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

Market Overview

With a gross domestic product (GDP) of approximately US$605 billion, Brazil has the 12th largest economy in the world and represents about half of the South American territory and economy. The country is rich in agricultural, mineral, and industrial resources and offers substantial market opportunities for US exporters in a diverse array of sectors that support Brazil's drive to industrialize further, court energy and transportation investment, and cultivate export-led growth.

The US continues to be Brazil's single largest trading partner. From January - November 2005, US exports to Brazil were US$13.79 billion, $1 billion more than the same period in 2004, and Brazilian exports to the US were US$22.27 billion, roughly US$3.1 billion more than in the same period in 2004. Brazil's GDP grew 5% in 2004 and just under 3% in 2005.

Brazil is also one of the top three locations for US foreign direct investment (FDI). Overall FDI in 2004 was US$17 billion, and estimates indicated that Brazil attracted US$15 billion in 2005. Red tape continues to dampen FDI – in 2004 the Brazilian Government estimated that US$16 billion worth of investments were held up by governmental red tape.

Market Opportunities

Most industrial economic activity, which includes automobiles, steel, petrochemicals, computers and steel, is focused around the southeastern states of Rio de Janeiro, Minas Gerais, and São Paulo. Brazil's agricultural sector is well diversified and the country is a world leader in producing sugarcane, coffee, soybeans, and orange juice.

Brazil has a diversified industrial sector as well, with many opportunities for both large and small U.S. businesses. The Brazilian government implements a number of social, regulatory and investment programs, though it is difficult for U.S. companies to get involved in government procurement without a local Brazilian partner.

There are a number of promising areas for U.S. exports and investment that U.S. Commercial Service Brazil has identified, including: Agricultural Equipment; Agriculture; Aircraft and Parts; Airports; Computer Software; E-Commerce; Highways; Insurance; Iron and Steel; IT Hardware; Medical Equipment; Mining; Oil and Gas; Pharmaceuticals; Pollution Equipment; Ports; Railroads; Safety & Equipment; Telecommunications & Tourism. One-page reports on each of these sectors are found later in the Country Commercial Guide.

Market Challenges

Brazil's population - at 182 million making it the world's 5th most populous country – continues to face a number of challenges. The country continues to experience high unemployment in major urban centers as Brazilians from poor northeastern states migrate south. Crime, drug abuse, epidemics, poor public education, and environmental degradation are major problems that are exacerbated by one of the most unequal distributions of wealth in the world.

Beyond the need for greater economic development, Brazil faces the challenges of strong black and gray markets. These markets form the basis of Brazil's large informal economy that hinders the government's ability to collect taxes and promotes piracy of technology, consumer goods, and other products.

Despite partial liberalization in recent years, the complexities of Brazil's business environment still create substantial obstacles for US exporters. Doing business in Brazil requires intimate knowledge of the local environment, including the explicit as well as hidden costs of doing business (referred to as "Custo Brasil"). US companies face tariff barriers, a difficult customs system, a heavy and unpredictable tax burden, and a legal system that is overloaded and often incapable of enforcing business law or intellectual property rights effectively. Nevertheless, many companies find that the opportunities outweigh the risks.

Still, there is reason for optimism about Brazil and its future. Even as the Brazilian Real appreciated by 25% against the U.S. Dollar, the country's exports continued to grow. Additionally, the government has been able to hold inflation at bay through high federal discount rates. At 18%, currently the highest in the world, the federal discount rate has been blamed by some for dampening consumer demand. Some worry that the country's export-led growth strategy could overexpose the country to the ups and downs of the global market. Nevertheless, the booming export market is viewed favorably as 2004 saw Brazil reach its first positive current-account balance in 15 years. This trend continued through 2005.

U.S. and Brazil – Common Commercial Goals

Overall relations between Brazil and the US are good. President Luiz Inacio Lula da Silva, of the left-leaning Workers' Party (PT), has pursued orthodox macroeconomic policies since taking office in January 2003. His administration has focused on tax and social security reforms and the fight against hunger and poverty. In 2005, however, legislative progress on Lula's micro-reform agenda stalled. In the long run, sustained GDP growth is the best antidote to Brazil's poverty and inequality. Many US companies have invested heavily in Brazil and continue to view it as an attractive export market.

Market Entry Strategy and Assistance

One of the best ways to enter the Brazilian market is by attending a trade show. The U.S. Commercial Service Brazil frequents many of the trade shows held throughout Brazil, and can provide counseling assistance or organize meetings with potential buyers during these events. More information on upcoming events can be found at www.buyusa.gov/brazil.

Some of the other key ways that U.S. businesses enter Brazil are through agents, distributors and joint ventures. Some firms even establish an office in Brazil. Further discussion of these alternatives can be found in the "Marketing Products & Services" chapter. With each of these options, and because Brazil's business culture is one largely based on personal relationships, it is often best for a U.S. company to visit Brazil to meet one-on-one with a potential partner. At the very least, a U.S. business should receive credit information on a potential partner from a well-respected source.

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Political Environment

The United States and Brazil have traditionally enjoyed friendly and active relations encompassing a broad political and economic agenda. U.S.-Brazil engagement and cooperation are reflected in the numerous recent high-level contacts between the two governments, including visits to Brazil by President Bush, Secretary of State Condoleezza Rice, Secretary of State Colin Powell, Defense Secretary Donald Rumsfeld, and Treasury Secretary John Snow. Ongoing topics of discussion and cooperation include trade and finance; hemispheric economic integration; the Free Trade Area of the Americas; nonproliferation and arms control; human rights and trafficking in persons; international crime, including financial support to terrorist groups; counter-narcotics; environmental issues; and regional political stability within a democratic context.

President Luiz Inacio Lula da Silva, a former union leader, is Brazil's first working-class president. Since taking office he has taken a prudent macroeconomic path. Economic growth in 2004 and the first half of 2005 was strong with increases in both employment and real wages. Growth slowed in the second half of 2005, but is expected to accelerate somewhat in 2006.

In June 2005, a domestic political scandal surfaced which has absorbed most of the Congress' attention and derailed the President's legislative agenda. Several senior administration and PT party officials, most notably President Lula's Chief of Staff Jose Dirceu, stepped down in connection with corruption charges. In addition, the Congress has impeached several prominent legislative leaders. The scandal has also led to a number of party switches by parliamentarians and at least three congressional investigations.

The next national elections, including those for the presidency, will be held in October 2006. Although candidacies have yet to be formally announced, it appears that President Lula will seek reelection. Frontrunner opposition candidates include Sao Paulo mayor Jose Serra and Sao Paulo state governor Geraldo Alckmin.

To read more about the Political Environment, please click on the link below. You will be directed to the US State Department's Background Notes on Brazil:

http://www.state.gov/p/wha/ci/c2843.htm

- You also may want to consult the US Embassy in Brasilia's website: www.embaixada-americana.org.br/
- Non-US Government links of interest include:
- The Heritage Foundation's Index of Economic Freedom for Brazil: cf.heritage.org/index2004test/country2.cfm?id=Brazil
- The Latin American Network Information Center 's set of links for Brazil: www1.lanic.utexas.edu/la/brazil/
- The Brazil-US Business Council's set of links: http://www.brazilcouncil.org/displayMultiple.asp?keyword=links
- The Economist magazine's Brazil Country Briefing: http://www.economist.com/countries/Brazil/index.cfm

Economic Environment

There is a wealth of information available to investors interested in Brazil. The web sites listed below are a good start. The Government of Brazil's sites are in Portuguese, but most allow you to switch the language to English (usually a button in the top right corner).

- Central Bank of Brazil: www.bcb.gov.br/
- Brazil's Ministry of Foreign Trade Relations Trade Promotion Department: www.braziltradenet.gov.br/
- Brazil's Ministry of Development (MDIC): www.desenvolvimento.gov.br/
- Brazil's Institute of Statistics (IBGE): www.ibge.gov.br/
- Brazil's Treasury Ministry: www.fazenda.gov.br/
- LatinFocus: www.latin-focus.com/latinfocus/countries/brazil/
- Latin American Network Information Center (LANIC), an affiliate of the University of Texas: www.lanic.utexas.edu/la/brazil/economy/
- Economist Country Briefing: www.economist.com/countries/Brazil/
- The World Bank: www.worldbank.org/
- CIA World Factbook: www.cia.gov/cia/publications/factbook/geos/br.html
- US Embassy in Brazil: www.embaixada-americana.org.br/*

Distribution and Sales Channels

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.

Agents/Distributors critical for most companies

Although some companies import directly from foreign manufacturers without local representation, in most cases the presence of a local agent or distributor can be very helpful. As in other countries, the selection of an agent requires careful consideration. In general, larger companies will have sales offices throughout Brazil, which is key for a countrywide presence, as smaller agents may be geographically limited.

Lawyers recommend that the exporter and representative have a written agreement, which helps the exporter limit liability in case of product defects, define any warranty, and protect a trademark and better ensure payments.

It is up to the foreign firm and the local partner to negotiate the type of representation, whether it is exclusive and includes specific performance targets. Contract clauses are freely negotiated between the foreign and local firms. However, we strongly suggest that US companies consult with a Brazilian law firm before signing any type of agreement to avoid future legal problems. Under Brazilian law, an agency agreement entitles an agent to receive a termination amount equivalent to at least 1/12 of all commissions received throughout the contract.

Franchising

Franchising accounts for approximately 25% of gross revenue in the retail sector. Local Brazilian Franchises dominate the market (90%); however, foreign groups, particularly from the US, are making their way into the market.

To take advantage of this huge market, US franchisers should adapt their product or service, invest in market research, and test market receptivity through pilots. Franchise consultants call this process “the tropicalization” of the franchise.

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

Direct Marketing & E-Commerce – Growing Fast

Brazil is a large country with an untapped interior that is perfect for direct marketing. E-commerce is on the rise and provides many additional marketing and business opportunities. Because of its excellent postal service, direct marketing is a proven way to reach 35 million middle-class Brazilian consumers. On average, Brazilians only receive 10 percent as much direct mail as US citizens each year.

Although Brazil differs from the US in regards to telemarketing, postal rates, regulations, fulfillment, printing and mailing services, US catalog, e-commerce and teleservice firms have been successful - Amazon.com is the largest online bookseller.

Brazil is Latin America’s most advanced Internet and e-commerce market, and the ninth largest in the world. Today, approximately 22 million Brazilians are on-line regularly, often using broadband. Though this is only 12% of the country’s population, the number still puts Brazil in the top ten countries in terms of Internet users.

