mt by 2015. This company is Brazil's third largest steel producer.

Samarco: 24 Mt of iron ore and 17 Mt/y of iron ore pellets in 2012. The company is a consortium between CVRD and BHP.

Gold: The total Brazilian output of gold in 2012 was 70 metric tons of gold metal. It is expected to expand to 90 t/y of gold metal in 2016, according to the Brazilian Mining Institute. The Canadian Kinross Group became Brazil's largest gold producer in 2008, when it started up a new project of US$550 million and increased its output of gold metal from 5.4 to 17.2 metric tons / year. Other large producers of gold in Brazil are AngloGold Ashanti, Yamana Gold and Jaguar Mining. Luna Gold and Belo Sun have projects to start producing gold in Brazil in 2013. Individual prospectors have a share of nearly 13% of the total output.

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 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 (40%), BHP Billiton Metals (14,8%), Alcan (12%), CBA (10%), Alcoa (13,58%), Norsk Hydro (5%), and Abalco (4,62%).

Market Entry:

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

The mining companies, even the very large ones, prefer to contact Brazilian representatives and do all the import procedures through them, instead of contacting the foreign suppliers directly.

Price and just-in-time delivery for components are the key factors for most importers. Some large mining companies have their own bonded warehouses where they 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 makes redundant large numbers of employees are not necessarily financially attractive to Brazilian companies. Highly qualified workers, especially engineers, earn competitive wages as in the U.S.

Import taxes in Brazil are very high. Import duty on mining equipment typically ranges from 5% to 12% as calculated based on the CIF (cost, insurance and freight) price. These import duties are adopted as a single tariff structure for the Mercosur free trade area which also includes Argentina, Paraguay (suspended), Uruguay, Chile, Bolivia and Venezuela. There are also three local taxes. Note that these taxes apply to both local and foreign products:

- IPI Industrialized Products Tax, federal tax calculated on top of the CIF price plus Import Tax, it is from 5% to 8% for most products.
- ICMS Merchandise and Services Circulation Tax, a state government value-added tax. It is 18% of the final price in most Brazilian states and products.
- PIS/COFINS, Social Integration and Social Security Financing Contributions: 9.25% but it can represent up to 12.63% of the CIF price due to complex calculation formulas.
- Additional Miscellaneous Taxes and Fees: Warehousing, handling charges at port, transportation, etc.

Exposibram, the Brazilian mining show, is held every year in the cities of Belo Horizonte or Belem. It is sponsored and organized by the Brazilian Mining Institute 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 related government entities that travel to the show from around the country. Kallman Worldwide is the representative of this show in the USA. Website: http://www.exposibram.org.br

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

Oil and Gas Industry

Overview

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(US$ million)	2011 (estimated)	2012 (estimated)	2013 (estimated)
Total Market Size	$ 55,335	$ 57,876	$ 67,850
Total Local Production	$ 30,885	$ 32,616	$ 37,835

Total Exports	$ 3,000	$ 3,200	$ 3,000
Total Imports	$ 27,450	$ 28,460	$ 33,015
Imports from the U.S.	$ 12,352	$ 12,807	$ 14,860

The 2013 estimate for purchases in Brazil's oil and gas equipment and services market is approximately US$67.8 billion. Of that amount, around US$33 billion will likely be imported with approximately US$14.9 billion being imported from the United States.

These estimated investment statistics are based upon Petrobras' and other oil companies' planned investments. A Booz & Company August 2010 sector study report predicts that total expenditures (investment and operation) in Brazil's oil and gas E&P subsector will reach US$400 billion through 2020. The domestic industry will likely supply approximately 40% to 50% of this total demand, depending upon how competitive their products and services are compared with those of international suppliers. In this regard, the Brazilian Petroleum Institute (IBP) hired Bain Company to conduct a new study about the domestic oil and gas industry's capacity to meet ongoing and upcoming demands of the oil companies. The IBP is using this study as a key component regarding its membership's proposal to the Brazilian government regarding specific adjustments to Brazil's current local content (LC) policy. As of the date of this report, the Bain study was not yet available for public disclosure.

Brazil ranks 14th globally in proven oil reserves and 9th in oil production. Petrobras discovered, in late 2006, large offshore oil and gas. These large finds, called the *pre-salt fields*, are located 200 miles off Brazil's southern coast and lie approximately 7,000 feet below the ocean surface. As these logistically and technologically challenging discoveries are exploited, Brazil is expected to become a major oil and gas exporter.

Brazil's 2012 proven oil reserves reached 15.3 billion barrels and proven gas reserves reached 459 billion cubic meters. Industry sources estimate that Brazil has possible reserves of 20 to 30 billion barrels and probable reserves of 60 to 80 billion of barrels. In 2012, Brazil produced 2.14 million barrels of oil per day (bpd) (1.8% down from 2011) and 70.7 million cubic meters of gas per day (6.7% above 2011). About 91% of Brazil's oil production in 2012 came from offshore fields, mostly at extreme depths. Likewise, about 76% of Brazil's gas production in 2012 came primarily from the offshore fields. The pre-salt share accounted for 11% of Brazil's oil production, reaching 245,600 bpd in 2012. By 2015, the pre-salt fields are expected to account for 18% of Brazil's oil production.

According to U.S. energy research firm PFC Energy, Brazil accounted for 63% of all deep water world oil findings from 2005 to 2010. Once these oil fields are developed, Brazil is expected to post the largest oil production growth among the non-OPEC countries in the late 2020s. A recent "2030 Outlook" study published by BP Oil company estimates that Brazil will produce 5.3 million barrels per day by 2030.

National oil company Petrobras' oil and gas production accounts for 92.5% of Brazil's total production. Petrobras' website shows its domestic and international proven oil and natural gas reserves at 16.4 billion barrels in 2012. According to the February 2013 "Monitor IBP" newsletter http://www.ibp.org.br/main.asp?View={D1EE5277-8EDC-4FF6-9976-20F4199F82D4}, the average 2012 oil production ranking in Brazil showed Statoil as the second largest producer after Petrobras, followed by Shell, BG, Sinochem,

Queiroz Galvão, Petrogal, OGX, El Paso, Chevron and BP among others. In the 2011 average ranking, Chevron was the third largest oil producer after Petrobras and Shell. The same publication shows that as of January 2013, Petrobras had a total of 87 drilling rigs in operation (53 offshore and 34 onshore) out of a total of 108 rigs operating in Brazil. OGX followed with nine rigs and Petra Energia with six.

In 2012, Brazil exported 211,215,673 barrels of oil (approximately 578,673 bpd), versus 232,264,397 barrels in 2011. About 38% of Brazil's oil exports went to the United States (approximately 2,194 bpd), the largest consumer of Brazil's oil. During the same period, Brazil refined about 1.997 million bpd, with 359,460 bpd being light oil that was imported to mix with Brazil's predominantly heavy crude. Imports in 2012 totaled 112,920,653 barrels of oil (approximately 309,372 bpd). In 2011, Brazil imported 120,198,156 barrels.

Petrobras' sales of gasoline in the domestic market grew by 17% in 2012, fueled by an increase in the vehicle fleet and a reduction in ethanol consumption, which forced Petrobras to import 87,000 bpd, 102% more than 2011.

On March 15, 2013, the company announced that it would invest US$236.7 billion (approximately US$47.3 billion/year) from 2013 through 2017, with 62% of this investment dedicated to exploration and production (E&P). This new five-year investment plan keeps the same investment level as the previous 2012-2016 plan. Additionally, because Petrobras will become the only operator in future offshore pre-salt tenders, most business opportunities for U.S. firms lie in offering services or products to Petrobras. For more information, please review the "Sub-sector Best Prospects" section in this country commercial guide for the Oil & Gas industry.

According to the IBP's calculations, other oil companies are expected to invest approximately US$43 billion in Brazil from 2011 until 2015 (or about US$9 billion a year). The E&P segment will receive about US$30 billion of this investment amount.

Additionally, if the upcoming oil licensing rounds scheduled for October and December of 2013 are successful, the level of investment in Brazil's oil and gas sector will grow substantially over the next ten years.

The first oil licensing auction in several years, the 11th round, was held on May 14, 2013, with the purchase of 142 blocks (equivalent area of 100,372 km2) out of the 289 blocks offered (http://www.brasil-rounds.gov.br/index_e.asp). The 11th bidding round of ANP resulted in R$6.9 billion in minimum investment commitments in exploration activities in the country, far surpassing the amounts committed in previous rounds, which varied between R$363.5 million and R$2 billion. The 11th bidding round collected R$2.8 billion in signing bonuses. Of the 64 companies that participated, 39 submitted offers, alone or in consortium, of which 30 companies were successful - 12 Brazilian and 18 foreign companies. In order to purchase the blocks on offer, the companies had to consider in their proposals 40% for the signature bonus, 40% for the minimum exploratory program (PEM) and 20% for the purchase of goods and services within the national program of local content.

The December 2013 planned oil licensing round is expected to focus on land-based blocks to try to increase the participation of small oil independent companies in Brazil. These areas will likely include potential shale and tight gas blocks as well. However, Brazil's national oil regulator, ANP, has yet to finalize specific exploration regulations for

non-conventional areas. ANP is likely to impose more restrictive environmental demands on the oil companies that decide to invest in this new segment.

A few players in Brazil are beginning to drill some pilot shale gas wells, but they face challenges related to operational inefficiencies to perform hydraulic fracturing (e.g. lack of good transportation infrastructure, few fracking trucks, high costs, and lack of large scale natural gas consumption in Brazil). Additionally, for fracking to become economically viable there must be economy of scale in such activity (e.g. shale wells must be drilled in sequence). Such economy of scale may come with the planned oil licensing rounds noted above. Industry analysts also believe that if the Brazilian government includes more natural gas in future electrical power auctions, it may help supply an increasing demand for the gas produced in non-conventional fields.

Lately, in addition to the gas imported from Bolivia and Brazil's limited domestic production, the expansion of gas consumption in Brazil has been mostly supplied by Liquefied Natural Gas (LNG), which is much more expensive than other traditional sources. While in the U.S. shale gas costs $3 per million BTU, the LNG may cost five times more. The gas that will be produced out of the giant pre-salt fields may be expensive because it is found in areas very distant from the Brazilian coast, thus increasing the transportation and exploitation cost. If the bottlenecks to producing non-conventional gas in Brazil are overcome, gas may turn out to be a competitive supply source.

Market Challenges

On August 31, 2009, the Brazilian government unveiled the Pre-salt Regulatory Regime, which was approved by former President Lula on December 22, 2010. Future pre-salt fields and areas judged strategic for the Brazilian government will be developed - through Production Sharing Agreements (PSAs). The new regulatory regime establishes that all future-tendered pre-salt reserves will belong to the Brazilian government. The exploration and production of the fields will be done through consortia, where Petrobras will hold at least 30 percent equity in each oil block. Additionally, Petrobras will be the lead operator in all future pre-salt oil fields. In specific cases, as decided by the Brazilian National Energy Council, Petrobras may be called upon to explore selected pre-salt oil fields without a tender process. To date, 29% of the pre-salt area has been auctioned off through the previous concession regime. The new PSA legislation will regulate the remaining 71% of the pre-salt fields. A new pre-salt oil licensing round is tentatively scheduled for October 2013. The consortia will share the produced oil with the Brazilian government and will pay royalties.
The division of the oil royalties (for fields already auctioned off) among the 26 Brazilian States and the Federal District has sparked political debates and legal controversy.

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

Petrobras E&P Critical Equipment: Opportunities for Foreign Suppliers

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

(a) Industry sources estimate that the market demand for Remotely Operated Vehicles (ROVs) will grow more than 10% a year from a current 158 units to about 274 units by 2020.

Hydraulic fracking technologies might also present good opportunities for U.S. companies, if ANP offers non-conventional areas for leasing, as noted previously in this report.