US exporters may sell directly to Brazilian consumers or distributors. However, different Brazilian customs rules apply to these types of transactions. As far as shipments to distributors or Brazilian trading companies, US exporters can only sell to Brazilian companies that are registered with the Secretariat of Foreign Trade (SECEX) of the Ministry of Development, Industry and Commerce. SECEX plays a central role in the implementation of directives on trade issues in general. With respect to sales to end users or consumers, US exporters may ship goods directly.

US Direct Sales to Brazilian Consumers

Shipment Value	Duties/Tariffs	Restrictions
Under US$ 50	Duty Free	Can’t be resold
Between US$ 50 - 500	Flat 60% Import Tariff *	Can’t be resold
Over US$ 500	Product-specific Tariff	Brazilian Company registered with SECEX must import

Exceptions apply to pharmaceuticals & books, which may qualify for duty-free import.

JVs and licensing: Essential to some sales

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

Establishing an Office in Brazil

Either setting up a company in Brazil or acquiring an existing entity is an investment option for Brazil. Setting up new companies is relatively complex, although the Ministry of Development has signaled its desire to simplify this process. Acquisitions of existing companies are monitored by the Central Bank. Corporations (“sociedades anonimas”) and limited liabilities (“limitadas”) are relatively easy to form. Local law requires that foreign capital be registered with the Central Bank - failure to do so may cause serious foreign exchange, capital repatriation, or profit remittance problems. More information for potential investors can be found on our “Investment Climate” report (www.focusbrazil.org.br/ccg), or through Brazil’s Ministry of Foreign Affairs, Trade Promotion Department (www.braziltradenet.gov.br).

Selling Factors and Techniques

Price, quality and payment terms are extremely important sales factors. Generally, US goods are perceived as high quality, though the market's opening in the early 1990s brought greater foreign and domestic competition. To be competitive, US companies should adapt their products to local technical requirements and culture. In many cases, products manufactured at US standards are not acceptable, while the country's size creates numerous cultural differences.

Advertising and Trade Promotion

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 important, particularly for consumer goods and food products.

Brazil is home to many top-notch advertising agencies. According to ZenithOptiMedia, Brazil's total ad spending in 2004 was $4.6 billion. 2005 totals are estimated at $6.6 billion, and growth is expected. Most of the top agencies are present in Brazil, including McCann-Erickson, J. Walter Thompson Co., Ogilvy & Mather, Euro RSCG, Leo Burnett, Y&R Advertising, D'Arcy Masius Benton & Bowles, Foote, Cone & Belding, DDB Worldwide Communications, Grey Worldwide, Lowe & Partners, Publicis Worldwide, Fischer America Comunicação, Duailibi Petit Zaragoza Propaganda (DPZ), Grupo Interamericano de Comunicação, Saatchi & Saatchi, Talent Comunicação, Bates Worldwide, and TBWA. Top advertisers vary from year to year, but include Unilever, VW, Fiat, Ford, and GM. The top ad categories per investment are trade & commerce, consumer services, culture, leisure, sports & tourism, media, and public & social services.

The most popular magazine in Brazil, with a circulation of over one million copies, is the weekly *Veja*, published by the Abril Publishing Company (www.uol.com.br/veja). The largest daily circulation newspaper is *Folha de São Paulo*, published by the Folha Group, with a circulation of 400,000 on Sundays and 300,000 from Monday through Saturday (www.uol.com.br/fsp).

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

Product Pricing – a Challenge for Sales in Brazil

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

In Brazil, all import-related costs are generally high because of taxes – thus some U.S. companies implement efficient logistic systems and lower expected profit margins. In some cases costs are so high that a simple calculation may indicate that margins will not allow you to compete with a local product. For more information on calculating the landed costs for exports to Brazil, please refer to our report on Trade Regulations and Customs at: www.focusbrazil.org.br/ccg.

After-Sales Service and Customer Support

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

Government Sales: Possible, but Challenging

Winning contracts with the Brazilian Government is challenging, even for large US companies. Without a significant in-country presence and the patience and financial resources to respond to legal challenges, charges of corruption, and bureaucratic delays, exporters should proceed cautiously. Still, the Brazilian Government is expected to spend a significant amount in a variety of areas, and US companies may find success by subcontracting with larger Brazilian firms that can navigate the procurement maze.

Government Procurement – Theory vs. Reality

Brazilian Government procurement policies apply to purchases by government entities and parastatal companies. Government procurement regulations contained in Law 8666 of August 1993 established an open competitive process for major government procurement. Under this law, price is to be the determining factor in selecting suppliers. Law 8666 establishes general norms for tenders and administrative contracts (for goods and services) to be followed at the Federal, State, and Municipal level, by entities directly and indirectly administered by the Federal Government, special funds, public enterprises, and public-private companies.

In theory, the Brazilian Government may not make a distinction between domestic and foreign-owned companies. However, in the case of a tie in the tendering process, preference is given to goods produced or services supplied by Brazilian firms of national capital or domestically produced in Brazil.

Most government procurement processes are open to international competition, either through direct bidding, consortia or imports. However many of the larger bids (e.g. military purchases) become very political and are done through sole sourcing or national security arrangements that exclude competition. This kind of purchasing often requires an act of Congress, which can be difficult and time consuming.

Brazil is **not** a signatory of the WTO multilateral Agreement on Government Procurement (GPA), and as such does not necessarily use the same procedures as other signatories. International bidding is required for all procurement with international development bank funding, i.e. the Inter-American Development Bank, the World Bank, etc. The Brazilian executing agencies of IDB loans require international bidding above specific ceilings, according to IDB procurement guidelines. For example, consultant contracts require international bidding above US$200,000 and civil works above US$5 million. However, portions of major projects financed by IDB may not require bidding where local Brazilian counterpart funding is involved.

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

These exceptions to WTO norms are significant. The Brazilian Federal Accounting Court noted that 51% of the Government's procurement in 2003 was done without a formal competitive bidding process. Often the Brazilian Government cites emergencies in procurement actions that would make the open bidding process time-prohibitive. At all levels, corruption remains a concern. The Federal Controller-General has reported that 70% of cities with populations of over 300,000 had demonstrated corruption or misdirection of public funds.

Government Bidding: Obtain a Local Partner

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

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

The inclusion of local purchases of Brazilian goods and services, or significant subcontract association with a Brazilian firm, may improve a bid's chance for success. Similarly, a financing proposal that includes credit for the purchase of local goods and services for the project will be more attractive.

Advanced descriptions of US suppliers' capabilities can prove influential in winning a contract, even when they are provided before the exact terms of an investment plan are defined or the project's specifications are completed. Such a proposal should include financing, engineering, and equipment presentations.

The success of e-government has prompted Brazil's Government to change Law 8666 and pilot a more efficient system using electronic purchase contracts, with the goal of making small companies more competitive. The pilot program currently only covers a few categories.

Obtaining a Local Attorney

Local legal assistance is extremely important when trying to understand the legal aspects of entering, consolidating or expanding in Brazil. Without appropriate legal assistance, U.S. businesses could be subject to several liabilities - from denial to operate in Brazil to obstacles with a Brazilian partner.

Local lawyers can also help minimize tax burdens by taking advantage of local, state or federal tax incentives. Lawyers can also explain negotiation, real estate, labor, intellectual property, and antitrust laws, all of which can be complicated.

The USCS Brazil maintains a list of lawyers with demonstrated experience, which is available under *Business Service Providers* on www.buyusa.gov/brazil.

Due Diligence
Checking Banks, Agents, Customers

Because laws regulating commercial agreements and transactions vary from country to country, we strongly encourage all US companies conduct legal and financial due diligence before completing a commercial transaction or formalizing any agreement. In Brazil, the USCS can provide US companies with lists of well-known and respected credit rating companies and law firms who can conduct credit checks on potential customers or provide important legal advice. Additionally, the USCS Brazil offers US companies detailed background information, including visits to the target company, through its International Company Profile (ICP). For information on this product, please go to our *Guide to Services* at www.buyusa.gov/brazil.

Overview – IPR Issues in Brazil

Brazil is one of the largest global markets for copyright products, yet, despite having modern copyright legislation, there are significant challenges to effective copyright enforcement. Police actions have not typically resulted in sufficient prosecutions and convictions to deter piracy.

Brazil has recently moved to improve its copyright enforcement regime. Most notable has been formation of a, National Council to Combat Piracy and Intellectual Property Crimes; adoption of a 99-point National Anti-Piracy Action Plan; and stepped-up enforcement along Brazil's border with Paraguay. According to Brazil's Ministry of Justice, seizures of counterfeit/pirated products increased in value by 130 percent in 2005. Despite these improvements and the government's stated commitment to improved enforcement, optical media and internet piracy rates remain

The patent process remains slow in Brazil as the country's National Patent Institute continues to struggle to reduce its substantial patent and trademark application backlog. Pharmaceutical products face an additional requirement that the health regulatory agency provide approval before a patent is granted. Additionally, debate continues within the Brazilian government, legislature and society over issues relating to patents, compulsory licensing and access to medicines.

Protecting Your Products from IPR Infringement

Brazil is a signatory to the Paris, Bern, and Universal Copyright conventions on intellectual property rights (IPR) protection, the WTO Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS), and the Patent Cooperation Treaty (PCT). Brazil is also a member of the World Intellectual Property Organization (WIPO).

Brazil's Institute of Industrial Property (INPI) is in charge of industrial property rights, the formal examination of applications for trademark and advertising slogan registration, and the issuance of letters of patent. INPI reports directly to the Ministry of Development, Industry, and Commerce (MDIC).

Patents – Application Process

For an invention to be protected, it must be patented in Brazil. Since Brazil is a member of the Paris Convention, US patent holders have an exclusive right to apply for patents during certain periods: 6 months for industrial designs, and 12 months for inventions and utility models (a new arrangement of known materials which improve a product). A patent holder must use the patent commercially or the patent lapses. Food, medical, chemical-pharmaceutical products or preparations, and microorganisms can be patented.

As stated in article 8 of the Industrial Property Law, the requirements essential for granting a patent in Brazil are: absolute novelty, industrial nature, and inventive nature. A patent is considered to be new when its subject is not included in the prior art concept. Prior art constitutes everything that has become accessible to the public through a written or oral description or by use or any other means, including the contents of patents in Brazil and abroad before filing a patent application, with the exception of cases where priority was previously applied for or a priority claim was made pursuant to the Paris Convention.

Letters patent may be issued for the protection of inventions, utility models, and registration of industrial designs. The protection granted by a patent extends for 20 years, in the case of inventions; for 15 years for patents on utility models; and for 10 years for industrial design patents, always from the date the request for protection is filed at INPI.

Proceedings for the issuance of a letter patent are lengthy and time-consuming. An application must be submitted to INPI, containing the inventor's claims, a full description of the invention and its drawing (when applicable), and proof of compliance with all legal requirements. Once the application has been presented, a preliminary formal examination takes place, and a certificate of filing is issued. The application will be kept secret for 18 months, and will then be officially published. The inventor has 36 months to request a formal examination of the application. Failure to request this formal examination will cause the application to be considered withdrawn. Granting of any patent application can be cancelled at any time by the courts.

Commercial use of the patent must be initiated within three years of the date of issue of the letter patent, under penalty of obligatory licensing or lapse. Extinguishment of a patent may also occur if its use is interrupted for a period of two or more consecutive years; if the inventor fails to pay the required annuities to INPI; if the inventor expressly waives the privilege; or if it is administratively cancelled or judicially annulled.

The Industrial Property Law provides for conducts that constitute patent infringement, which is subject to penalties varying from 3 – 12 months of imprisonment or a fine. This law determines that the manufacture of a product or use of any means or processes covered by a patent, without authorization of the respective patent owner, will constitute a patent infringement.

Patents – Delays in Issuance Create Problems

Processing of patent applications typically takes between five and eight years. Increased resources did enable INPI to reduce its backlog of patent applications in 2005 to an estimated 130,000. Nonetheless, staff shortages continue to undermine the Institute's ability to speed processing. INPI estimates that it will take five to six years to entirely eliminate its patent application backlog. The US Government continues to work closely with INPI to develop a partnership with the US Patent and Trademark Office, including training programs, technical assistance, and other means of improving INPI's efficiency.

Pharmaceutical companies face additional hurdles

Brazil's market for pharmaceuticals is the 10th largest in the world, so practically all major drug companies seek patent approval and protection here. However, the sector faces a backlog of some 17,000 patent applications, at a filing cost of approximately US$ 30,000 per application. Some of these patent applications have been pending for several years. Before a patent can be granted by INPI, it must also be approved by Brazil's Health Agency (ANVISA), which can create further delays.

Invoking TRIPS provisions, Brazil has at times threatened to issue compulsory licenses for anti-retrovirals used to treat HIV/AIDS if satisfactory supply agreements, including reductions in price, could not be reached; to date, Brazil has not issued a compulsory license. In 2005, negotiations were successfully concluded with one U.S. pharmaceutical company and are on-going with two more. There continues to be widespread debate within the Brazilian government, legislature and society relating to "access to medicine" and patent issues.

Trademarks

As with patents, trademark registration in Brazil is a slow process, often taking five years. Currently, INPI faces a backlog of 500,000 trademark applications, and is receiving about 100,000 additional requests each year. The institute estimates it will take five to six years to eliminate the trademark application backlog. However, further delays in expanding the institute's staff could push this timeframe out.

Application for a trademark may be either as a foreign or a Brazilian trademark. A foreign trademark is registered under the terms of the Paris Convention and thus establishes an exclusive priority. Registering your trademark secures protection and enables the trademark to be licensed or transferred in return for a royalty payment. A registration is valid for ten years and is renewable for successive ten-year periods.

The system for protection of trademarks in Brazil is based on ownership, and all rights stem from the registration of the trademark in Brazil. No protection whatsoever is accorded an unregistered owner even though it may have been using a trademark for years.

However, if the foreign owner of an unregistered trademark is able to prove its trademark is well-known worldwide, it is possible to claim the international protection granted by article 6 of the Paris Convention, which establishes that the signatory countries must deny applications for registration or cancel registrations of a trademark that reproduces a well-known trademark registered in another signatory country. However, in order to qualify for the benefit of article 6 of the Paris Convention, the owner must apply for registration of its trademark in Brazil. Registration may be applied for either by a Brazilian or foreign company.

If a foreign company applies for a trademark registration in Brazil without the priority claim established in the Paris Convention, it will be considered a Brazilian trademark, and therefore the benefit of such Convention will not be granted.

Brazilian law requires that the field of business of the trademark owner in Brazil be related to the goods or services covered by such trademark. To apply for registration of a trademark in Brazil, certification that the applicant is a company duly organized in accordance with the laws of its country to operate within its field of business is required.

The use of a trademark is essential to its protection in Brazil. A trademark will lapse if it is not used for five years from the date of registration, or if its use is interrupted for more than five consecutive years. Use can be proved by the owner of the trademark in Brazil or by the licensee who actually uses it.

Technology Transfer Agreements

Companies established in Brazil are now virtually free to negotiate technology transfer contracts. However, contracts still have to be registered with INPI.

Currently, INPI review of agreements that involve licensing of industrial property rights (trademarks and/or patents), transfer of technology, technical assistance services and similar agreements will be limited to examination of the aspects intrinsic to the documents submitted thereto, the tax and exchange legislation, and any characterization of antitrust or unfair competition practices.

INPI approval of such agreements is not only essential for the registration at the Central Bank of Brazil that will allow remittance of the remuneration abroad, but also for the deduction of fees paid by the licensee or recipient of the technology as operating expenses. Furthermore, INPI approval of patent license agreements is necessary, together with actual use by the licensee, to evidence commercial use of the licensed patent and to avoid forfeiture, as well as to enforce them upon third parties.

Other valid documents evidencing the transfer of technology and conditions governing such transfers (invoices, for instance) may also be submitted to INPI for approval, thus permitting remittance of funds abroad and tax deduction of payments resulting from the transfer.

Generally, technology transfer agreements must clearly state their object and the industrial property rights involved, and describe in detail how the transfer will actually take place.

The license agreements must state the conditions for actual use of patents regularly applied for or granted in Brazil; the registered trademark in Brazil or application for registration; the acquisition of know-how and technology not protected by

Industrial property rights; and the obtainment of techniques, planning and programming methods, research, studies and projects intended for execution or rendering of specialized services.

Trademark and patent license agreements must also state whether the license is exclusive and remunerated, and whether sublicensing is permitted. The term of the agreement must not exceed the validity of the trademark registration or patent. Trademark and patent license agreements will only entitle the owners to collect fees if the requirements mentioned above are met.

Contracts for rendering of technical and scientific assistance services must state the time required to perform the specialized services, the number of technicians required, their specialization and training programs, and respective remuneration.

Remuneration of the technology to be transferred may be established at a fixed price, a fixed price per item sold, a percentage of the profits, or a percentage of the net sales price, less tax, fees and other charges agreed to by the parties.

Franchising agreements are not subject to the same statutory rules as trademarks, patents and transfer of technology. However, these contracts are subject to review and approval by INPI. It is not mandatory to register a franchising agreement to be valid, but to be executable against third parties it must be registered in accordance with Norm 115/93. If the franchiser is a foreign party, it has to register with the Central Bank in order to remit payments.

Copyrights

Copyrights are protected regardless of whether or not they are registered. Criminal and civil proceedings may be brought against infringes. The registration of software prior to marketing is no longer required. However, registration is recommended. Brazil's new software law meets the TRIPS accord framework. It addresses protection of software programs, and modifies definitions of reproduction, publication, transmission, and distribution. This provides protection especially against large distributors of pirated software including producers of hardware and CDs. Nevertheless, concern remains about the lack of effective copyright enforcement against pirated videocassettes, sound recordings, books and computer software entering the market.

The author of the work or, in the absence of proof to the contrary, the person claiming to be the author or whose name is included in the registered work, is treated by Brazilian law as owner of the copyright. In addition, any person who adapts, translates, arranges or edits a work that is no longer under copyright may claim the copyright to the work, but he cannot prevent the publication of another adaptation, translation, arrangement or edition of the same work unless the new version is derived from his own. Corporations are also allowed to own the copyright to a work. However, a corporation must hold such rights always at the author's approval.

Registration of a work in Brazil is optional, and not essential for its protection. In order to secure the copyright the author may register his work with the following bodies, depending on its nature:

- Brazilian National Library.
- School of Music of the Federal University of Rio de Janeiro (UFRJ).
- School of Fine Arts of UFRJ.
- Brazilian Film Institute.
- Federal Council of Engineering, Architecture & Agronomy.

Any other work that cannot be classified within any of the above categories may be registered at the Brazilian Copyright Information Center of the National Copyright Council.

Enforcement of Copyright Violations

The Brazilian Law protects copyrights, trademarks and intellectual property under the terms of the Paris Convention. The copyright piracy is punished with payment of damages and loss of profits, besides a Court order to stop the piracy and search and seizure of the forgery goods (if required in Court). Copyrights in Brazil are regulated by Law No. 9610 of February 19, 1999, pursuant to which all creative works of inspiration howsoever expressed are protected as intellectual property.

Proceedings in the civil and criminal courts may be brought against anyone who infringes upon another's copyright. The civil courts prohibit publication of a work, which breaks copyright laws, and can also award damages to the owner of the copyright. Infringement of copyright can also be punished as an offense by the criminal courts.

Although the Brazilian Government recently raised penalties on violations of copyright law, the private sector has continued to express concern about the lack of enforcement of already existing statutes.

Software Protection – Serious Concern in Brazil

Protection of software in Brazil is regulated by Law No. 9609 of February 19, 1999, which provides mainly for: (a) protection of the software itself as intellectual property; (b) the rules for marketing software, creating mechanisms for government agencies to monitor this marketing with a view to protecting Brazilian software; and (c) penalties of a criminal nature, for cases of infringement of software copyrights and certain rules for marketing.

Software is protected for 50 years as from January 1st of the year following its publication, or if not published, following its creation in each country. As with copyrights, software owners who reside outside Brazil are ensured protection, provided that their country of origin offers reciprocal treatment, granting both Brazilian and aliens resident in Brazil protection equivalent in extent and time.

The protection of software does not depend on registration, and the author need not register it. Optional registration can be made at INPI.

Unless the parties agree otherwise, the rights to any software developed during the life of any agreement or statutory relationship, research or development, in which such activity is carried out by the employee, civil servant or individual hired to render services as expressly provided for in the respective agreements, or which results from the nature of the work for which he/she was hired, will belong to the employer or service principal.

However, if the software is developed independently of any agreement or statutory relationship, and without the use of any resources, know-how, materials, facilities or equipment belonging to the employer or service principal, the rights to such software will belong to the employee, civil servant or individual rendering the services.

Infringement of software copyright is a criminal offense, which subjects the offender to detention from six months to two years, plus a fine.

According to the Software Law, the following situations will not violate software copyright:

- Reproduction of a copy that has been legally acquired provided it is essential to the proper use of the program.
- Partial quotation for educational purposes, provided the author and the software quoted are mentioned.
- Similarity of two copies provided this similarity stems from functional features in their application, from compliance with legal, regulatory precepts or technical standards, or a limitation of alternative forms for their expression.
- Integration of software and its basic features into an application or operating system that is technically indispensable to the user's needs provided it is used exclusively by whoever undertook this integration.