Petrobras Future Vessel and Equipment Demand

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

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

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

More detailed information on the amounts of equipment and materials that Petrobras will require between 2011 and 2016 can be seen in several presentations by Petrobras, available at Commercial Service Brazil's energy webpage: http://export.gov/brazil/industryhighlights/energy/eg_br_023986.asp

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Petrobras´ Importance: The 2013 PFC Energy 50 publication ranked Petrobras as the seventh largest energy company in the world, in contrast with a fifth position in the 2011 ranking: (https://www.pfcenergy.com/PFC-Energy-50/PFC-Energy-50). On February 4th, 2013, Petrobras announced its worst result in eight years. Its net income fell 36% in comparison to 2011 reaching R$21,182 million, reflecting the results of foreign exchange depreciation, a larger share of imported oil productson Petrobras' sales volume, and higher operating expenses driven by more write-offs of dry or sub-commercial oil wells. Industry analysts blame the Brazilian government's control of Petrobras' fuel prices as the main cause for Petrobras' weak results in 2012. They also believe that sourcing equipment and services locally, more than the domestic industry may have been able to deliver, also caused project delays and inflated the costs of a number of Petrobras' projects, thus impacting its financial results.

As recently as March 2013, however, the Brazilian government authorized Petrobras to increase selected fuel prices, which is expected to bring more cash flow to the company. As a result of these two price adjustments, Petrobras' shares rose 21% in two days. To more efficiently optimize costs, Petrobras has also been reevaluating the economic feasibility of several projects (e.g. some previously planned refineries) before they resume or start construction. In view of these factors, a number of equipment and service suppliers experienced a weak sales year and uncertainties because Petrobras is their main client. Petrobras' investments in 2012 reached R$84.1 billion (or about US$42 billion), most of which went to exploration and production (51%). Petrobras ended 2012 with nearly 81,918 full-time employees, and is expected to reach 103,030 by the end of 2015. Planned investment for 2013 is R$97.7 billion. The table below shows a breakdown by segment.

Petrobras 2013 Annual Business Plan

Segments	Investments R$ Million	%
Exploration & Production	51,943	53.1%
Downstream	32,550	33.3%
Gas & Energy	5,535	5.7%

International	3,754	3.8%
Distribution	1,210	1.2%
Biofuels	1,316	1.3%
Corporate	1,445	1.5%
TOTAL	97,754	100%

A summary of the new Petrobras investment plan for the period 2013-2017 can be viewed at**:**
http://www.investidorpetrobras.com.br/en/presentations/2013-2017-bp-presentation.htm

Market Entry
Since Petrobras' monopoly ended in 1998, 72 firms - half of which are international companies - started doing business in Brazil and competed for the 819 oil blocks awarded through the first ten annual oil-concession licensing rounds (held from 1998 to 2008). As Petrobras won the majority of these concessions, interested suppliers need to register at http://www.petrobras.com.br/en/supplier-channel/ "Suppliers Channel Guide" in order to sell to Petrobras. Securing a local Brazilian partner is a key component to this supplier's registration procedure. Also important is to connect with major EPCs with contracts to Petrobras, including Queiroz Galvão, Brasfels, IESA, Odebretch, and others.

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

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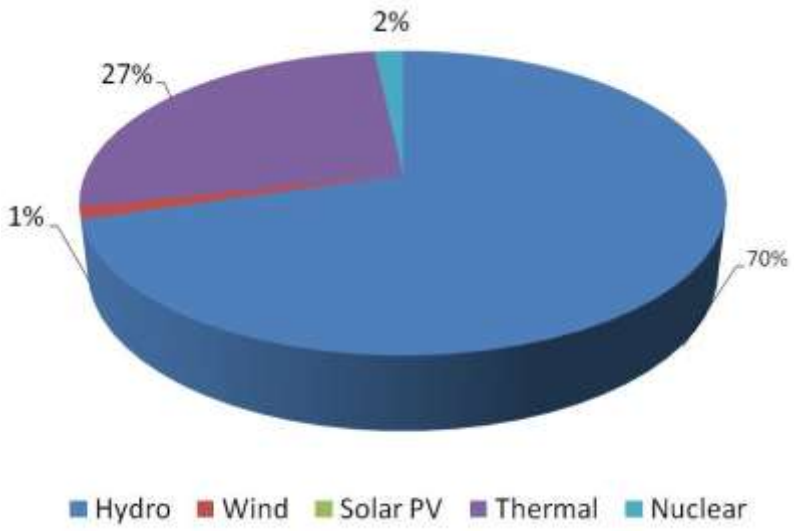
- Petrobras: www.petrobras.com.br
- Petrobras slide presentations: www.slideshare.net/petrobrasri.
- Ministry of Mines and Energy (MME): www.mme.gov.br
- ANP – National Petroleum Agency: www.anp.gov.br
- The Brazilian Petroleum Institute: www.ibp.org.br/main.asp
- For more market research reports, please visit: http://export.gov/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

Renewable Energy Sector

According to the Brazilian National Energy Balance published by Energy Research Company (EPE), renewable energy participation in the Brazilian electrical power generation increased 2.5% in 2012, reaching 507,116 GWh and representing 88% participation in the Brazilian energy matrix. Annual average expansion of renewable energy in Brazil is 12%, with emphasis on wind energy, biomass from sugarcane and small hydropower plants.



Source: ANEEL

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Wind

The wind energy capacity, generated by Brazil's 108 wind farms, reached 2.5 GW in 2012, a 73% increase above that of 2011. Overall, this type of energy generated 2% of the country's energy matrix last year. Of this total, 1.3 GW resulted from incentives from the Program for Incentives for Alternative Energy Sources (Proinfa), the first phase of deployment of this type of energy in the country. In addition, 1.2 GW of the total energy generated resulted from incentives from the Reserve Auction (LER 2009) which corresponds to the second phase of deployment. By the end of 2013, it is estimated that installed capacity nationwide will reach 6.05 GW, and will increase to 8.8 GW by 2017.

While the first wind farms use wind turbines 48 meters in height, which generate 600 kilowatts (kW), the latest ones use equipment with 100 meters in height, capable of generating 3 MW of power.

											GWh
FLOW	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	*FLOW*

TOTAL GENERATION[1]	56	63	74	74	342	668	1.183	1.238	2.177	2.705	*TOTAL GENERATION [1]*
TOTAL CONSUMPTION	56	63	74	74	342	668	1.183	1.238	2.177	2.705	*TOTAL CONSUMPTION*

[1] *In order to estimate the data not reported, it was considered 32.0% as the average capacity factor of the national windfarms.*

Source: EPE

Solar

It is estimated that Brazil has installed approximately 20 MW of solar photovoltaic generating capacity, the majority of which (99%, according to the Atomic Energy Institute [IEA] in 2011) is intended to supply electricity to isolated and remote systems primarily in areas where the extension of the electricity distribution network does not appear to be economically feasible. These solar photovoltaic systems are also used in infrastructure such as the antennas and communications masts used for mobile phone networks and traffic radar systems.

However, the solar energy market conditions have been evolving recently due to the operation of the first grid-tier solar project by MPX Energia (1MW) and recent applications of solar energy at soccer stadiums and other newly built or renovated facilities for the 2014 World Cup.

Besides the high level of insolation, large deposits of silicon, the material used to manufacture solar panels, is a key advantage for Brazil. However, to reap its benefits, investment in technology is required as the country has not yet mastered the process for purifying the ore to the state necessary to manufacture the panels.

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To satisfy the growing wind energy demand, wind power turbines that generate more than 1.5 MW are viable market qualifiers. In addition, solar energy related equipment can offer longer-term opportunities in Brazil, including liquid pumps for photovoltaic generation, air cooling systems, photovoltaic panels, solar inverters and batteries, as well as all related parts.

Trade Events

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- Brazil Windpower: http://www.brazilwindpower.org
- Solartech Expo Brazil: http://www.greenworldconferences.com
- EnerSolar Brazil: http://www.enersolarbrasil.com

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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

Security Industry

Overview

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Unit: US$ thousands

	2011	2012	2013 (est)	2014 (est)
Total Market Size	$ 17,000	$ 20,000	$ 24,000	$ 27,000
Total Local Production	$ 15,000	$ 17,000	$ 20,400	$ 23,100
Total Exports	$ 100	$ 150	$ 180	$ 170
Total Imports (Electronic Products)	$ 2,000	$ 3,000	$ 3,600	$ 3,900
• *Imports from the U.S.*	*$ 1,000*	*$ 1,500*	*$ 1,600*	*$1,800*

- *Statistical data are unofficial estimates from trade sources*

Brazil's already well-developed security market is experiencing double digit growth driven by overall economic growth and the major sporting events, including the 2014 World Cup and the 2016 Olympics. The country has an extensive and well-developed security market that registered an average annual growth of 10% for the last eight years and annual sales around US$24 billion, which includes private security services. Foreign products account for approximately 50% of the electronic security total market share, with U.S. products representing half of these imports. Other major players come from Israel, Korea and Japan, each one responsible for 10% to 15% of the import market share.

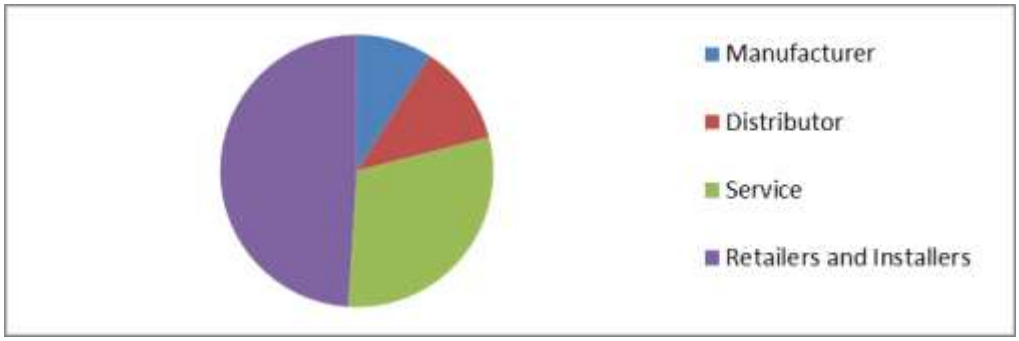
Brazil carries an international reputation of being a violent country. However, the level of criminality is not the only driver boosting the national security industry, as crime rates and social inequalities have been falling. The security market has become more promising because of the country's general wealth increase.

For the past three years, while preparing for the Games, the state of Rio de Janeiro has been implementing an innovative safety program focused on “UPPs,” or Pacification Police Units, marking a radical shift in how Rio deals with violence and drug trafficking in the city’s “favelas.” The first UPP was implemented in 2008. According to most statistics, the Pacification program has been positively received, and violence has been decreasing since 2008.

The largest clients in this market are financial and commercial institutions and the GOB, which supplies the national public security Public Security sector. For the Games, the federal government has created a specific agency under the Ministry of Justice charged with overall security planning and coordination for the Confederations Cup, the World Cup, and the Olympics. As in most other industry sectors, to be successful in Brazil, foreign manufacturers must either establish themselves within the country or have a local representative. The GOB and the private sector prefer to contact Brazilian representatives and do all the import procedures through them instead of contacting the foreign suppliers directly. It is also important to have a distributor who can offer after sales and maintenance services, replacement parts, and repairs.

Market Challenges

There are approximately 18,000 security companies operating in Brazil divided in the following categories:



About 84% of Brazil's electronic security market is made up of small and micro businesses, but the highest revenues are generated by a few large players. International companies like Bosch, Johnson Controls, Tyco, Siemens, Pelco, Samsung, GE and others have already established a strong presence in the country through representatives, distributors, and/or joint-venture partners. Approximately 86% of the demand for electronic security products comes from the non-residential sector, which includes government and its institutions as well as private sector industries.

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Below are the areas that currently present the best prospects in the security market.