IPR Resources

- To see reports on IPR for other countries, please go to our market research section on our export.gov site: http://www.export.gov/marketresearch.html
- US Trade Representative's Office: http://www.ustr.gov/
- US Government's Trade Compliance Center (TCC): http://www.mac.doc.gov/tcc/
- Brazil's National Institute of Industrial Property (INPI): http://www.inpi.gov.br/
- World Intellectual Property Organization: http://www.wipo.int/
- International Intellectual Property Institute (IIPI): http://www.iipi.org/

Resources

- USCS Brazil's reports on Top Prospects for US exporters: www.focusbrazil.org.br/ccg
- References for business service providers, CS Brazil's Guide to Services, etc: www.buyusa.gov/brazil.
- With offices in Brasilia, São Paulo, Rio de Janeiro, Belo Horizonte & Porto Alegre, the US Commercial Service Brazil (www.buyusa.gov/brazil) helps US exporters enter Brazil's market through research, matchmaking and advocacy. To the best of our knowledge the information in this report is accurate - however readers should conduct their own due diligence before entering into business ventures.*

Agricultural Equipment = Opportunity

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

Brazil's largest agricultural crop is soybean. Even though Brazil is the world's largest soybean exporter, it is also one of the few countries still capable of increasing its planted area. In fact, Brazil has more unused commercial viable agricultural land than any other country in the world.

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

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

The Brazilian agricultural sector has enjoyed over a decade of success in virtually all market areas, including increased production and exports, technological development and increased investment. The positive performance of the Brazilian agribusiness is due in large part to productivity gains.

Continued Growth and Opportunity

Despite the strength of Brazil's currency (The Real) vis-à-vis the dollar and climatic problems affecting crop production, Brazil's agricultural exports continue to increase. Brazilian producers have complained, though, that as they are paid in U.S. dollars, they now receive less in local currency for their production. This is a concern as their production costs stay in Brazilian Reals. Still, Brazil's agriculture sector continues to perform well because of its technology and diversification.

Alcohol produced from sugarcane is one example of Brazil's agricultural product diversification. Annual sales of this product are currently about US$ 600 million per year. Brazilian meat (chicken, pork, cattle) also continues to be exported in increasingly larger volumes. In 2004, meat products were exported to more than 150 international markets and resulted in annual sales revenues of approximately US$ 6 billion. Should Brazil continue its exporting trend it will likely export nearly US$ 42 billion in agricultural products during 2005 and generate agribusiness surplus of US$ 36.6 billion.

Foreign and U.S. Participation in this Sector

Brazil currently has 7 foreign companies manufacturing locally and exporting agricultural machinery to other South American countries, including Agco, Agrale, Caterpillar, John Deere, Komatsu, Valtra and CNH (Case, Fiat Allis and New Holland). Total installed production capacity in Brazil is 86,000 machines per year.

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

- Post-harvest machinery, including field refrigeration units/storage for tropical fruits
- Fruit, grain, seed and vegetable cleaning, sorting and grading machinery
- GPS and precision agriculture devices
- Poultry equipment
- Irrigation equipment

Statistical Information

US$ millions	2004*	2005*	2006*
Market Size	876	1,000	1,066
Local Production	952	1,100	1,155
Exports	185	210	220
Imports (Global)	109	125	131
Imports from US	73	84	88

* Statistics are unofficial estimates.
Exchange Rate: US$ 1.00 = R$ 2.20
Source: ABIMAQ, ANFAVEA, trade contacts

Resources

- For more information about export opportunities in this sector contact US Commercial Service Industry Specialist Igly Serafim at: Igly.Serafim@mail.doc.gov
- For more Market Research: www.export.gov/marketresearch.html
- With offices in Brasilia, São Paulo, Rio de Janeiro, Belo Horizonte & Porto Alegre, the US Commercial Service Brazil (www.buyusa.gov/brazil) helps US exporters enter Brazil's market through research, matchmaking and advocacy. To the best of our knowledge the information in this report is accurate - however readers should conduct their own due diligence before entering into business ventures. *

USDA Services in Brazil

The United States Department of Agriculture is represented at the US Embassy Brasilia by the Foreign Agricultural Service 's (FAS) Office of Agricultural Affairs (OAA), and the Animal and Plant Health Inspection Service (APHIS). These two agencies also maintain offices at the US Consulate in Sao Paulo.

FAS offices assist US food & agricultural product exporters by providing current information on export opportunities, registering them at the Brazilian Ministry of Agriculture (MAA) for export eligibility, and providing contact information for food & agriculture buyers. These offices can provide lists and catalogues of Brazilian importers, distributors, agents and wholesalers for U.S. agricultural exporters.

The *AgExport Connections Service* is provided by the USDA/FAS Brazil. This service is managed from FAS in Washington, D.C. to keep US sellers and exporters informed of overseas opportunities. Among other services, US suppliers can obtain a Foreign Buyers List from USDA/FAS. These lists, for all countries worldwide, provide information on more than 15,000 foreign buyers of US food & agricultural products. Also offered is through *AgExport* is Buyer Alert, a no-cost advertising service where US suppliers promote their products directly to foreign buyers, and the US Suppliers List, an important guide used by FAS field offices to find US suppliers. For more information on *AgExport Services*, please contact a USDA/FAS office in Brazil, or the AgExport Services office in Washington, D.C. (www.fas.usda.gov).

Coarse Grains (HTS: 1001 – 1008.99)

Brazil emerged as a corn exporter in 2001, and for several years was the world's fourth largest corn exporter. However, drought in southern Brazil devastated crops in 2004/2005, slowing exports to a trickle. Despite reduced domestic supplies, only 500,000 tons of corn was imported because of import restrictions on biotech corn. A limited amount of Argentine corn was imported into Northeast Brazil thanks to a 'GMO waver'; Paraguay continued to fill much of the southern poultry industry's corn demand; and Northeast Brazil continued to import small amounts of corn because of high internal freight costs. Paraguay and Argentina enjoy many advantages in Brazil's market – namely proximity, lower transportation costs, shorter delivery times and protection from the 8% Mercosul duty and the 25% merchant marine tax. Despite Paraguay and Argentina's advantages, there are some opportunities for US grains, particularly in feeds and fodder, with US$23 million in US sales to Brazil in during fiscal year 2005.

Corn Metric Tons (000s)	2003	2004 est*	2005 est*
Consumption	37,500	38,800	40,000
Local Production	44,500	42,500	42,500
Exports	4,620	4,200	4,500
Imports (Global)	786	250	300
Imports from US	8	0	0

*Statistics are forecasts.
Source: Secretaria de Comércio Exterior (SECEX) – MICT, Ministry of Finance, and USDA Foreign Agricultural Service.

Rice (HTS: 1006)

A bumper crop this year will lead to reduced imports, particularly from non-Mercosul origins. Imports from Argentina and Uruguay will continue because of lower production costs compared to southern Brazil. Demand for U.S. supplies is likely to be much smaller than 2003 levels. However, a smaller crop in 2005 may lead to greater demand for non-Mercosul supplies with the United States as the primary supplier, though competition from Asian suppliers is increasing. Importers will prefer paddy rice to supply Brazilian mills. US rice benefited in the last quarter of 2003 from a reduced Common External Tariff, which was implemented due to tight Brazilian and Mercosul supplies.

Rice Metric Tons (000s)	2003	2004 est*	2005 est*
Consumption	8,100	8,500	8,650
Local Production	7,050	8,708	7,900
Exports	19	50	25
Imports (Global)	1,117	750	850
Imports from US	331	50	75

(Milled Basis, Marketing Years)
*Statistics are forecasts.
Source: Secretaria de Comércio Exterior (SECEX) – MICT, Ministry of Finance, and USDA Foreign Agricultural Service.

Wheat (HTS: 1001)

Brazil relies on imports for the majority of its wheat consumption, with Argentina supplying about 90%. On March 15, 2001, the Ministry of Agriculture lifted the ban on US Soft Red Winter, Hard Red Spring, and Hard Red Winter wheat. The ban blocked US wheat imports due to several phytosanitary issues, including TCK smut, cereal stripe and flag smut. Exports of these wheat varieties must now come with an addition declaration in the phytosanitary certificate that "the wheat comes from an area free of anguina tritici," and cannot be shipped out of west coast ports. Importation of US wheat from the states of Washington, Oregon, Idaho, California, Nevada, and Arizona remains prohibited due to phytosanitary concerns.

Argentina enjoys many advantages in Brazil, such as proximity, lower transportation costs, shorter delivery times, and exemption from the 10% Mercosul duty and 25% merchant marine tax. Despite Argentina's advantages, there are significant opportunities for US wheat in the Northeast, particularly in May-September preceding the Brazilian harvest. Furthermore, importers and millers have stated a willingness to pay a premium for US wheat, given its superior quality. Access to US wheat classes will benefit Brazilian millers and consumers.

In 1996, before Brazil imposed import restrictions on US wheat, it purchased roughly 760,000 tons of US wheat worth US$174 million. In 2003, US wheat exports became the number three agricultural export item to Brazil, with sales of nearly US$63 million. However, the bumper domestic crop in 2004 cut imports of US wheat dramatically, and 2005's large crop is also expected to restrain demand for US wheat.

Wheat Metric Tons (000s)	2003	2004 est*	2005 est*
Consumption	9,865	10,000	10,200
Local Production	2,925	5,851	5,700
Exports	6	1,375	300
Imports (Global)	7,036	5,300	5,000
Imports from US	656	368	100

(Marketing Years)
*Statistics are forecasts.
Source: Secretaria de Comércio Exterior (SECEX) – MICT, Ministry of Finance, and USDA Foreign Agricultural Service.

Whey and Lactose (HTS: 0404,1702)

The whey ingredient & lactose market is expected to grow 5% annually through 2011, because of general GDP growth and expansion processed food exports, particularly in the confectionery industry. Since there is minimal local production, the bulk of lactose products are imported. Argentina and Uruguay are the key players in Brazil, together supplying 60% of the market. Also important are the Netherlands, France, Canada and the United States. Low cost alternatives in the local market have meant that lactose remains underutilized by the local food industry. The best opportunities for increased whey and lactose usage are in high value added products, such as protein bars, sports nutrition beverage, low fat yogurts and dairy-based beverages and in the confectionery/chocolate industry.