Sub-sectors	
Public Safety and Security	Hi-tech equipment and professional training
Mass Transportation	Bus and subway stations security systems
Airport security	Electronic equipment, such as X-rays and metal detectors
Personal and domestic defense	Bodyguards, home alarms and TV circuits
Cyber security	Data cryptography. Brazil has one of the largest hacker communities in the world

The Security Industry Association's online 2012 Brazil Security Market Report indicates the nation's market for electronic security equipment is expected to be US$1.8 billion by 2017. The current market breaks down as follows:

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

Market Trends

The opportunity in the security industry is Brazil's extraordinary challenges as it prepares the country's security for the upcoming Games. As a result, the federal government has created a specific agency, SESGE, under the Ministry of Justice charged with overall security planning and coordination for the Confederations Cup, the World Cup, and the Olympics. The best resources for information about public security, including announcement of public tenders, can be followed at the below website:

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

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SESGE will have an investment budget of R$1.17 billion (approx. US$578 million). This will include equipment for command and control centers, training, and security items such as mobile police stations, boats, cameras, and software.

SESGE is the main entity in charge of announcing procurements related to public security for the Games. In 2012 alone, SESGE has announced international tenders for equipment and services for services such as manned observation platforms, unmanned observation platforms, anti-bomb robots, video-walls, radio communications, media intelligence monitoring, video-monitoring, geo-reference systems and cyber security software.

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

Market Entry

SESGE has set up special procurement procedures for the security products for the upcoming games. They have implemented actions that precede the development contracts of a basic project, equipment or systems that will exceed US$5 million. The initial procedure begins with a request for information (RFI) from all companies detailing security equipment requirements for the upcoming large events. The U.S. Commercial Services notes that in some cases, interested companies will have **five working days from the day of the announcement** to complete a meeting request form and send it to SESGE. This will serve as a formal request to introduce their technology. SESGE will then initiate the tender process by preparing specification documents with the input and assistance provided by the RFI phase.

Prospective Buyers

The Brazilian government will invest heavily in high tech equipment to provide adequate security for the Games. The Brazilian federal government will be in charge of managing World Cup security, and anticipates that there will be numerous investment opportunities for security improvements for the Games and the hosting cities.

Technical literature must be translated into Portuguese. Although there are no official regulations and technical standards for electronic security equipment, ABESE issues sector-specific certification called the Yellow Stamp of Quality. The certification is issued by ABESE to companies in the electronic security sector, including manufacturers, distributors, and service companies.

Fédération Internationale de Football Association (FIFA), through the Safety General Office of the 2014 World Cup Organizing Committee, will be responsible for private security in the perimeter of private places, such as: outer and inner perimeter of indoor stadiums; FIFA/COL (Local Organizing Committee) offices; team´s and FIFA members´ hotels; and official training fields. If, for any reason, the security inside a stadium or other place under FIFA's responsibility is not guaranteed by this entity, the public safety authorities will take control of these areas.

The 2016 Rio Olympic Organizing Committee will also pay special attention in providing security for the Olympic venues, following the same security policy established by FIFA in which private companies will be in charge of providing security services in the inner perimeter of the stadiums. The procurement process for the Olympic Games is available at the Rio 2016 Olympic Committee Website (http://www.rio2016.org/). U.S. companies interested in participating in the bidding process are required to preregister at the Supplier Portal.

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Brazilian Association of Electronic Security Equipment: http://www.abese.org.br
ASIS International, Brazil Chapter: http://www.asisbrasil.org.br/
ABSEG – Brazilian Association of Security Professionals: www.abseg.com.br
Justice Department: http://portal.mj.gov.br/data/Pages/MJ2774919DITEMID82884F3FB41C4E4E9CCC0E2BEAF60600PTBRNN.htm

For More Information: The U.S. Commercial Service in Rio de Janeiro can be contacted via e-mail at genard.burity@trade.gov ; Phone: 55 21 3823-24101; Fax: 55 21 3823-2424; or through our website: www.export.gov/brazil

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 on a much smaller scale, imports from Asia may grow rapidly due to aggressive pricing.

FIFA World Cup and Olympic Games

While there may still exist small procurement opportunities with the FIFA Organizing Committee, the U.S. Commercial Service believes that the Olympics present a stronger possibility for U.S. exporters of sporting goods equipment and services. The 2016 Rio Organizing Olympic Committee will pay special attention to sustainable development in their procurement announcements. U.S. firms that have not invested in Brazil may still have a strong incentive to bid on these projects, especially firms that have had experience supplying sporting goods to previous Olympics or major sports events and 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 the Brazilian Bid Law (Law 8,666/1993). The procurement process with a timeline of when specific procurements will be announced for the Olympic Games will be announced by the Organizing Committee in mid-2013 on the Rio 2016 Olympic Committee Website http://www.rio2016.org/

The Rio 2016 Olympic Committee released a registration site for foreign and domestic suppliers, the "Supplier Portal": http://portaldesuprimentos.rio2016.com/sustentabilidade

While the official launch will occur in mid-2013, foreign and domestic companies can pre-register through this website. The U.S. Commercial Service encourages U.S. companies to pre-register to alert the Committee to their interest in becoming official suppliers. Companies that are pre-registered through the portal will receive information as specific bids are announced.

The majority of requests for proposals will occur between 2014 and 2015. In order to ensure a transparent process, the Supplier Portal will be the only means for foreign and domestic companies to 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 10% over the next three years. Natural conditions such as good weather and the extensive Atlantic coast line (over 5,000 miles long) make this a large market. Sailing is often taught at an early age through sports clubs. Children often progress through a series of boats from dinghies up to ocean classes. 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.

Two other great potential niches 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 becoming popular among the local population 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 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.

Fitness Equipment

Brazil is Latin America's fitness industry leader, and currently ranks fourth in the world in terms of revenues. Although less than 5% of Brazil's population exercises regularly, this situation is slowly changing because of concerns about obesity and sedentary lifestyles. Today, gym membership is seen as more and more valuable, and increasingly as a status symbol. Also, employers are beginning to worry about employee quality of life; as a result companies are purchasing equipment for gyms located at the work place.

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

Spas and Hotels - With 15-20% growth projections over the next three years, spas and hotels demonstrate potential for fitness equipment. More tourist spas and hotels are opening throughout Brazil as a response to heightened demand for the upcoming major sporting events. In fact, a 6.8% growth in the number of hotels is specifically anticipated for the 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. Additionally, large franchised gyms, some owned by foreign investors, are increasingly present in Brazil and should not be ignored by U.S. firms.

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. equipment is often favored.

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 are increasingly popular. As a result more safety equipment is necessary to support this market.

Opportunities

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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.

Web Resources

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- ACOBAR – Brazilian Association of Boat Manufacturers – Annual report 2012 http://www.acobar.org.br
- IHRSA – http://www.ihrsa.org
- FIFA and Olympic Games Organizing Committee.
- The U.S. Commercial Service Brazil World Cup and Olympics reports can be found at: 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 World Cup and 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 in the country reached US$ 80 billion and by 2017 is forecasted to reach US$ 100 billion.

Regulatory and legislative adjustments have been and will continue to be essential in the telecommunications sector's sustained growth. The approval of a new framework that allows telecommunications companies to offer cable and internet protocol television services can potentially reduce prices, accelerate adoption and increase competition. Likewise, the National Government Broadband Plan will spur the expansion of broadband services throughout Brazil. However, high taxes are a persistent problem in hindering growth.

As for manufactured equipment, the market reached US$ 11.5 million and the industry expects a growth of 8% in 2013. 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. Cutting edge solutions and offerings have demonstrated viable market opportunities.

Brazil will be receiving more global attention in the coming years as it hosts the 2014 World Cup, followed two years later by the summer 2016 Olympics. There are big expectations related to the launch of "4G" services in Brazil and this may be one of the principal themes for 2013. The uptake of services, however, will begin in a gradual away with low initial adoption hampered by the high cost of devices.

Telecommunications Equipment Market

$ millions	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	9.567	11.615	11.405	13.674
Total Local Productior	8.357	9.951	11.406	12.318
Total Exports	0.625	0.500	0.300	0.400
Total Imports	1.210	1.664	1.356	1.464
Imports from U.S.	0.900	1.000	2.712	2.929

Source: Brazilian Electrical and Electronics Industry Association

Telecom Sector - Gross Revenue

$ Billion	2010	2011	2012	2013 (estimated)
Telecom Equipment	8.4	10.0	11.4	12.3
Fixed Telephony	27.3	26.1	24.3	26.2
Fixed Broadband	10.6	11.2	12.6	13.6
Wireless Telephony	10.6	41.1	44.9	48.5
Pay TV	5.8	8.3	10.2	11.0
Trunking	3.3	4.2	4.1	4.4
Total	**65.8**	**100.7**	**107.4**	**116.0**

Source: Telebrasil – Brazilian Association of Telecommunications

Telecommunication Market - General Indicators – # of Subscribers

Million	2010	2011	2012	2013 (estimated)
Wireline Telephony	42.0	43.0	44.3	53.2
Wireless Telephony	202.9	242.2	261.8	282.7
Pay TV	9.8	12.7	16.2	20.6
Broadband	13.8	16.7	20.0	21.6
Others	3.3	4.1	4.0	4.3
Total	**271.9**	**318.8**	**341.6**	382.4

Source: Telebrasil – Brazilian Association of Telecommunications

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Cellular Phone Services: 2012 represented a milestone for the Brazilian mobile market as it reached a density of more than 130 lines per 100 inhabitants. For the first time, annual growth

was more than 10%. It was a year of transition with the voice market reaching maturity and operators increasing their focus on mobile broadband. In 2013, mobile operators will not be able to count on the growth of their cellular base to leverage an increase in revenues. Voice revenues are likely to drop, pressured by decreases in the prices charged for on-net calls and a drop in interconnection revenue determined by the Brazilian regulatory agency Anatel.

Considering this scenario, operators will increase their focus on data services, to stimulate smartphone sales and expand their 3G and "4G" networks. The migration of GSM handsets for 3G, which still represents more than 70% of mobile lines in the country, will also accelerate in 2013, though 3G handsets are not likely to overtake GSM devices until 2015. Competition may become stronger due to the introduction of Nextel's 3G operations whose biggest growth comes from the postpaid segment that has increased at a faster rate than prepaid segment in 2012. Some new players like Virgin Mobile will begin its mobile virtual network operator service (MVNO), which could then entice other companies to enter the market and help to establish the MVNO market inside Brazil. However, the current market share ranking of the cellular operators, with Vivo likely to keep its leadership, followed by TIM, Claro and Oi, is expected to remain the same.

Wireline Market: For the fixed services market, which includes fixed telephony, broadband and pay-TV services, the focus will be on increasing investments in Fiber to the Home (FTTX)-based fixed broadband networks. Fixed broadband is expected to continue growing at an annual rate of 20%. Pay-TV, which increased 27% in 2012 due to Direct-to-Home TV, is likely to keep this growth rate in 2013, together with large growth expected of cable TV and Internet Protocol TV. América Móvil Group (Embratel/Net) may overtake Oi and become the market share leader in fixed broadband, which has already occurred in the Pay-TV market.

Broadband / Satellite: With a promising economic outlook and rising prosperity, 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 too high for the Brazilian socio-economic environment. On the other hand, the growth of mobile broadband in Brazil has attracted more than four million subscribers. The largest wireless telecom carriers are: Vivo (Telefonica) – 28.8% market share; Tim (Telecom Italia (26.9%); Claro (América Movil) 25.1% and Oi (Private Brazilian Funds and Portugal Telecom) 18.7%.

The Brazilian Government is seeking to procure a geostationary satellite to expand broadband internet service throughout the country and to serve the communications needs of the Brazilian Armed Forces. The satellite will provide Ka-band internet access for remote civil and government facilities throughout Brazil as part of the National Broadband Plan and the X-band payload will provide communication services for the military. Although the satellite will be imported, the Brazilian government will require technology transfer to the domestic industry so that it will no longer need to contract all elements for future satellites from outside of Brazil. The official Request for Proposals was released in February 2013 and proposals were due April 8th. The procurement is estimated at US$ 425 million, with US$ 250 million in U.S. export content.

Media: Free-on-the-air broadcast (non-cable) television companies are subject to a regulation that requires 80% of their programming content be domestic in 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 new law in September 2011 encompassing the subscription television market, including satellite and cable TV. Under the new law, telecom companies will now be allowed to offer television packages with their service. The law also removed the previous 49% limit on foreign ownership of cable TV companies.

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Just as an example on how the Brazilian market is expected to grow, Brazil has 50 million users on Facebook, with a growth rate of 144% per year, making it the second largest country on Facebook after the U.S. The Brazilian mobile market is eager to play games and consume apps in general. The Apple App Store in Brazil recently began offering games in April 2012, and not only is Brazil now the biggest app market in Latin America, but its year-on-year revenue outpaced the U.S. App Store's revenue growth. 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 costs 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 encourage telecom carriers to purchase 4G bandwidth at competitive prices, Brazil is laying the groundwork for widespread 4G access. All four of Brazil's major telecom companies obtained licenses for 4G high-speed Internet capabilities in the recent auction and have pledged to ready their 4G networks by 2013, before the World Cup. Over the long run, these telecoms companies are expected to offer 4G in all Brazilian cities with a population of 100,000 or more by the end of 2016.

Brazil is developing the conditions to have a dominant mobile market: the government is supporting new initiatives, important OEMs have plants in the country and the consumer base is massive. As its place in the global mobile market matures over the next few years, developers, entrepreneurs and investors would be wise to obtain a stake in this mobile frontier before the competitive landscape becomes saturated.

Web Resources

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- 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

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- **SET Broadcast & Cable** - http://www.broadcastcable.com.br
  August 20-22, 2013 – Sao Paulo, SP, Brazil

- **Futurecom** - http://www.futurecom.com.br
  October 21-24, 2013 – Rio de Janeiro, RJ, Brazil

Transportation (other than aviation)

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The 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 - the exception is the Amazon region where rivers are usually the only way of access to many isolated villages. Railroads are few and uncompetitive. The use of trains for long distance transportation of passengers is restricted to a few urban tourist routes while cargo transportation is mostly restricted to minerals.

According to the Brazilian government, the investments needed to reduce bottlenecks in the transportation sector for the medium and long term will total US$ 220 billion between 2008 and 2023. Investments include extension of highways, the interconnection of the North-South regions with the Southeast region, ferries to cover North-South regions and port construction.

Brazil intends to act quickly to improve its transportation infrastructure in preparation for the World Cup and the Olympic Games. The Brazilian government has pledged billions of dollars to improve the urban transit system in the 12 World Cup host cities. Brazil is developing new concessions and public-private partnerships, leveraging the private sector in a way that is mutually beneficial to investors and the government.

In 2012, President Rousseff launched the Logistics Investment Program, an initiative designed on the basis of strategic partnerships with the private sector and focused on the renewal and integration of the Brazilian transportation network. The goal is to meet the growth demands of a country with continental dimensions. The program consists of a wide concession set in transportation logistics which implies large private investment in infrastructure. Between March and September 2013, the Brazilian government will make concession auctions for large projects for highways (7,500 km), railways (10,000 km), and ports.

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The total investments for logistics for roads and railways will be as follows:

LOGISTICS INVESTMENT SCHEDULE	*US$ billion*
Roads (7,500 km)	**32.8**
Within the next 5 years:	21.0
Within the following 20 years:	11.8
Railways (10,000 km)	**45.5**
Within the next 5 years:	28.0
Within the following 25 years:	17.5
Total investments:	**66.5**
Within the next 5 years:	39.8
Within the following 20 years (for roads) and 25 years (for railways):	26.8

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 20% of the gross domestic product (GDP), twice that of the United States. In August 2012, the Brazilian Government launched the Logistics Investment Program with the objective to provide Brazil with a transportation system that is compatible with the country's size. It will apply an investment model that favors partnerships between the public and private sectors. Concessions will be awarded for highway projects and public-private partnerships will be established for railway projects.

Roads: Highways represent more than half of all public transportation in Brazil, followed by railways with 25%, waterways with 17% and others, such as air transportation. The GOB plans to spend US$ 32.8 billion in the next five years and another US$ 11.8 billion in the next 20 years. This amount will be used to create and improve roads of the five Brazilian regions. This process includes not only the construction of bridges and paths, but also their paving, duplication, maintenance and preservation. Brazil will also open for concession some of the major highways in north and northeast states in the regions of Minas Gerais, Bahia, Espirito Santo, Goiás and Tocantins.

Railways: Today, Brazil has less than half the quantity of railroads of China and India. The roads represent 61% of the total freight while railroads comprise 21%. Transport by rail can 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 the railroads. US$ 28 billion will be invested within the next five years and US$ 17 billion in the following 25 years. Such investments would result in 10,000 kilometers of expansion. The objective is to improve the connection between the North and South regions by connecting preexisting railways and building new ones. It is also scheduled for September 2013 the concession auction for the operation of the first high-speed railway in Brazil, which will connect the cities of Rio de Janeiro, Sao Paulo and Campinas, in a total length of 511 km. The first phase includes the concession of the operation and maintenance of the system, supply and assembly of operational (signaling, electrification and telecommunication) and safety systems, rolling stock and acoustic protection, and technology transfer. The concession terms will be for 40 years of operation with public investments of US$ 476.5 million and US$ 583 million for private investments.

Ports: In December 2012, the Brazilian Government announced a concession program to attract US$ 25 billion in investments for Brazil's aging port infrastructure in the next four years. The aim of the project is to increase Brazil's competitiveness, reduce barriers to entry, modernize port management, increase trade, and reduce the high cost of doing business. The government plans to re-auction 55 public terminals whose operators entered into contracts with the GOB before the 1993 Ports Law was approved. The concessions will not be awarded on the basis of the highest bidder but rather on what operator appears technically proficient enough to facilitate the movement of the most cargo at the lowest price. Port operators will be allowed to end the practice of differentiating between their own cargos and those of a third party. In effect, this change will allow privately-owned port operators to compete for container traffic for the first time. A national dredging plan of US$ 1.8 billion was also announced in the same ceremony and this may offer opportunities to U.S.-based dredge manufacturers. All of these investments will enable the reduction of tariffs and freight cost and will contribute to reducing the flow of trucks on highways.

Waterway: Brazil's participation in the waterway model of transportation is small when compared with other countries. For example, 25% of cargo is transported by river in the United States and 35% in Canada. In Brazil, only 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. However, the potential is still largely untapped with navigation occurring in only 15,000 km, with a greater concentration 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.

World Cup 2014: Brazilian cities will have to invest heavily in the modernization and expansion of its transportation system, and the World Cup is the incentive Brazil needs to do such. Brazil plans to invest in the construction of new metro lines, the implementation of light rail vehicles (LRV), Bus Rapid Transit (BRT) and other infrastructure projects to make its transportation system modern.

The current metrorail system in all Brazilian cities transports about 6 million people daily. That should be the number of people transported by the metro system in the metropolitan area of São Paulo alone. According to a study done by ANTP (National Association of Public Transportation), the social cost incurred by the city of São Paulo due to its current insufficient public transportation system is about R$ 40 billion a year (US$ 22.22 billion). Furthermore, the study showed that 63% of the cities with more than 300 thousand people use illegal, unsafe and unreliable means of transportation with millions of people spending 3 to 6 hours a day traveling to and from work or school. While there are many problems in the current system, there are a lot of opportunities for growth and investment, including for U.S. companies.

Opportunities

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Brazil has historically invested in other sectors to the detriment of infrastructure. Now, the country faces an infrastructure deficit. Recent growth and a net of opportunities arising in Brazil will be the thrust the country needed to shift its focus to the infrastructure. International and domestic pressure to host the 2014 World Cup should compel Brazil to finally develop a modern transportation infrastructure.

Despite the complexities of doing business in Brazil, the outlook is good for business development in the region and there's much room for growth between U.S. companies and Brazil in particular. The United States is Brazil's third largest trading partner, behind Asia and South America, respectively.

Market analysts agree with the approach to 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 World Cup and the Olympics, to reach long-term success. Today only 14% of Brazil's roads are paved and 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 government involvement in the marketplace to promote the development or preservation of Brazilian industries deemed to be strategic, including increased use of local content and technology transfer requirements.

Brazilian government procurement rules apply to purchases by government entities and state-owned companies. 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 law's implementing regulations provide for a preference to Brazilian goods and services. Price is to be the overriding factor in selecting suppliers. However, the law's implementing regulations also allow for the consideration of non-price factors, giving preferences to certain goods produced in Brazil and stipulating local content requirements for fiscal benefits eligibility. Additionally, nearly all bids require establishment of a local representative for any foreign company bidding.

Web Resources Return to top

- ANTP - National Association of Public Transportation - www.antp.org.br
- ANTF – National Association of Rail way 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

Trade Events Return to top

- **Infraportos South America -** http://www.infraportos.com.br/
  October 22-24, 2013, Santos, SP, Brazil
- **NT Expo – Rail Expo -** http://ntexpo.com.br
  November 5-7, 2013, Sao Paulo, SP, Brazil
- **TranspoQuip Latin America 2013 -** http://www.transpoquip.com
  December 3-5, 2013, Sao Paulo, SP, Brazil
- **Intermodal - Logistics, Transport. & Int'l Commerce Fair -** http://www.intermodal.com.br
  April 8-10, 2014 - São Paulo, SP, Brazil

Travel and Tourism

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Brazil is the sixth-largest source of foreign visitors to the United States, and is the top arrivals market from South America. Brazilians account for more than 30% of all arrivals from that continent.

With both the fifth largest land mass and population in the world, recent economic growth, and a growing 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. Spending by Brazilian visitors to the United States continues to grow every year. In 2012, Brazilians reached a record-breaking, $9.3 billion in expenditures in the U.S., which represented spending of more than $ 5,000 for each Brazilian visitor. Expenditures are expected to increase in the coming years.

The US Department of Commerce expects the total number of Brazilian visitors to the U.S. will increase to even higher levels in 2013. 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.

It is notable that São Paulo is the number one visa issuing U.S. Embassy/consulate post in the world. In 2012, Brazil issued more than 1.1 million U.S. visas; more than 50% of those visas were adjudicated in São Paulo.

The table below shows the top 20 countries that send tourists to the United States for the year 2012 leading up to November. Note the percentage increase of tourists from 2011 to 2012 for Brazil.

Top 20 Countries

YEAR-TO-DATE 2012 – January to November

RANK	COUNTRY OF RESIDENCE	NUMBER OF ARRIVALS	% CHANGE
1	CANADA	21,190,487	5.9
2	MEXICO	12,763,783	5.3
3	UNITED KINGDOM	3,484,758	-1.8
4	JAPAN	3,384,731	13.6
5	GERMANY	1,748,845	2.7
6	**BRAZIL**	**1,581,152**	**18.2**
7	PRC (EXCL HK)	1,375,284	35.9
8	FRANCE	1,357,519	-3.0
9	KOREA, SOUTH	1,138,178	8.5
10	AUSTRALIA	1,013,896	7.9
11	ITALY	758,072	-6.4
12	INDIA	677,868	8.4
13	VENEZUELA	578,460	21.2
14	ARGENTINA	564,882	19.2
15	SPAIN	558,508	-12.7
16	NETHERLANDS	552,672	-1.4
17	COLOMBIA	520,884	19.2
18	SWITZERLAND	440,685	0.1

19	SWEDEN	396,919	-1.2
20	IRELAND	306,894	-4.6
	TOTAL TOP 20 FOR Y-T-D	54,394,477	6.1

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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 the appreciation of the Brazilian currency, the real.