Whey/Lactose (000s metric tons)	2003	2004	2005
Exports	29	12	0
Imports	34	34	35.3
Imports from US	5.2	3.2	10.2

Source: Secretariat of Foreign Trade (SECEX)/ World Trade Atlas (WTA)

Inputs to Bakery Sector (Malt extract & flour-based food preparations - HTS: 1901)

According to the Brazilian Association of Bakery and Confectionery Producers (ABIP), during the last decade the bakery & confectionery industry's average revenue was R$24 billion (US$10.9 billion). Today, an average of 40 million individuals visit one of Brazil's 52,000 bakeries, 64% of which are located in the South and Southeast, daily. Annual per capita bread consumption is 27 kg, still below the 30kg annual average recommended by the World Health Organization.

Bakery Inputs (US$ millions)	2003	2004	2005 (jan-nov)
Exports	12.2	26.1	28.5
Imports	61.2	61.2	61.3
Imports from US	0.04	0.01	0.4

Source: Secretariat of Foreign Trade (SECEX)/ World Trade Atlas (WTA)

Cotton (HTS: 5201)

Cotton consumption has been strong as high oil prices increased synthetic fiber price (the average price of polyester in 2003 was US$1.03/kg compared to today's US$2.09/kg). Consumption is also rising because of demand for "natural" fibers by environmentally conscious consumers; low farm gate prices as producers have pushed harvested supplies on the market; and good economic performance and more disposable income.

Textile contacts report that stronger textile exports are driving cotton demand, with this year's shipments roughly 26% more than last years. We forecast a year-to-year increase in consumption of 40,000 tons (5%) with 2004/05 forecast at 890,000 tons.

Cotton production in Brazil is soaring, as new land in the Center-West region is opened and producers improve efficiency. While this increased production is providing greater competition to US exports, it has had little impact on US imports. Demand for US Pima cotton has declined, yet imports of long-stemmed cotton for denim production has been healthy. Cotton was the leading US agricultural product imported by Brazil in 2004, and strong performance is expected to continue.

Cotton Metric Tons (000s)	2003	2004 est*	2005 est*
Consumption	800	850	890
Local Production	847	1,272	1,350
Exports	106	210	450
Imports (Global)	122	112	100
Imports from US	58	68	60

(Marketing Years) *Statistics are forecasts. Source: Secretaria de Comércio Exterior (SECEX) – MICT, Ministry of Finance, and USDA Foreign Agricultural Service.

Wine (HTS: 2204)

Brazil is gradually producing higher quality wines. Wineries are concentrated in the South, notably the state of Rio Grande do Sul, which generates 90% of total production. Nevertheless, Brazil still depends on imports to fulfill high-end demand. The major exporters to Brazil are Chile, Argentina, Italy, Portugal, France, Uruguay, Spain, South Africa, Germany and the US. Per capita consumption is 2 liters/year, while in the South and Southeast it reaches 10 liters. Wine imports have been shown to be less sensitive to economic downturns. While there is limited knowledge about the quality of U.S. wines, Brazilian importers believe that growth potential exists.

Wine	2003	2004	2005 (jan-nov)
Local Production (000s liters)	23,918	42,902	45,496*
Exports (US$ million)	0.9	2	2.7
Imports (US$ million)	68.4	88.9	83
Imports from US (US$ million)	0.5	0.2	0.2

Secretariat of Foreign Trade (SECEX)/ World Trade Atlas (WTA). Brazilian Union of Viticulture (UVIBRA). * January to December

Inputs to Beer Production (Yeasts, baking powder - HTS 2102)

Brazil is the world's fourth largest beer producer. Brazilian per capita consumption is 48 liters/year, and in 2004 total volume was 8.5 billion liters, and 2005 an estimated 8.9 billion liters (4.7% growth). Nominal sales are also expected to grow, reaching R$18.9 billion (US$8.6 billion), a 9.6% increase over the previous year. Increased investment is leading this growth - over the last 5 years local industry invested approximately US$1 billion and started 10 new plants. Imported beer is still very much a niche market.

Beer Inputs (US$ millions)	2003	2004	2005 (jan-nov)
Exports	13.9	15.9	22
Imports	21.2	26.6	26.6
Imports from US	0.11	0.09	0.1

Source: Secretariat of Foreign Trade (SECEX)/ World Trade Atlas (WTA)

Pears and Apples (HTS: 0808.20.10 & 0808.10)

Pears are rarely produced in Brazil, and in 2005 the country's pear imports increased by 21% (US 6%). While Brazilian apple production continues to increase, so to do imports, as a drought in southern Brazil in 2005 caused 25% crop loss. Argentina and Chile are the dominant pear and apple suppliers, benefiting from preferential tariff treatment, but European suppliers are active and consumer knowledge of US products continually expands. US producers benefit from an opposite harvest season than Argentina and Chile, which allows for a sales and marketing window, and in spite of some shipping challenges, US pear and apple exports continue to show potential.

Metric Tons (000s)	2003	2004	2005
Local Consumption	809	830	690
Local Production	842	970	720
Exports	76	153	75
Imports (Global)	150	135	160
Imports from US	3	3	4

Source: Secretaria de Comércio Exterior (SECEX) – MICT, Ministry of Finance, and USDA Foreign Agricultural Service.

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USDA's website in Brazil:
http://www.usdabrazil.org.br/*

Brazil is a world leader

In 2005, Brazil's aircraft market continued expanding, showing growth in agricultural aviation, maintenance, the offshore helicopter market, and the commercial and corporate markets. According to the Ministry of Development, Industry and Trade, from January to October 2005, Brazil imported US$807 million in aircraft and parts, 20 percent more than 2004 – 40 percent originating in the U.S.

Opportunities in numerous sectors

In *commercial and corporate aviation*, both Boeing and Embraer foresee continuing high demand for commercial and corporate aircraft. According to Embraer, Brazil's largest aviation company, exporter and importer of aircraft parts and components, growth in China, the Middle East and Latin America will drive demand for its products, and in turn Embraer's demand for US parts and components.

Helicopters, including parts and components, represent a good opportunity for U.S. businesses. Brazil has approximately 1,800 helicopters operating, 76 percent with turbine engines and 23 percent piston engines. Helibras of the Eurocopter group is the market leader, followed by Bell Helicopter and Sikorsky. In 2004, helicopter part and component imports were worth approximately US$3 million.

Agricultural aviation is another growing market in Brazil. Currently 1,200 agriculture airplanes fly in Brazil, covering 18 million hectares, and in 2004, approximately 80 aircraft were imported. Analysts predict 9 percent market growth in 2006.

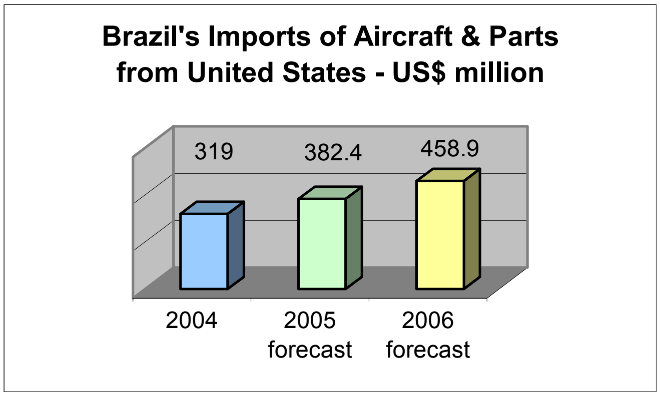
In Military Aviation, though the Brazilian government has had a refurbishing program since the end of 2003, which includes acquisition and modernization of aircraft for all military forces, budget restrictions have meant that over the past two years, the armed forces have been unable to implement such programs. The Brazilian Navy was unable to purchase needed fixed wing aircraft, and though the Army was able to purchase versatile helicopters, the budgetary difficulties halted their purchase of attack mission aircraft.

Brazil's Maintenance Market Grows

As Brazil's aircraft market grows so to does its maintenance sector. The 2005 estimated value of the global maintenance is US$42 million, with Brazil's estimated at US$2 million. Brazil's aeronautic maintenance park is composed of roughly 200 companies specialized in cells, engines, turbines, avionics, and flight systems.

Embraer: US$10.4 billion in orders

EMBRAER has designed, developed, manufactured, sold and provided after-sales support to the global aircraft market for 36 years. Between January and September 2005, the company delivered 101 commercial, executive and defense aircraft. Embraer's delivery forecasts for 2005 and 2006 are 145 aircraft, and the firm's total order backlog, including the airline, corporate and defense market, totaled US$10.4 billion. The U.S. is Embraer's largest parts supplier, with companies from more than 15 U.S. states supplying components and material. The U.S. is also Embraer's largest customer, accounting for 60 percent of the purchases.



Source: Trade Balance Report from the Ministry of Development, Industry and Trade.

Embraer has developed "risk sharing" partnerships with key suppliers, including GE Engine Company, Honeywell, Hamilton Sundstrand, C&D, and BF Goodrich.

Leading Products for U.S. Exporters

As Brazil's market continues to expand, imports of aircraft, parts and components continue to increase, representing good business opportunities for U.S. suppliers. The products expected to have the most potential are: Airplanes for agriculture market; Offshore helicopters; Parts and components for helicopters; Avionics and Systems; Turbojet aircraft engines; Aircraft engines; Aircraft control systems; Aircraft propeller parts; Aircraft accessories.

Resources

- For more information please contact Industry Specialist Daniele Andrews: daniele.andrews@mail.doc.gov
- For more market research reports please visit: www.export.gov/marketresearch.html
- DAC - Department of Civil Aviation: www.dac.gov.br
- Embraer:www.embraer.com.br
- Ministry of Defense: www.defesa.gov.br
- CTA - Aerospace Technical Center: www.cta.br
- AIAB - Associação das Indústrias Aerospaciais do Brasil: www.aiab.org.br
- Ministry of Development, Industry and Trade Commerce www.mdic.gov.br
- With offices in Brasilia, São Paulo, Rio de Janeiro, Belo Horizonte & Porto Alegre, the US Commercial Service Brazil (www.buyusa.gov/brazil) helps US exporters enter Brazil's market through research, matchmaking and advocacy. To the best of our knowledge the information in this report is accurate - however readers should conduct their own due diligence before entering into business ventures. *

The Importance of INFRAERO

Over 90 percent of Brazil's airports are managed by state-owned INFRAERO (Empresa Brasileira de Infra-Estrutura Aeroportuária). Historically, Brazil's airport system was comprised primarily of ex-military landing strips. INFRAERO has begun to integrate and improve Brazil's airport system and in 200 designated a number of important airport modernization projects. These projects offer attractive long-term market prospects for US airport equipment manufacturers.

INFRAERO is responsible for designing, building, operating and managing 66 airports and 81 navigation support stations, all of which have air traffic control, telecommunications services, and flight protection systems and services. INFRAERO is headquartered in Brasília and has seven regional business centers located in Belém, Brasilia, Manaus, Porto Alegre, Recife, Rio de Janeiro, and São Paulo.

Brazilian Public Sector Investment

INFRAERO is modernizing airports across Brazil. In the Northeast, airports in Maceio (state of Alagoas), Natal (Rio Grande do Norte) and João Pessoa (Paraíba) are under construction. In the Northwest, Manaus' airport (Amazonas) will be modernized, and in Macapá (Amapá) INFRAERO is building a new airport.

In the South, INFRAERO started the bidding process to construct Florianópolis Airport in Santa Catarina State, and also opened a bid to build a new cargo terminal at Porto Alegre Airport. In the Center West region, Infraero is building a new airport in Goiania with US$122 million in investment.

In the Southeast, a new terminal at Vitória Airport (Espírito Santo) is under construction. The Viracopos International Airport in Campinas (São Paulo), one of Brazil's main cargo airports, received US$14 million in investments. In 2007 INFRAERO should invest roughly US$67 million to modernize the elevator system and build a new express cargo terminal. INFRAERO also began constructing a new passenger terminal at the Guarulhos International Airport in São Paulo.

All airport construction projects are contracted by INFRAERO through public auctions. The winning contractors will then choose subcontractors to participate in the projects. INFRAERO uses its own finance resources to implement airport modernization projects. However, some of INFRAERO's airport projects will be done in conjunction with state governments. In August 2005, the Brazilian Federal Government, announced US$152 million in credit to support modernization projects at Guarrulhos and Congonhas airport in Sao Paulo, Vitoria Airport in Espirito Santo, Santos Dumont Airport in Rio de Janeiro, Goiania Airport in Goias, Macapá Airport in Amapá, and Florianopolis Airport in Santa Catarina.

Specifics on Major Projects

São Paulo:

Guarulhos International Airport: the estimated US$500 million project includes construction of a third passenger terminal, extension of aircraft tarmac and equipment purchases. The project holds excellent opportunities for US suppliers of airport security and ground support equipment such as access controls, non-intrusive drug and explosive detectors, metal detectors, mobile boarding bridges, baggage handling equipment, and products and technologies that lessen environmental impact.

Congonhas International Airport: the estimated US$480 million project calls for modernization of the passenger terminal.

Goiania: the estimated US$122 million project includes acquisition of baggage X-rays, air traffic control/radar systems, metal detectors, elevators and passenger bridges.

Espiríto Santo: The estimated US$152 million Vitória Airport project converts the airport from national to international. The project includes construction of a new passengers terminal, control tower, acquisition of passenger bridges, check-in balconies, and construction of an international cargo terminal.

Rio de Janeiro: The Santos Dumont Airport project includes modernization of the passenger terminal and construction of a new cargo terminal. By the end of 2008, the total value of investments will reach approximately US$185 million.

Santa Catarina: The estimated US$54 million Florianopólis international airport project includes construction of a new passenger terminal.

Macapá: INFRAERO developed a partnership with the State of Amapá to build a new airport. The estimated US$39 million project includes acquisition of X-rays, metal detectors, elevators, passenger bridges, and other equipment.

Best Prospects for US Firms

US companies primarily compete with Finnish, Spanish, French and German companies. The most competitive firms generally provide the most attractive financing arrangements. The best prospects for US suppliers are passenger bridges; equipment for drug & explosive detectors; boarding bridges; baggage X-rays; air traffic control systems; radar systems; and baggage handling equipment. As most first-order procurement is through Brazil's formal bidding process, we urge suppliers to contact us early to find out about strategy, and assistance.

Resources

- For more information please contact Industry Specialist Daniele Andrews: daniele.andrews@mail.doc.gov
- For more market research, please visit: www.export.gov/marketresearch.html
- INFRAERO: www.infraero.gov.br
- DAC - Department of Civil Aviation: www.dac.gov.br
- With offices in Brasilia, São Paulo, Rio de Janeiro, Belo Horizonte & Porto Alegre, the US Commercial Service Brazil (www.buyusa.gov/brazil) helps US exporters enter Brazil's market through research, matchmaking and advocacy. To the best of our knowledge the information in this report is accurate - however readers should conduct their own due diligence before entering into business ventures.*

Brazil Leads Latin American Software Revenues

Brazil's IT industry is Latin America's leader. According to E-Consulting Corp., the industry has grown 10% annually since 2000, boasting of annual sales of $12 billion, and accounting for one of every two dollars spent on IT products and services in the region. Along with China and India, Brazil has been targeted by Multinational IT firms as key revenue sources because of the country's economic growth, stability and consumer preference for US technology.

Brazil's financial sector, Latin America's largest and most sophisticated, continues to expand its software use. Recent spending on third party software grew 70% and internally developed software 46%, a trend expected to continue. Brazil's IT sector, though young, continues to develop, maintaining leadership in the number of mergers and acquisitions for three quarters, according to a KPMG study.

The amount of activity in the sector shows the strength of Brazil's IT market: IT transactions tripled in the first half of 2005; sales of management software such as ERP and CRM have doubled over the past 2 years; e-Commerce continues to increase; the country has emerged as Latin America's most attractive outsourcing market; and Brazil's wireless market is growing faster than the US and may emerge as one of the world's most important wireless security technology markets. Lastly, the Federal Government is a large and sophisticated software user – its e-gov initiatives, such as electronic voting and e-filing 95% of personal income taxes and 100% of corporate taxes has bolstered Brazil's e-reputation.

Information & Network Security

According to Kaagan Research & Associates (KRA), security is a "very high" or "high" priority for 71% of the executives surveyed from 203 companies in Brazil, Argentina, Mexico, Chile, Venezuela and Colombia. In 2005, Latin American companies invested 15.4% of their IT budgets in security – fitting with the world average of 15% to 16%. Thus, 2006 should see network security continue to be highly represented in Brazil's IT spending, though primarily restricted to firewall installation rather than more complex security strategies. The KRA study also showed increased demand for hardware and software solutions in combined networks.

Open Source Gaining Favor in Brazil

Through 2005, city, state and federal government procurement offices debated a possible preference for "open-source" software. Several bills were introduced in the Congress that would require federal agencies to acquire and use open-source systems. Brazil's software industry is concerned, noting that this could prejudice the local industry's development and licensing business model. The US Government is following this debate closely as some US software providers have expressed concerns that the Brazilian government might pressure agencies to decide in favor of freeware regardless of its utility. If government agencies do adopt open-source solutions, though, opportunities to assist with orderly version development and support could exist for US businesses.

US$ millions	2004	2005 est*	2006 est*
Market Size	$26,850	$32,420	$37,000
Local Production	$14,300	$17,920	$22,000
Exports	$5,100	$5,500	$6,000
Imports (Global)	$12,550	$14,500	$15,000
Imports from US	$2,569	$2,400	$2,800

Exchange rate of R$ 2.25/US$ 1.00. Statistical data are unofficial estimates from trade sources. * 2005/2006 figures are estimates

US Software Industry is Competitive

Industry experts predict US$12.1 billion of software sales in Brazil during 2006. Of this, US$5.3 billion will be imported, almost 70% from the US.

Although Brazil is the world's 7th largest software producer, only 2% of the industry's revenues are earned through exports. Brazil's government hopes to increase the country's software exports by 10x, to US$ 3 billion, by 2007, assuming world software demand will triple over the next 5 years to US$900 billion. The development of an export ready software market should create opportunities for US suppliers and consultants.

US IT businesses with proven sales and export records can compete well in Brazil as they can argue they are more reliable than the still developing local suppliers. While some in Brazil see the presence of competing multinationals as a negative, the combination of a burgeoning local industry and international competition is rather an indication of greater market development.

U.S. software manufacturers should be aware that severe software piracy exists in Brazil. Illegal copies of software are made locally or come from Southeast Asia and enter Brazil through Paraguay or other border states. The Business Software Alliance estimates that 50 - 60% of all software used in Brazil is pirated, resulting in losses of US$500 – US$600 million. Brazil's government has recently publicized stricter penalties, but uneven enforcement and judicial delays continue. The US government continues to follow this closely. For more information please refer to our Intellectual Property report at www.focusbrazil.org/br/ccg.

Resources

- For more information please contact Industry Specialist Genard Burity: genard.burity@mail.doc.gov
- For more market research: www.export.gov/marketresearch.gov
- Business Software Alliance: www.bsa.org
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Brazil: Largest E-Market in Latin America

Brazil is the ninth largest Internet market in the world and Latin America's most innovative. According to the Brazilian Chamber of Electronic Commerce (www.camara-e.net), Business-to-Business (B2B) and Business to Consumer (B2C) e-commerce revenues reached US$43.8 billion in the first half of 2005. B2B companies represented 75 percent of this market. Analysts predict 10% sector growth by year-end 2006 and a 5% increase in total imports.

Rapid telecommunications expansion means the Brazilian e-market continues to grow and receive steady investment. Brazilians have adopted and created e-gov to e-business technologies, real-time news and top-notch software. Growth looks to continue because of growing user bases; state-of-the-art banking equipment; increased e-commerce participation by large local retailers with brand recognition; a wide array of Portuguese language content providers; and the government's projects to extend Internet access to all citizens.

Government of Brazil Wants to Increase Access

Brazil's government plans to increase broadband penetration through new SCD (Communications Digital Service) licenses. This public system provides broadband Internet access to 260,000 middle and high schools, hospitals, emergency clinics, libraries, fire & police stations and handicap institutions.

Internet Use Characteristics

There are approximately 25 million Internet users in Brazil, placing the country among the global Internet elite. Internet use continued to grow in 2005 and Brazilian users ranked higher than even Europeans in time spent online, relative usage of audio-visual content, e-banking and e-commerce. Teenagers, executives and professionals are Brazil's heaviest Internet users. Teenagers spend almost 14 hours a month on the web, more than the time they use to read newspapers or go to movies. Brazilian executives surf the web almost the same amount as their American counterparts.

A few Internet Service Providers dominate

According to the Brazilian Association of Internet Service Providers (ABRANET), there are more than 1,000 ISPs in Brazil, but 50 percent of Internet-user-market-share is controlled by five companies. The paid Internet market leader is Terra Lycos (owned by Spain's Telefonica), followed by Universo Online (UOL), and Globo. These three ISPs represent more than 70% of paid Internet subscribers.

Fierce competition among ISPs has decreased access costs, prompting broadband's rapid growth. The weak financial position of cable operators in Brazil has meant DSL dominates the broadband market, a trend expected to continue. By the end of 2008, an estimated 94% of broadband lines will be DSL.