Brazil ranked 6th in country of origin of visitors to the U.S. during 2012. Top tourism activities when visiting the U.S., includes shopping, which accounted for 95% of their preferences, followed by dining in restaurants 89%, visiting historical sites, 51% and amusement/theme parks 47%. Other activities include sightseeing 40%; Art Gallery/Museums 32%; Concert/Play/Musicals 30%; visiting small towns 21%; cultural heritage sites 21%; and visits to National Parks 19%. The most popular destinations for Brazilian visitors in the U.S. are Florida (Miami and Orlando), New York City, Los Angeles, and Las Vegas. 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.

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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 world largest visa issuing post, 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. Agents should also take note of industry shoppers traveling specifically to purchase equipment. Other notable hobbies and professionals included 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 **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 2013 Brazil** took place in São Paulo and Rio de Janeiro in May 2012, and was visited by over 1,400 select travel agents, tour operators and media visitors in both cities.

VISIT USA 2014 will be held in May 2014 in São Paulo and Rio de Janeiro.

Web Resources

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

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

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

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Chapter 5: Trade Regulations, Customs and Standards

Import Tariffs

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

Brazil and its Southern Common Market (Mercosul) partners, Argentina, Paraguay, and Uruguay implemented the Mercosul Common External Tariff (CET) on January 1, 1995. 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:

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

The Brazilian Government established a computerized information system to monitor imports and to facilitate customs clearance known as the Foreign Trade Integrated System (SISCOMEX). SISCOMEX has facilitated and reduced the amount of paperwork previously required for importing into Brazil. Brazilian importers must be registered in the Foreign Trade Secretariat's (SECEX's) Export and Import Registry and receive a password given by Customs to operate the SISCOMEX. The SISCOMEX online registry creates electronic import documents and transmits information to a central computer. More information is available at:

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

Import Duty
The Import duty (abbreviated in Portuguese as II) is a federally-mandated product-specific tax levied on a CIF (Cost, Insurance, and Freight) basis. In most cases, Brazilian import duty rates range from 10% to 35%. MDIC publishes a complete list of NCM products and their tariff rates on its site:

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

Industrialized Product Tax (IPI)
The IPI is a federal tax levied on most domestic and imported manufactured products. It is assessed at the point of sale by the manufacturer or processor in the case of domestically produced goods, and at the point of customs clearance in the case of imports. As part of the federal government's efforts to support local producers, IPI rates between imported and domestically produced goods within the same product category may differ. The IPI tax is not considered a cost for the importer, since the value is credited back to the importer. Specifically, when the product is sold to the end user, the importer debits the IPI cost.

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

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

Merchandise and Service Circulation Tax (ICMS)

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

Effectively, the tax is paid only on the value-added; the tax is generally passed on to the buyer since it is included in the price charged for the merchandise. The ICMS tax due to the state government is based upon taxes collected on sales by a company, minus the taxes paid in purchasing raw materials and intermediate goods. The ICMS tax is levied on both intrastate and interstate transactions and is assessed on every transfer or movement of merchandise. The rate varies among states: in the State of São Paulo, the rate varies from 7% to 18%. 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 130 out of 183 countries in the World Bank's 2012 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 need to find strategic Brazilian partners and find ways to show that they are doing more than selling their products in Brazil and then going home. U.S. companies may face market access challenges in Brazil over the next several years, such as increasing pressures on the GOB to raise tariffs and impose non-tariff barriers. Brazil's "Buy Brazil" policy is one such measure.

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.pmddtc.state.gov

Temporary Entry

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Since 2000, the Government of Brazil has made an allowance for temporary importation of products that are used for a predetermined time period and then re-exported. 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. Brazil is expected to come on board prior to the soccer World Cup in 2014, but no specific timeline has been set.

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. 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.

Labeling and Marking Requirements

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

More information can be found regarding required and recommended labeling and marking in USCS Brazil's report on standards at:

http://www.ita.doc.gov/td/standards/Markets/Brazil.htm

Prohibited and Restricted Imports

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

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

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

Conformity Assessment

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

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

Product Certification

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Mandatory Testing and Mandatory Product Certification

For regulated products, the relevant government agency generally requires that entities engaged in product testing and mandatory certification be accredited by INMETRO. Generally, testing must be performed in-country, unless the necessary capability does not exist in Brazil.

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

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

Non-Mandatory Testing and Product Certification

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

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

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

Accreditation

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The General Coordination for Accreditation (CGCRE) of INMETRO is responsible for accrediting certification bodies, quality system registrars, inspection bodies, product verification and training bodies, as well as testing and calibration laboratories.

Information about accreditation requirements and currently accredited bodies is available at: http://www.inmetro.gov.br/credenciamento/index.asp.

Publication of Technical Regulations

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

Contacts

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

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

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

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

Trade Agreements

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

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

Web Resources

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Brazilian country profile with useful customs and standards information:
http://www.fedex.com/us/international/irc/profiles/irc _br_profile.html?gtmcc=us

List and description of mutual recognition agreements between Brazil and USA:
http://www.inmetro.gov.br/english/international/mutual.asp

For technical regulations of international markets:
https://tsapps.nist.gov/notifyus/data/index/index.cfm

Brazil's most widely-read newspaper, *Folha de São Paulo*:
http://www.uol.com.br/fsp

Brazilian Foreign Trade Integrated System:
http://www.receita.fazenda.gov.br/aduana/siscomex/siscomex.htm

Information about Mercosul Common Nomenclature:
http://www.brasilglobalnet.gov.br/frmprincipal.aspx

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

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

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

Brazilian Common External Tariffs:
http://www.desenvolvimento.gov.br/sitio/interna/interna.php?area=5&menu=1848

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Chapter 6: Investment Climate

Openness to Foreign Investment

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Brazil is open to and encourages foreign direct investment. New foreign direct investment (FDI) into Brazil reached approximately US$65 billion in 2012 and, according to the United Nations Conference on Trade and Development (UNCTAD) World Investment Report, Brazil is the fifth-most attractive country for FDI for the period of 2012-2014 and is consistently the largest FDI recipient in Latin America, typically receiving close to half of all South America's incoming FDI. The United States is a major foreign investor in Brazil; according to the Central Bank of Brazil, the United States had the highest stock of FDI in Brazil as of 2010, with US$104 billion. While Brazil is generally considered a friendly environment for foreign investment, complex tax and regulatory requirements exist. In most cases, these impediments apply without discrimination to both foreign and domestic firms. The Government of Brazil (GOB) generally makes no distinction between foreign and national capital in cases of direct investment.

The economy grew by 0.9 percent in 2012, and independent analysts anticipate that it will rebound in 2013 and grow by 2 to 3%. Medium and long-term prospects remain favorable, supported by strong domestic demand, global demand for commodity exports, a growing middle class, expected investment in infrastructure and development of offshore oil reserves, and prudent macroeconomic policies.

Ownership Restrictions: FDI is prevalent across Brazil's economy, although certain sectors are subject to foreign ownership limitations. A 1995 constitutional amendment

terminated the distinction between foreign and local capital in general, but there are laws that restrict foreign ownership within some sectors, notably aviation, insurance, and media.

Aviation

The Government of Brazil currently restricts foreign investment in domestic airline companies to a maximum of 20%. A bill pending in the Chamber of Deputies (PL6716) would increase that ceiling to 49%.

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. Both parties also signed a Memorandum of Consultation (MOC) that incrementally increases flight limits in the meantime. For example, in October 2012, the maximum number of weekly passenger flights was increased by 28 for U.S. airlines and by 28 for Brazilian airlines, and the maximum number of cargo flights allowed rose by 14 for each country's airlines. Additional increases will take effect in October 2013 and 2014.

Insurance

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

Media

Open broadcast (non-cable) television companies are subject to a regulation requiring that 80% of their programming content be domestic in 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. In September 2011, President Rousseff signed a law covering the subscription television market, including satellite and cable TV, that will remove the previous 49% limit on foreign ownership of cable TV companies. Under the law, telecom companies will be allowed to offer television packages with their service. Content quotas will 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 will have to be Brazilian. In order to gauge public opinion regarding the telecom sector before proposing revisions to existing regulations, the Brazilian National Telecommunications Agency (ANATEL) organized three public consultations in

late 2011 and submitted the results to the Brazilian Congress. As a result of feedback from the Brazilian Congress, the Brazilian Supreme Court will hold further consultations in 2013. It is anticipated that revisions to regulations could be enacted in 2013. While the results of these consultations are being considered, the previously existing law still prevails.

Foreign investment restrictions remain in a limited number of other sectors, including highway freight (20%) and mining of radioactive ore. Foreign ownership of land within 150 km of national borders remains prohibited unless approved by Brazil's National Security Council. In October 2009, the Chamber of Deputies approved legislation that would further restrict foreign ownership of land along Brazil's borders and within the Amazon. The proposed legislation still requires passage by the Brazilian Senate, followed by presidential approval before it can become law.

On December 9, 2011, the National Land Reform and Settlement Institute (INCRA) published a set of new rules covering the purchase of Brazilian land by foreigners. These rules follow an August 2010 Attorney General's opinion that similarly limited foreign agricultural land ownership. Under the new rules, the area bought or leased by foreigners cannot account for more than 25% of the overall area in any municipal district. Additionally, no more than 10% of the land in any given municipal district may be owned or leased by foreign nationals from the same country. The rules also make it necessary to obtain congressional approval before large plots of land can be purchased by foreigners, foreign companies, or Brazilian companies with the majority of shareholders from foreign countries. There are several proposed bills pending in the Brazilian Congress which would clarify the process for foreigners who want to purchase land.

Infrastructure Concessions: Brazil has begun an ambitious program to draw in private capital and managerial expertise to upgrade the nation's infrastructure. In February 2012, Brazil auctioned off concessions for the right to operate three of its largest airports – Juscelino Kubitschek (Brasilia), Guarulhos (São Paulo), and Viracopos (Campinas) – to the private sector. In December 2012, President Rousseff announced plans to auction in September 2013 additional concessions to operate the airports of Galeão (Rio de Janeiro) and Confins (Belo Horizonte). In August 2012, government authorities announced plans to auction concessions for the right to build and operate over 6,200 miles of railroad as well as 3,500 miles of highway. Between those two projects, the Brazilian Government hopes to attract US$66.5 billion in private investment in roads and railroad in the next 20 years, with US$39.7 billion of that figure coming in the next five years. Finally, in December 2012, President Rousseff announced plans to attract US$26 billion in private investment into the country's port sector within four years.

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. For more information, please review the "Sub-sector Best Prospects" section in this country commercial guide for the Airport industry.

Investment Goals: Between January 2011 and September 2012, the government's Program to Accelerate Growth (PAC) program disbursed US$191 billion, amounting to 40.4% of the spending total projected by the end of 2014. Under the program, an

estimated R$959 billion was allocated for the period of 2011 through 2014. The government continues to indicate it is interested in attracting foreign investment to fund infrastructure projects.

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

The latest OECD Economic Survey for Brazil was released in 2011 and includes sections on regulatory environment, licensing, sectoral analysis, and impediments to investment. The Survey recommends continued fiscal consolidation, increased investment and savings, and additional infrastructure spending, all while incorporating the principles of social and environmental sustainability. The report can be found at: http://www.oecd.org/dataoecd/12/37/48930900.pdf.

Selected indicators from reputable third party sources:

Measure	**Year**	**Brazil Rank/Total**
TI Corruption Perceptions	2012	69/176
Heritage Economic Freedom	2012	99/179
World Bank Ease of Doing Business	2013	130/185

Conversion and Transfer Policies

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

Foreigners investing in Brazil must register their investment with the Central Bank within 30 days of the inflow of resources to Brazil. Registration is done electronically. Investments involving royalties and technology transfer must be registered with Brazil's patent office, the National Institute of Industrial Property (INPI). Investors must also have a local representative in Brazil. Portfolio investors must have a Brazilian financial administrator and register with the Brazilian Securities Exchange Commission (CVM).