Internet availability for the less affluent

Though 80 percent of upper-middle and upper class citizens have web access, national Internet penetration is still low because computers, hardware and broadband service is very expensive for most Brazilians. Yet, lower income individuals now represent 25% of Brazil's web surfers, up from just 5% four years ago. This increase comes from lower subscription costs, the availability of free Internet providers, and government initiatives to make computers available in schools and public places. Also, there is wider availability of credit lines for acquiring a family's first computer.

US$ millions	2004*	2005*	2006*
Market Size	$43.80	$48.10	$52.30
Local Production	n/a	n/a	n/a
Exports	n/a	n/a	n/a
Imports (Global)	n/a	n/a	n/a
Imports from US	$3.30	$3.50	$4.20

* Statistics are unofficial estimates. Exchange Rate: US$ 1.00 = R$ 2.20.
Source: ABIMAQ, ANFAVEA, trade contacts

B2B and C2C on the Increase

The Business to Business (B2B) segment is still concentrated in a few large companies. Although newspapers highlight significant investments in the segment, actual totals show a different reality - for example, in the state of São Paulo, only 12% of industry currently utilizes B2B tools for sales.

The main Business to Consumer (B2C) players are a diverse set of retailers: www.amelia.com.br, www.americanas.com.br, www.livrariasaraiva.com.br, www.webmotors.com.br, and www.submarino.com.br. Most Brazilian sites are dedicated to books, music, groceries, electronics, brokerages, banking services, airlines, and computer software and hardware. An estimated 20% of Brazilian Internet users have made on-line purchases, mostly books, CDs, and software are the most frequently purchased items, consumers are beginning to buy computer peripherals and accessories, cosmetics, vitamins, car accessories, clothes, household items, and toys.

The Consumer to Consumer (C2C) segment has a number of available on-line auction sites: Arremate, Mercado Livre (owned by ebay), and Lokau. Direct sales from the US are subject to specific rules so interested businesses should review "Trade Regulations" at www.focusbrazil.org.br/ccg.

E-Government-95% of tax returns filed on-line

The most visible impact of Brazil's Internet revolution has been the government's online presence. In 1996, Brazilians began filing federal taxes online, and last year, 12 million people, 95% of filers, did so. All corporate returns were e-filed, and 66% of federal services are accessed at www.Brasil.gov.br

Resources

- For more information about this sector, please contact Industry Specialist Ebe Raso: ebe.raso@mail.doc.gov
- For more Market Research: www.export.gov/marketresearch.html
- With offices in Brasilia, São Paulo, Rio de Janeiro, Belo Horizonte & Porto Alegre, the US Commercial Service Brazil (www.buyusa.gov/brazil) helps US exporters enter Brazil's market through research, matchmaking and advocacy. To the best of our knowledge the information in this report is accurate - however readers should conduct their own due diligence before entering into business ventures.*

Projected Growth & Regulatory Uncertainty

Brazil's electricity generation is largely in federal and state hands. Over 40 percent of installed generation capacity is controlled by the federal government's Eletrobras, approximately 35 percent by state-owned energy companies, while the remaining 25 percent has been privatized. In all, Brazil has an installed capacity of 88.7 GW - 68.9 GW hydroelectric and 19.8 GW from natural gas, coal and nuclear.

Power generation grew modestly in 2005 because of an energy surplus, postponed power auctions, changes in the Brazilian Minister of Mines and Energy (MME), and a complex environmental permit process. More substantial growth in the power generation segment is expected from mid-2006 onwards, once contracts from the December 16, 2005 power auction are signed. This auction included hydro and thermal power plants, greenfield projects, plants that have secured a concession or authorization as of March 16, 2004, and those that were operating by January 2000 but had not secured long-term energy sales contracts by February 14, 2005.

Other auctions are expected in 2006 as the MME aims to guarantee new power plants to avoid power shortages. Considering average 3.7 percent annual growth rate, estimates say Brazil's power generation sector needs annual investments of roughly $4.7 billion to avoid shortages.

Currently Brazil has 18 hydropower plants under construction, but many face environmental delays. When ready, these plants are expected to generate 4,226 MW. Another 25 hydro plants with 5,909 MW are at permit stage.

Though the MME has stated that energy generation will be competitive, state-controlled companies will still play an important role, and as such, public-private partnerships are expected and considered to be the best means of market access for new-to-market US power companies.

Renewable Energy

As a result of the MME's "Proinfa" Renewable Energy program, launched in 2004, investments in renewable energy are expected to reach US$2.5 billion during 2005-2007. Proinfa provides incentives such as a 20-year power purchase contract with Eletrobrás, and below-market rates for financing from Brazil's national development bank (BNDES) for wind, biomass and small-scale hydroelectric projects. Eletrobrás will sign contracts to buy 1,100MW from wind, biomass and small hydros respectively.

Transmission

Brazil's 2001 energy crisis was exacerbated by transmission system bottlenecks. To increase power transmission line construction, the National Electric Energy Agency (ANEEL) held 11 auctions in 1999-2004 for 13,500 km of transmission lines, valued at US$3.5 billion. In 2005, about 3,000 km of new transmission lines, valued at US$1.2 billion, have or are in the process of being tendered. Eletrobras has actively participated through its subsidiaries Chesf, Eletrosul, Furnas and Eletronorte, as have the private firms Alusa and Schahim.

US$ millions	2004	2005 est*	2006 est*
Market Size	$3,920	$3,945	$4,465
Local Production	$3,195	$3,290	$3,780
Exports	$295	$395	$395
Imports (Global)	$1,020	$1,050	$1,080
Imports from US	$255	$262	$270

Exchange rate of R$ 2.40/US$ 1.00. Statistical data are unofficial estimates from trade sources. *2005/2006 figures are estimates

Distribution

Brazil's electrical power distribution sector is seeing gradual investment and growth after years of stagnation from power rationing and reduced revenues. Brazil's 26 largest power distributors had profits of R$3.1 billion (US$1.35 billion) in 2004, up 22.6 percent from 2003, according to figures published by the Brazilian Association of Electric Power Distributors. There was also 17.2 percent growth in the companies' gross revenue from 2003-2004, amounting to R$51.2 billion (US$22.26 billion). Higher power consumption, which increased from 342.2 TWh in 2003 to 359.6 TWh in 2004, largely contributed to this recovery. First quarter 2005 saw 5.4 percent growth over the same period in 2004.

Power distribution companies (DISCOs), who saw recent revenues drops, are expected to use 2006 to focus on reducing technical and commercial power losses through effective electricity measurement controls and client database management. Additionally, DISCOs are expected to continue energy delivery quality programs by installing supervision and control systems to avoid penalties from ANEEL, who can now track the frequency and duration of electricity interruptions online. Also, under the government's "Light for All" program, DISCOs have been tasked to provide electricity to 12 million of the rural poor by 2008, a US$4 billion investment.

US Participation in this Sector

US investment in Brazil's energy sector is concentrated in power distribution & generation. US companies such as El Paso, Duke and AES compete with Spanish (Iberdrola), French (EDF) and Portuguese (EDP) companies. The strongest competition for US GTD equipment suppliers are locally established multinationals (mostly European and Japanese). US companies should note that the federal and state owned companies that largely control this sector often follow "buy local" policies.

Resources

- For more information please contact Industry Specialist Regina Cunha at: regina.cunha@mail.doc.gov
- Eletrobras: www.eletrobras.com.br
- Ministry of Mines and Energy (MME): www.mme.gov.br
- National Electrical Energy Agency: www.aneel.gov.br
- With offices in Brasilia, São Paulo, Rio de Janeiro, Belo Horizonte & Porto Alegre, the US Commercial Service Brazil (www.buyusa.gov/brazil) helps US exporters enter Brazil's market through research, matchmaking and advocacy. To the best of our knowledge the information in this report is accurate - however readers should conduct their own due diligence before entering into business ventures.*

Trade spurs investment in Transportation

Global economic forecasts indicate that trade between North America and Latin America will increase significantly in coming years. Trade is expected to more than double, from 260 million tons to 560 million tons, by 2020.

Allocated investment for transportation infrastructure, in the Brazilian government's Bi-Annual Investment Plan (2004-2007), was US$ 11.9 billion. European companies are poised to capture a large share by offering packages that include long-term financing. Unfortunately, US companies are not taking full advantage of financing sources offered by the US government, particularly by Ex-Im Bank (www.exim.gov), which could greatly increase their chances of selling US-made products.

Investment Opportunities in the Highway Sector

Brazil has roughly 1.5 million km's of highways making it the 12th largest road system in the world. However, only slightly more than 10% of the system is paved. An ongoing privatization program is gradually bringing investment to the main cargo and passenger highway routes, with substantial upgrading of service quality.

Excluding waterways, rivers, and coastal shipping, 75% of the country's cargo is transported on highways, suggesting substantial inefficiencies, although railroads are gradually winning back heavy, long-distance freight.

Through the end of 1999, federal, state and municipal privatization programs had granted 39 concessions with investment commitments of US$6 billion. In this first stage some 10,000 km's of federal and state roads were turned over to private operators. Private companies operating 39 highway concessions invested US$ 700 million through 2000. This amount represents 12% of the investment required until the end of the concessions, which is 20 years on average. Privatized highways are now safer and offer more service to users. They have repaved long stretches of highway and renovated signs. Operators aim to incorporate modern technology into the network system to reach European and U.S. interstate highway benchmarks.

So far, the Highway privatization program is aimed at roughly 10% of the 164,000 km of paved road, and concession auctions have been held for less than half of the planned number. Companies operating the highways already privatized are expected to invest US$5.3 billion on improvements of roads over the next two decades. Many opportunities are foreseen as new highway sections are tendered.

The Brazilian government plans to continue its highway privatization program opening up new opportunities for direct and indirect investments. It will privatize an additional 10,000 km's of federal highways, turn over 13,000 km's to state control, and rebuild 14,000 km's of federal highways.

Avança Brasil (The Brazilian Development Plan) calls for construction, duplication and improvement of the following federal and state highways:

- Fernão Dias (BR-381) - connecting two of Brazil's most important state capitals, Belo Horizonte (MG) and São Paulo (SP). The cost of duplicating this highway is estimated at US$1.8 billion.