All incoming foreign loans must be approved by the Central Bank. In most instances, the loans are automatically approved. Automatic approval is not issued when the costs of the loan are "not compatible with normal market conditions and practices." In such instances, the Central Bank may request additional information regarding the transaction. Foreign loans obtained abroad do not require advance approval by the

Central Bank, provided the recipient is not a government entity. Loans to government entities, however, require prior approval from the Brazilian Senate as well as from the Finance Ministry Treasury Secretariat, and must be registered with the Central Bank.

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

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

Capital gain remittances are subject to a 15% 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% 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% withholding tax and an extra 10% Contribution of Intervention in the Economic Domain (CIDE).

The Government of Brazil imposes the IOF, a tax on financial operations, on portfolio capital inflows. The main goal of the tax is to discourage short-term, speculative capital flows that could lead to excessive currency volatility or significant appreciation pressures on the Brazilian currency. The GOB made several tweaks to the IOF over the course of 2012 based on changes in the size and pace of portfolio inflows into Brazil and developments in international financial markets. The IOF ended the year at 6.0% of all foreign loans with terms of 720 days or less used to fund operations in Brazil. Those with a longer maturity are exempt. Profits and FDI remittances must pay an IOF of 0.38%.

Expropriation and Compensation

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

Dispute Settlement

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The Brazilian court system, in general, is overburdened, and contract disputes can be lengthy and complex. The 2013 World Bank "Doing Business" survey found that on

average it takes 44 procedures and 731 days to litigate a contract breach at an average cost of 16.5% of the claim.

Article 34 of Brazilian Law 9,307, the 1996 Brazilian Arbitration Act, defines a foreign arbitration judgment as any judgment rendered outside the national territory. The law established that the Brazilian Federal Supreme Court must ratify foreign arbitration awards. Law 9,307 also stipulates that the foreign arbitration award is to be recognized or executed in Brazil in conformity with the international agreements ratified by the country and, in their absence, with domestic law. (Note: A 2001 Federal Supreme Court ruling established that the 1996 Brazilian Arbitration Act, permitting international arbitration subject to Federal Supreme Court ratification of arbitration decisions, does not violate the Federal Constitution's provision that "the law shall not exclude any injury or threat to a right from the consideration of the Judicial Power.")

Brazil has ratified the 1975 Inter-American Convention on International Commercial Arbitration (Panama Convention), the 1979 Inter-American Convention on Extraterritorial Validity of Foreign Judgments and Arbitration Awards (Montevideo Convention) and the 1958 U.N. Convention on the Recognition and Enforcement of Foreign Arbitration Awards (New York Convention). Brazil, however, is not a member of the International Center for the Settlement of Investment Disputes (ICSID), also known as the Washington Convention.

Brazil has a commercial code that governs most aspects of commercial association, except for corporations formed for the provision of professional services, which are governed by the civil code. In 2005, bankruptcy legislation (Law 11101) went into effect creating a system, modeled on Chapter 11 of the U.S. bankruptcy code, which allows a company in financial trouble to negotiate a restructuring with its creditors outside of the courts. In the event a company does fail despite restructuring efforts, the reforms give creditors improved ability to recover their debts.
Brazil has both a federal and a state court system, and jurisprudence is based on civil law. Federal judges hear most disputes in which one of the parties is the State and rule on lawsuits between a foreign State or international organization and a municipality or a person residing in Brazil. Five regional federal courts hear appeals of federal judges' decisions.

Performance Requirements and Incentives

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The Brazilian government uses a variety of tax incentives and attractive financing through the National Bank for Economic and Social Development (BNDES) to actively encourage both domestic and foreign investment. In 2012, BNDES disbursements rose 12% to reach R$156 billion, making it the largest development bank in the world, outpacing the lending of even the World Bank. BNDES funding in 2012 was focused on industry and infrastructure, with R$18.9 billion for the electricity sector, R$15.5 billion for transportation, and R$8.5 billion for chemicals and petrochemicals. BNDES also actively promotes development in traditionally underserved populations and regions of the country and in other potentially less profitable ventures, but the majority of lending takes place in the more industrialized regions of the country. A 2004 Public-Private Partnership (PPP) investment law promotes joint ventures in otherwise marginally profitable infrastructure investments.

The Government of Brazil extends tax benefits for investment in less developed parts of the country, for example the Northeast and the Amazon regions, with equal application to foreign and domestic investors. These incentives have been successful in attracting major foreign plants to areas like the Manaus Free Trade Zone, but most foreign investment remains concentrated in the more industrialized southern part of Brazil.

Individual states have sought to attract investment by offering ad hoc tax benefits and infrastructure support to specific companies, negotiated on a case by case basis. These 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, as 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% for all states, thus limiting states' ability to offer special tax incentives to attract investment away from other states. A decision on this proposal by Congress is expected in early 2013, but previous attempts at interstate tax reform have failed to gain Congressional support.

In October 2012, the GOB announced 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: domestically-produced, imports from other Mercosul member countries, imports from Mexico within quota, and all other foreign imports. 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 research and development investment in Brazil or Brazilian engineering services, and agreeing to participate in a fuel-efficiency labeling scheme. This decree is the successor to the September 2011 decree (No. 7567) which called for a 30 percentage point increase in the IPI on any car not sourced with at least 65% of parts from Mercosul countries or Mexico, with which Brazil has an auto sector trade agreement. Decree 7567 expired on December 31, 2012. Both decrees are clear moves to encourage manufacturers to produce in Brazil rather than exporting cars to Brazil.

In December 2011, the Government of Brazil passed Law 12546, which introduced the Special Regime for the Reinstatement of Taxes for Exporters, dubbed the Reintegra Program. Exporters of products covering 8,630 tariff codes – representing R$80 billion of exports – will receive a subsidy of 3% of the value of their exports, to be used either as a credit against their income tax or as a cash payment. To qualify, the imported content of the exported goods must not exceed 40%, except in the case of high-tech goods, such as pharmaceuticals, electronics, and aircraft and parts, which are permitted to have up to 65% of inputs imported. In addition, Reintegra exempts exporters from so-called indirect taxes on capital expenditures, including the PIS/Cofins social contribution taxes and the IOF tax on financial transactions. The Reintegra Program, originally scheduled to expire at the end of 2012, was extended by the Ministry of Finance until December 31, 2013.

In December 2011, as part of the Plano Brasil Maior, the government of Brazil approved a corporate payroll tax exemption to businesses within the sectors of industry, trade and

services. The measure originally ordered the exemption of payroll taxes for companies within the information technology, textile, leather and footwear sectors. At the end of 2012, the payroll exemption was extended to a total of 42 sectors to include construction metals, big appliances and pharmaceutical products for example. The measure replaced the 20% payroll tax for social security contributions with a rate between 1% and 2% of company gross operating revenue (less export revenue).

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

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

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

Government Procurement

Brazil is not a signatory to the WTO Agreement on Government Procurement (GPA). 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.

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

consideration of non-price factors, giving preferences to certain goods produced in Brazil and stipulating local content requirements for fiscal benefits eligibility. Additionally, nearly all bids require establishment of a local representative for any foreign company bidding.

Brazil continued to apply preference margins to government procurement in 2012. In 2010, then-President Lula signed a decree that later was approved by the Congress and became law (No. 12,349, December 15, 2010), giving preference to firms that produce in Brazil -- whether foreign-owned or Brazilian -- that fulfill certain economic stimulus requirements such as generating employment or contributing to technological development, even when their bids are up to 25% more expensive than competing imported products. In August 2011, this system of preference margins was folded into Plano Brasil Maior. Government procurement is just one of thirty-five components under Brasil Maior intended to support Brazilian 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% 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%) and excavators and bulldozers (15% and 25%).

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.

Right to Private Ownership and Establishment

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

Protection of Property Rights

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Mortgages

Brazil has a system in place for mortgage registration, but implementation is uneven and there is no standardized contract. Foreign individuals or foreign-owned companies can purchase real property in Brazil. These buyers frequently arrange alternative financing in their own countries, where rates may be more attractive. Law 9514 (1997) helped spur the mortgage industry by establishing a legal framework for a secondary market in mortgages and streamlining the foreclosure process, but the mortgage market in Brazil is still underdeveloped, and foreigners may have difficulty obtaining mortgage financing. Large U.S. real estate firms, nonetheless, are expanding their portfolios in Brazil.

Intellectual Property Rights

Brazil is a signatory to the GATT Uruguay Round Agreements, including the Trade Related Aspects of Intellectual Property (TRIPs) Agreement, which it signed in 1994. Brazil is a signatory of the Bern Convention on Artistic Property, the Patent Cooperation Treaty, the Convention on Plant Variety Protection, and the Paris Convention on Protection of Intellectual Property.

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

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

The United States continues to raise concerns regarding article 229-C of law 9279, as amended by Law 10196 (2001), which includes a requirement for the National Health Surveillance Agency (ANVISA) to grant an approval prior to the issuance of a pharmaceutical patent by the National Industrial Property Institute (INPI). Due to ANVISA's role in reviewing pharmaceutical patent applications – known as "prior consent" – there is a significant backlog in the issuance of patents. In addition, conflicting opinions on patentability between INPI and ANVISA have left more than 140 patent applications unissued. On October 16, 2009, the Brazilian Federal Attorney General (AGU), analyzing the institutional role of ANVISA in the patent application process, presented Opinion No. 210, which stated that ANVISA should examine pharmaceutical patent applications only from a public health perspective. The opinion states that INPI is the only agency with the competency to review the patentability requirements of such applications. On January 10, 2011, the AGU issued another opinion noting ANVISA's limited role, saying "ANVISA may not refuse the granting of the prior consent of art. 229-C of IP Law based on patentability requirements." The AGU´s opinions were not binding, and the Brazilian Federal Government created an Inter-Ministerial working group to study how to best implement the AGU's opinions.

On May 24, 2012, Inter-Ministerial Ruling no. 1056 was published, reporting the outcome of the working group. According to the ruling, all patent applications claiming pharmaceutical products and/or processes are to be initially analysed by ANVISA. If ANVISA grants its approval, then it will be assessed by the INPI. No other industrial sector is treated in this way. For all other patent applications, INPI is the sole arbiter of whether or not a patent is granted, and other agencies regulate market access.

On October 17, 2012, ANVISA opened public consultations on its proposed new regulations for prior consent. The new regulations reverse the existing workflow of pharmaceutical patent applications, as suggested by Ruling no. 1056. They also permit ANVISA´s analyses of patent applications to go beyond a public health perspective, to include patentability standards that are traditionally the domain of patent offices

worldwide. The deadline to comment on the new regulations was December 20, 2012. It is unclear when the proposed regulations will be promulgated. The final result may have an effect on both product availability and capital inflows for the sector. If the system as currently proposed goes forward it may diminish the likelihood that newer "on patent" medications will be produced or even sold in Brazil.

An additional ongoing concern is the backlog of pending patent applications at INPI. INPI claims it takes an average of five years to receive a patent in Brazil; independent resources, however, state that it takes six to seven years. INPI has increased its hiring and training of new patent examiners in an effort to decrease pendency. In March 2013, INPI plans to begin rolling out an electronic filing system for new patent applications, which would enable inventors to file a patent application using an online system. When fully implemented, INPI expects the system will result in a 30% decrease in pendency.

The United States has also raised concerns regarding Brazil's protection against unfair commercial use of test data generated in connection with obtaining marketing approval for human-use pharmaceutical products. Law 10603 (2002) covers data confidentiality for veterinary pharmaceuticals, fertilizers, agro-toxins, and related products, but does not cover pharmaceuticals for human use, which potentially inhibits the introduction of certain products into the market since a generic manufacturer can produce a copy locally and rely upon the safety and efficacy data of the originator.

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

Patent and trademark licensing agreements must be recorded with and approved by INPI and registered with the Central Bank of Brazil (Normative Act No. 135, of April 15, 1997). Licensing contracts must contain detailed information about the terms of the agreement and royalties to be paid. In such arrangements, Brazilian law limits the amount of the royalty payment that can be taken as a tax deduction (from one percent to five percent), which consequently acts as a de facto cap on licensing fees (Act No. 436 of 1958).

Brazil's 1998 copyright law generally conforms to international standards, yet piracy of copyrighted material remains a problem. The Brazilian Congress passed a law in July 2003 increasing minimum prison sentences for copyright violations and establishing procedures for making arrests and the destruction of confiscated products. Draft Law 333 of 1999 would stiffen the criminal penalties for counterfeiting, but it remains stalled in the Brazilian Congress. After being shelved in 2006, the draft law was re-submitted in November 2008 for urgent reconsideration, but the proposal has still not come to a vote.

In August 2007, a bill (PL 1807/07) was introduced that, if approved, would amend Article 189 of Brazil's Industrial Property Law (Law 9279 of 1996) to increase the criminal penalties for trademark violations to two to six years, up from the current three to twelve months. The bill was approved by the House and sent to the Senate in June 2012, where it is currently being analyzed.

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

301 Reports. Anti-piracy enforcement has continued to improve, especially in the major cities of São Paulo, Rio de Janeiro, and Brasilia. The upcoming 2014 FIFA soccer World Cup and 2016 Olympics will continue to drive this trend of strong anti-piracy and anti-counterfeiting efforts by local, state, and federal police.

Transparency of Regulatory System

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In the 2013 World Bank "Doing Business" report, Brazil ranked 130th out of 185 countries in terms of overall ease of doing business, a decline of four places versus the 2012 report. According to the study, it takes an average of 13 procedures and 119 days to start a new business, significantly longer than the OECD high-income economies' average of 11.8 days. 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 Brazil's medium-sized business is 69.3% of profits, compared to 42.7% in the OECD high-income economies. Business managers often complain of not understanding tax regulations despite their best efforts including large tax and accounting departments.

Tax regulations, while burdensome and numerous, do not differentiate between foreign and domestic firms. However, there have been instances of complaints that the value-added tax collected by individual states (ICMS) favors local companies. Although the tax is designed to be refunded upon export of goods outside of the country, exporters in many states have had difficulty receiving their ICMS rebates. Taxes on commercial and financial transactions are particularly burdensome, and businesses complain that these taxes hinder the international competitiveness of Brazilian-made products.

Of Brazil's ten federal regulatory agencies, the most prominent include ANVISA, the Brazilian FDA equivalent having regulatory authority over the production and marketing of food, drugs and medical devices; ANATEL, the country's telecommunication agency handling licensing and assigning bandwidth; ANP, the National Petroleum Agency regulating oil and gas contracts and overseeing the bidding process to acquire oil blocks, including for pre-salt oil; and ANAC, the agency overseeing the civil aviation industry. In addition to these federal regulatory agencies, Brazil has 23 state-level agencies and eight municipal-level agencies. Despite the existence of these bodies, the lack of a formal, federal-level institution tasked with coordinating the regulatory framework can often complicate Brazil's regulatory process.

The Office of the Presidency's Program for the Strengthening of Institutional Capacity for Management in Regulation (PRO-REG), created in 2007, has tried to introduce a broad program for improving the regulatory framework in Brazil, but lacks the authority to act as a single coordinating agency.

Pursuant to the Rousseff administration'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. While there is currently no system in place for public comment on these proposed laws and regulations, this has been identified by the Brazilian government as a key priority in improving Brazil's regulatory system.

Foreign investors have encountered obstacles when interfacing with regulatory agencies. Notable examples include companies in the electric power sector that have complained about the high level of regulatory risk, including the tariff review process. Additionally, some industries have reported challenges in obtaining licenses from IBAMA, the environmental regulator; citing unpredictability in IBAMA's licensing requirements, though the process has reportedly become more streamlined since 2008. There have also been examples of federal agencies levying significant fines on U.S. companies. In October 2011, Brazilian private insurance regulator (SUSEP) announced its intention to fine U.S. insurance company National Western Life US$6 billion for selling insurance contracts without being licensed in Brazil. The fine, which would be the largest in the history of Brazil's financial system, was upheld by SUSEP in mid-2012 and is currently under appeal. In 2012, various Brazilian regulatory agencies including IBAMA, Brazil's National Petroleum Agency (ANP), and the Rio de Janeiro State Institute of Environment (INEA) imposed separate fines on Chevron for damages related to a November 2011 offshore oil seep from near a Chevron-operated well; the ANP fines were eventually reduced to US$12 million and was paid by Chevron in September 2012. As of January, 2013, regulators had not yet granted Chevron approval to resume operations. Brazilian private sector organizations, which often include foreign companies, are vocal and involved in industry standards setting.

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. Brazil had previously performed only post-merger reviews. This shift in merger review was a result of 2011 legislation (Law 12,529) 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 new government body will be responsible for enforcement of competition laws, consumer defense, and combating abuse of economic power.

Efficient Capital Markets and Portfolio Investment

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The Brazilian financial sector is large and sophisticated. Banks lend at Brazilian market rates which, while they have fallen since 2011, remains 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 2012 Central Bank data indicating that the 10 largest commercial banking institutions account for approximately 81% of financial sector assets, less brokerages (approximately US$2 trillion). 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 banks primarily serve small and medium-sized companies, but with a much smaller capital base.

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

distributors, pension funds, mutual funds, and leasing companies with penalties against insider trading.

Credit Market

Brazil's credit market has grown significantly over the past several years. Real interest rates, once among the highest in the world, fell dramatically in 2012, driven by continued decreases in the Central Bank's benchmark overnight Selic lending rate and a concerted effort by the GOB to reduce lending spreads charged by public and private banks. While local private sector banks are beginning to offer longer credit terms, BNDES, the government national development bank, is the traditional Brazilian source of longer-term credit, and also provides export credits. FINAME (the Special Agency for Industrial Financing) provides foreign and domestically owned companies operating in Brazil financing for the manufacturing and marketing of capital goods. FINAMEX (Export Financing), which finances capital good exports for both foreign and domestic companies, is a part of FINAME. One of the goals of these financing options is to support the purchase of domestically produced products over imported equipment and machinery.

Equity Market

All stock trading is performed on the São Paulo Stock Exchange (BOVESPA), while trading of public securities is conducted on the Rio de Janeiro market. In 2008, the Brazilian Mercantile & Futures Exchange (BM&F) merged with the BOVESPA to form what is now the fourth largest exchange in the Western Hemisphere, after the NYSE, NASDAQ, and Canadian TSX Group exchanges. BOVESPA has launched a "New Market," in which the listed companies comply with stricter corporate governance requirements. A majority of Initial Public Offerings are now listed on the New Market. In 2012, twelve new IPOs and follow-ons raised R$13 billion in capital; approximately 36% of this amount was foreign capital.

At the end of 2012, there were 452 companies traded on the BM&F/BOVESPA. Total daily trading average volume has risen from R$2.4 billion in 2006 to R$7.2 billion in 2012, and the number of trades has increased more than 10 times over the same period.

The BM&F/BOVESPA currently has no competition, but that may change soon. In January 2013, DirectEdge, the fourth-largest stock exchange operator in the United States, announced that it would shortly apply for a license to launch its services in Brazil in 2013. If the plan is approved by Brazil regulators, DirectEdge will serve as an alternative trading platform to the BOVESPA.

Foreign investors, both institutions and individuals, can directly invest in equities, securities and derivatives. Foreign investors are required to trade derivatives and stocks of publicly held companies on established markets. At year-end 2012, foreign investors accounted for 40.3% of the total turnover on the BOVESPA. Domestic institutional investors were the second most active market participants, accounting for 32% of activity. Individual investors comprised 17.9% of activity, followed by financial institutions (8.1%), and public and private companies (1.9%). Law 10303 of 2001 limits preferred shares to 50% 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.

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

Competition from State Owned Enterprises

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In the 1990's and early 2000s, the Brazilian government privatized state enterprises across a broad spectrum of industries, including mining, steel, aeronautics, banking, energy, and electricity generation and distribution. While the government has divested itself from many of its state-owned companies, it maintains partial control (at both the federal and state level) of 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.

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.

The GOB created a number of new state-owned enterprises in 2012. In August, the Planning and Logistics Company (EPL) was founded to oversee the development and integration of various forms of transportation, including the concessions for roads and railways. The EPL is also responsible for the development of the bullet train project that will connect São Paulo, Campinas, and Rio de Janeiro.

Also in August, President Rousseff signed a provisional measure (MP 564) which would allow for the creation of a state-owned enterprise for reinsurance, the Brazilian Management Agency of Funds and Guarantees, known as "Segurobras." The purpose of the company would be to provide government-backed reinsurance for large infrastructure projects, such as for World Cup and Olympics construction, which do not have full coverage in the private market.

In December, the GOB created Infraero Serviços, a state-owned company mandated to manage the network of regional airports. The GOB intends for Infraero Serviços to eventually co-manage the airports along with a private sector concessionaire.

Corporate Social Responsibility

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Most state-owned and private sector corporations of any significant size in Brazil pursue corporate social responsibility (CSR) activities. Many corporations support local education, health and other programs in the communities where they have a presence. Brazilian consumers, especially the local citizenry where a corporation has or is planning a local presence, expect CSR activity. It is not uncommon 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.

The private sector in Brazil is increasingly engaging in public-private partnerships for investments in environmental and socio-economic development initiatives. Currently Mais Unidos, in partnership with USAID, has two joint projects in the areas of education and environment. The education/English language project, Mais Opportunidades, has been operating in Rio de Janeiro since 2011 with the support from the Rio de Janeiro state government, and will benefit disadvantaged youth. The environment project, Mais Unidos for the Amazon, contributes to preserve the biodiversity of the region.

Political Violence

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Strikes and demonstrations occur occasionally in urban areas and may cause temporary disruption to public transportation. Widespread public sector strikes by federal government employees in Brasilia in 2012 remained peaceful. 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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In 2012, Brazil ranked 69th (out of 174 countries) in Transparency International's Corruption Perceptions Index. In South America, Brazil ranked behind Chile and Uruguay, and ranked ahead of Colombia, Peru, Argentina, Suriname, Bolivia, Ecuador, Guyana, Paraguay and Venezuela. With regard to major emerging economies in the BRICS grouping, Brazil ranked ahead of China (80th), India (94th), and Russia (133rd), and tied with South Africa (69th).

Corruption scandals are a regular feature of Brazilian political life. Politics in 2012 were dominated by Penal Case 470, more commonly known as the "Mensalão" case, under which defendants including some past and present members of the Brazilian Congress were found guilty of participating in a pay-for-votes scheme. A former president of the Chamber of Deputies, former President Lula's chief of staff, and 24 other current and former public officials were convicted in the highly-followed trial, which was viewed as a positive step in the fight against corruption. In her first year in office, 2011, President Rousseff dismissed six ministers after allegations of diversion of public funds and/or influence peddling in their ministries. Authorities have conducted corruption investigations involving politicians from both opposition and government coalition parties over the course of the last several years.

Brazil is a signatory to the Organization for Economic Cooperation and Development (OECD) Anti-Bribery Convention. It was one of the founders, along with the United States, of the intergovernmental Open Government Partnership, which seeks to help governments increase transparency. Brazil has laws, regulations and penalties to combat corruption, but their effectiveness is inconsistent. Bribery is illegal, and a bribe by a local company to a foreign official is a criminal act. A company cannot deduct a bribe to a foreign official from its taxes. While federal government authorities generally investigate allegations of corruption, there are inconsistencies in the level of enforcement among individual states. Corruption has been reported to be problematic in business dealings with some authorities, particularly at the municipal level. U.S. companies operating in Brazil are subject to the U.S. Foreign Corrupt Practices Act.

Bilateral Investment Agreements

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Brazil does not have a Bilateral Investment Treaty with the United States. 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. Brazil also has not approved the Mercosul investment protocol.

Brazil does not have a double taxation treaty with the United States, but it does have such treaties with 24 other countries, including, among others, Japan, France, Italy, the Netherlands, Canada and Argentina. Brazil signed a Tax Information Exchange Agreement with the United States in March 2007 that passed the Brazilian Chamber of Deputies in December 2009. As of March 13, 2013, the agreement has been in effect after it was approved by the chamber.

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 Finance estimates that 19.3 million jobs were created in Brazil from January 2003 to October 2012. In 2012, a net 1.3 million jobs were created, compared to 1.9 million in 2011.

According to a 2011 Brazilian Institute of Geography and Statistics (IBGE) report, the Brazilian labor force is 92.5 million workers strong. Roughly 58% were located in the services sector, 15% in agriculture, 21% in the construction and manufacturing.

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

The labor code is highly detailed and relatively generous to workers. Formal sector workers are guaranteed 30 days of annual leave 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 15,000 labor unions in Brazil, but Ministry officials note that these figures are inexact. Labor unions, especially in sectors such as metalworking and banking, tend to be well-organized and aggressive in advocating for wages and working conditions and account for approximately 19% 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 viewed as closely associated with political parties.

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

The IBGE statistical agency estimated unemployment in the major metropolitan areas as of December 2012 at 4.6%. With low unemployment, there is currently a shortage of highly-skilled workers. Unemployment levels range significantly across regions.

IBGE reports show that real wages have trended higher in recent years. The average monthly wage in Brazil's six largest cities was around R$1,787.70 in October 2012 (approximately US$880 based on average exchange rates for that month). The minimum monthly wage has regularly been increased in recent years from R$380 in 2007 to

R$671 (approximately US$335) in 2013. Earnings vary significantly by region and industry, and there is significant, though gradually declining, income inequality between Brazil's poor and wealthy.

Employer federations, supported by mandatory fees based on payroll, play a significant role in both public policy and labor relations. Each state has its own federation, which reports to 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. According to SUFRAMA, the Brazilian federal agency responsible for the economic development of the Amazon region, for the eleven months ending November 2012, the companies of the Manaus industrial area generated US$32.8 billion in revenues, an increase of 22.6% over the same period in 2011. In October 2011, President Rousseff signed a constitutional amendment which extends Manaus's status as an industrial zone for another 50 years.

Foreign Direct Investment Statistics

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According to the Central Bank's most recent foreign-capital census (2010), the United States had the largest share of accumulated foreign-capital stock in Brazil, with 18.0% of the total. Spain had 14.7%, Belgium 8.7%, and Brazil 8.3%. Net foreign direct investment inflows between the years 2006 to 2011 have amounted to about US$377 billion, after subtracting depreciation and capital repatriation.

According to the UN, Brazil, in 2012, was the fourth largest destination of foreign direct investment, trailing only the United States, China, and Hong Kong. The same criteria placed Brazil in fifth in 2011 and seventh in 2010.

According to data published by the Central Bank, FDI inflows to Brazil are anticipated to have reached more than US$65 billion in 2012, a figure 2% lower than 2011. Additionally, according to the U.S. Bureau of Economic Analysis, the stock of FDI from the United States in Brazil was US$71.1 billion as of the end of 2011.

Total FDI flows into Brazil as a Percentage of Brazilian GDP:

Year	FDI (US$ billion)	Percentage of GDP
2012	65.3	2.7*
2011	66.7	2.7
2010	48.4	2.3
2009	25.9	1.6
2008	45.1	2.8
2007	34.6	2.6
2006	18.8	1.7

2005	15.1	1.7
2004	18.1	2.7
2003	10.1	1.8

*Estimated
Source: Central Bank of Brazil

Web Resources

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For more information on investing in Brazil, contact the Brazilian Trade and Investment Promotion Agency, ApexBrasil:
http://www.apexbrasil.com.br

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Chapter 7: Trade and Project Financing

How Do I Get Paid (Methods of Payment)

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Imports in Brazil are primarily handled using traditional letters of credit (L/C) or collections through established banks with correspondent banking agreements overseas. To a lesser extent, U.S. exporters may choose to operate on an open account or cash in advance basis once they have established a trustworthy relationship with their Brazilian buyers. (Note: given high interest rates and intermediary spreads, Brazilian buyers are likely to push for 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.serasa.com.br). In the event of a commercial dispute or non-payment by a Brazilian importer requiring legal action, the U.S. exporter should contact a renowned legal firm with experience in international collections. Local collection agencies do not handle international disputes. The U.S. Commercial Service in Brazil can furnish lists of law firms through our Customized Contact List (CCL) or International Partner Search (IPS).

How Does the Banking System Operate

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

Number of Foreign Banks and Origin

According to a market summary/annual review by leading business magazine, *Exame,* of the top 10 banks in Brazil ranked by net equity, two are state owned banks (Banco do Brasil and Caixa Economica Federal); five are Brazilian (Bradesco, Itaú, Unibanco,

Votorantim and Itaú BBA); two are foreign (Banco Santander from Spain, and HSBC Bank from England), and one is jointly owned (ABN AMROI Real, a Brazilian-Dutch partnership).

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

Country	**# of Banks**	**Banks (ranking)**
U.S.A.	4	Citibank (13); JP Morgan (23); GMAC (28); Morgan Stanley (41)
Germany	4	Volkswagen (32); Deutsche Bank (33); MercedesBenz (43); WestLB (45)
Netherlands	3	IBI Banco (37); ING Bank (40); RaboBank Int'l (46)
U.K.	2	HSBC Brasil (10); Barclays (49)
France	2	Societé Generalé Brasil (24); BNP Paribas (26)
Spain	1	Santander (7)
Switzerland	1	UBS Pactual (12)
Bahrain	1	ABC Brasil (25)
Italy	1	CNH (35)

Foreign-Exchange Controls

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In Brazil, accounts can only be kept in local currency (Brazilian Reais, R$). For a Brazilian importer to remit funds to a seller in the United States, the importer must purchase the corresponding foreign funds by means of an exchange contract at any bank authorized by the Brazilian Central Bank. The exchange rate and related fees are negotiated directly between the purchaser of the foreign currency (the importer) and the bank.

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

U.S. Banks and Local Correspondent Banks

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Following the acquisition of BankBoston by Banco Itau in May 2006, the U.S. presence in the Brazilian banking system was reduced to regular commercial bank activities by

Citibank, investment banking by JP Morgan and Morgan Stanley, and consumer credit for automobile purchases by General Motors (Banco GMAC).

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

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

Project Financing

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Direct Loan by Local Development Bank to Buyer (in foreign currency):
Local companies can arrange at-market or even below-market direct loans with the Brazilian National Economic Development Bank (BNDES). In many cases, the funds can be used to purchase goods from U.S. exporters. Some companies claim that the loan approval process is bureaucratic and consequently slow.

Import Finance by a Latin American Bank (in Foreign Currency):
A Latin American bank pays a U.S. exporter in advance for goods to be shipped to a Latin American buyer. The Latin American bank is essentially providing the buyer a loan and the buyer will have to repay the bank per their financing agreement. In Latin America, this type of financing generally has a six-month grace period after which the buyer must begin repaying the Bank. Although this option is extremely expensive for Latin American buyers, it is frequently the only alternative available to them, particularly when they are purchasing larger ticket capital equipment items. Ex-Im Bank also offers a variety of trade and project finance options.

Web Resources

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Export-Import Bank of the United States: http://www.exim.gov

Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html

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

USTDA (U.S. Trade and Development Agency): http://www.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/ccc/default.htm

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

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Chapter 8: Business Travel

Business Customs

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Business visitors should be aware of several business conditions specific to Brazil. Compared to the United States, the pace of negotiations is slower and is heavily based on personal contact. It is rare for important business deals to be concluded by telephone, email, or letter. Many Brazilian executives do not react favorably to quick and infrequent visits by foreign sales representatives, or to changes in the negotiating team. They prefer a more continuous working relationship, ideally involving multiple visits / meetings with the same person or group of people. The Brazilian buyer is also concerned with after-sale service provided by the exporter.

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

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

Personal space standards in Brazil are different than those in the United States. It is not uncommon for a local contact to stand very close while speaking, pat a business contact on the shoulder or even hug that person. In spite of the difference in personal space, it is better to act more formal rather than less during an initial meeting. Also, communication in Brazil happens in an overlapped manner, with people interrupting each other constantly – this is a sign of interest in the subject, not of disrespect.

Brazilians are very proud of their country and their culture. It is appreciated when visitors can comment intelligently on the 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 other 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. English is not widely used in the service industry such as drivers or restaurants. While many Brazilian executives speak some level of English, they will be more comfortable and open in Portuguese. Having an interpreter available is recommended.

Travel Advisory

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

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

Visa Requirements

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A passport and visa are required for U.S. citizens traveling to Brazil for any purpose. There are no "airport visas," and immigration authorities will refuse entry to Brazil to anyone not possessing a valid visa. All Brazilian visas, regardless of the length of validity, must initially be used within 90 days of the issuance date or will no longer be valid. The U.S. Government cannot assist travelers who arrive in Brazil without proper documentation.

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

For current entry and customs requirements for Brazil, travelers may contact the Brazilian Embassy at http://www.brasilemb.org/.

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

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

State Department Visa Website: http://travel.state.gov/visa/
U.S. Embassy in Brazil: http://brazil.usembassy.gov/

Telecommunications

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

Transportation

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

Language

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

Health

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

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

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

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

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

Local Time, Business Hours, and Holidays

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Brazil observes daylight savings time from October to February. When daylight savings is in effect in the United States, i.e. March to November, Brazilian time is one hour ahead of Eastern Daylight Time. When daylight savings is in effect in Brazil, i.e. October to February, Brazilian time is three hours ahead of Eastern Standard Time. Note, however, that the two countries do no change daylight savings as the same time. Hence, there are periods when Brazilian time is two hours ahead.

While office hours in Brazil are generally 8 am - 6 pm, decision-makers begin work later in the morning and stay later in the evening. The best times for calls on a Brazilian executive are between 10 am - noon, and 3 pm - 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 holiday, hence many families choose this time to take their long vacations. Brazilians go back to work after the Carnaval holiday (which usually falls in late February or 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 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 the ATA Carnet in Brazil will have a huge impact on customs clearance for U.S. trade show exhibitors that currently face extreme difficulties and delays in getting these temporary imports into Brazil, often writing off the imports as a complete loss. The ATA Carnet legislation has been submitted to the Brazilian Congress for approval, and the GOB will need to identify a Brazilian agency to act as guarantor. Brazil is expected to come on board prior to the soccer World Cup in 2014, but no specific timeline has been set.

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. The example in the table below shows that taxes due are proportional to the time frame the imported product will remain in Brazil. This also applies to temporary entry of personal belongings.

Permanent and Temporary Tax Example

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

Web Resources

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

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

U.S. Embassy in Brazil:

http://Brasília.usembassy.gov/

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

More on Brazilian Business Culture:
http://www.worldbusinessculture.com/Brazilian-Business-Style.html

State Department Visa Website:
http://travel.state.gov/visa/visa_1750.html

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Chapter 9: Contacts, Market Research and Trade Events

Contacts

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

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

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

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

U.S. Commercial Service Recife
Principal Commercial Officer: Eric Olson (Eric.Olson@trade.gov)
Ph: 011-55-81-3416-3075
U.S. Consulate in Recife

Market Research

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To view market research reports produced by the U.S. Commercial Service please go to the following website: http://www.export.gov/mrktresearch/index.asp and click on Country and Industry Market Reports. Please note that these reports are only available to U.S. citizens and U.S. companies. Registration on the site is required, and is free.

Trade Events

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Please click on the link below for information on upcoming trade events worldwide, including Brazil: http://www.export.gov/tradeevents/index.asp

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Chapter 10: Guide to Our Services

The 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 or contact your closest Export Assistance Center by entering your zip code in the following link: http://export.gov/usoffices/index.asp

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

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

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