US$ millions	2004	2005 est*	2006 est*
Market Size	$1,395	$1,100	$3,400
Local Production	$809	$640	$2,000
Imports (Global)	$586	$460	$1,400
Imports from US	$281	$230	$700

Exchange rate of R$ 2.36/US$ 1.00. Statistical data are unofficial estimates from trade sources. * 2005/2006 figures are estimates

- Mercosul - duplication of highways that connect São Paulo to Brazil's southern states and Uruguay and Argentina, US$2.2 billion.
- BR-364/163 - rebuilding 520 km, US$40.5 million.
- São Paulo Beltway - construction of the first sector, Beltway West, is under way. The complete Beltway, to be built in four parts, will require US$1.7 billion in investment. Many of the projects will involve substantial concessions, either for construction and operation or just for operation.

The Brazilian government has announced that they will investment R$8 billion (US$ 3.5 billion) in highway construction and improvement by the end of 2006, the end of their current mandate. The government has estimated that investments to improve the county's logistics infrastructure could total as much as R$ 20 billion (US$ 8.7 billion) when considering private investments in other related sectors such as railroads, ports and airports. Brazil's government has repeatedly emphasized that electric energy and logistic investments are critical to maintaining low inflation and a trade surplus.

Business Opportunities

- Highway operation: acquisition of concessions through public auction.
- Highway, tollbooth, service plazas and other civil construction.
- Construction and operation of transshipment terminals.
- Manufacture/supply asphalt, concrete and electrical wire.
- Telecommunications: fiber optics along highways.
- Electronic signs and safety equipment.
- Medical and rescue equipment supplies.
- Building and operating distribution and business centers.

Resources

- For more information please contact Industry Specialist Ruy Baptista: ruy.baptista@mail.doc.gov
- For more market research please visit: www.export.gov/marketresearch.html
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Brazil: Life, Health and Automobile Market

In 2004, the Brazilian insurance market reached US$25.6 billion, approximately 4.3% of Brazil's GDP, and almost half of South America's insurance market. The Brazilian insurance industry has grown for six years at higher rates than GDP, doubling since 1994, with life and health insurance showing the greatest growth. The market's potential continues to attract foreign companies - in 1994, Brazilian companies controlled 95% of the market – but today, foreign companies have 40% market share (US insurers 21%).

US$ billions	2004	2005 est*	2006 est*
Market Size	$25.60	$30.70	$36.80
Participation	$8.00	$9.60	$11.50
Participation	$2.30	$2.70	$3.20

Exchange rate of R$ 2.30/US$ 1.00. Statistical data are unofficial estimates from trade sources. * 2005/2006 figures are estimates.

Regulatory Environment

Brazil's government regulates private insurers through:

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

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

IRB-Brasil Resseguros SA: IRB is a 51% state-owned company that currently is Brazil's only reinsurer. In the late 1990's, Legislation was passed approving IRB's privatization, however, the current governing party, the PT, launched a court injunction that halted the privatization. We do not anticipate the reinsurance market's opening until (at least) mid-2006. Several foreign reinsurers who had established branches in Brazil left the country, though some continue to maintain offices in Rio de Janeiro to provide reinsurance to IRB.

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

Property & Casualty Insurance

Brazil's property and casualty insurance market is dominated by auto insurance, a segment that continues to be one of the best opportunities for US insurers operating in or seeking to enter Brazil. In 2002 Brazil had 1 car for every 8.8 inhabitants, and some insurers predict that by 2006 the ratio will be 1 car for every 4.3 Brazilians. Brazilians still do not purchase much homeowner's insurance, but once interest rates drop to single digits and homes can be purchased on credit, which requires homeowner's insurance, more opportunities should arise.

Pension Insurance

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

The private system consists of open and closed funds. Closed funds are for employees of specific companies-the largest for employees of state owned enterprises. Open funds are available to the public and operate as an insurance product, i.e., clients contribute to the plan through premiums and are paid an annuity when they retire. Insurance firms and banks' insurance subsidiaries are the main open fund providers.

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

Entering Brazil's insurance market

U.S. companies wishing to enter Brazil's insurance market are advised to open a subsidiary, enter into a joint venture, or acquire/partner with a local company. Under current legislation insurance companies must be organized as corporations, submit an application to SUSEP requesting permission to operate as an insurance company, and if approved, not engage in activities other than insurance.

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

Resources

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

Brazil is a Critical Steel Supplier to the World

Brazil is the world's eighth largest steel manufacturer. In 2004, the country had approximately 51.5% of Latin America's steel production and 3.1% of global production. Brazil's total crude steel production in 2004 was 32.9 million metric tons, compared to 31.1 Mt in 2003. Total Brazilian steel imports in 2004 were US$632 million or 560,000 tons, equivalent to 3% of the total market, while total steel exports were US$5.34 billion, or 12.0 Mt, compared to US$3.9 billion or 13,0 Mt in 2003.

The latest available statistics show that for the period January-September 2005, domestic production is down 4.1% (23,655 Mt) compared to the same period last year, while exports were 1.0% less and imports 11.9% more.

Approximately 80% of Brazilian crude steel production is made in integrated steelworks. 93% of the steel is made in continuous casting processes and 7% in conventional casting, 76 in oxygen (BOF) processes, and 24% using electric processes. Nearly 62% of the total output is flat product and 38% is long product (all data as of 2004).

Brazilian manufacturers are concentrated in the states of Minas Gerais (37.0% of total production), Rio de Janeiro (22.5%), Espirito Santo (17.4%) and São Paulo (16.4%). The largest manufacturers are Usiminas (4.7 Mt in 2004), its subsidiary Cosipa (4.2 Mt in 2004), Gerdau (7.3 mt), CSN (5.5 Mt), CST (5.0 Mt), Belgo Mineira (2.9 Mt), Barra Mansa (564,000 t), and V&M Tubes (611,000 t). The only Brazilian stainless steel producer is Acesita, with 2003 output of 835,000 t. This company, along with Belgo Mineira and CST, belongs to the Arcelor Group.

Steel Manufacturing Running at Full Capacity

All Brazilian steel manufacturers were operating at full capacity during 2003 and 2004 because of high prices the international market's strong demand and high steel prices. Since early 2005 the market has cooled, and Brazilian output decreased by 4.1% during January-September 2005. This decrease can be considered small if compared with the expansion of the previous years, and local manufacturers are still running near full capacity and plan for expansion. Two large feasibility studies are currently underway for new steel mills in the states of Ceará and Maranhão, which call for investments upwards of US$3 billion and output of more than 2.5 MT (combined).

Brazil's 2004 steel imports from the U.S. were 24,344 metric tons, valued at US$64.2 million. In terms of tonnage, 2004's amount was a 33% increase over the previous year, and in dollar value, 39% more than the previous year. The most-exported product from the U.S. to Brazil were seamless tubes/pipes, accounting for 25% of all U.S. exports of steel products to Brazil in 2004 and 45% in 2003.

Brazil Still Imports Some Key Products

The largest steel exporters to Brazil in 2004, in terms of quantity, were Argentina (100,000 metric tons), Germany (70,000 t), France (64,000 t), and Ukraine (60,000 t). Germany was the largest exporter in terms of value (US$74 million FOB), followed by Argentina (US$69 million), the U.S. (US$64 million), France (52 million) and Ukraine (US$28 million).

US$ millions	2004*	2005*	2006*
Market Size	$8,500.00	$9,125.00	$9,550.00
Local Production	$13,000.00	$13,000.00	$14,500.00
Exports	$5,300.00	$5,300.00	$5,600.00
Imports (Global)	$560.00	$625.00	$650.00
Imports from US	$64.00	$70.00	$73.00

Exchange rates for R$/US$ are: Dec. 31, 2003: 2.89; Dec. 31, 2004: 2.66; Nov. 2005: 2.25. Source of Statistical data: Brazilian Steel Institute (IBS) and official foreign trade statistics.*2004/2005 figures are estimates

Brazilian steel manufacturers are very competitive, exporting to all parts of the world. Nearly 35% (or 12.0 Mt) of all Brazilian steel output in 2004 was exported - 3.0 Mt or 25% to the U.S. Brazilian per capita consumption of steel is about 100 kilograms per inhabitant per year, which is relatively low by international standards. It is assumed that as the economy continues to grow so to will Brazil's steel consumption.

Best Prospects for US Steel Suppliers

Three key areas of opportunity exist for US suppliers. First, Brazilian steel manufacturers have a positive view of US technology and are interested in precision equipment that would reduce downtime and achieve improved quality control. Also, consultancies for managing downtime and minimizing changeover costs might find Brazil an attractive market.

Second, Brazilian manufacturers are running at capacity, so there are short term shortages for a variety of steel products, allowing US manufacturers a point of entry.

Third, domestic demand exists for specialty steel products that Brazil does not yet produce in sufficient quantity.

Resources

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- For more market research: www.export.gov/marketresearch.html
- Brazilian Steel Institute: www.ibs.org.br
- With offices in Brasilia, São Paulo, Rio de Janeiro, Belo Horizonte & Porto Alegre, the US Commercial Service Brazil (www.buyusa.gov/brazil) helps US exporters enter Brazil's market through research, matchmaking and advocacy. To the best of our knowledge the information in this report is accurate - however readers should conduct their own due diligence before entering into business ventures.*

IT Hardware: one of Brazil's growth sectors

IT Hardware is one of Brazil's fastest growing sectors. According to the Brazilian Electrical and Electronic Association (ABINEE), the industry's 2005 total revenue reached US$37 billion, a 12% increase over the previous year, when revenue totaled US$32.42 billion. IDC Brazil had predicted 9% growth for IT hardware, software and service sales in Brazil during 2005 – 46.8% from hardware, services 36.6% and software 16.6%. IDC also said that IT hardware's recent strong growth, particularly among business buyers, may mean a slight slowdown in 2006 as IT business needs have been addressed. Global US exports of IT hardware between 2002 to 2003 increased 7%, from US$4.4 billion to US$4.7 billion. Cellular phones accounted for a significant portion of these exports, totaling US$1.1 billion, or 23%. Brazilian IT hardware imports totaled US$12.5 billion in 2004, 27% more than 2003, an increase that can be attributed to a 63% increase electric/electronic components imports.

In 2004, 29% of Brazil's IT hardware exports went to the US. Although this was a 17% reduction from 2003, the US market is still Brazil's largest. Brazil's total electric-electronic exports increased roughly 9 percent in 2004, from US$4.7 billion in 2003 to US$5.1 billion. Cell phones accounted for a significant reduction of the products exported in 2004, at US$551 million (a 48% decrease). The forecast for 2005 is that the number of cell phones to be exported will increase significantly since some contracts have already been signed.

Personal Computer sales increase rapidly

After several years without significant growth, PC sales jumped 44% to 2.5 million units during the first half of 2005, compared with the same period in 2004, according to IDC Brazil. This increase is an indication of the Brazilian consumer's price sensitivity – a recent federal tax exemption for computers with prices of up to US$941.83 resulted in significant PC sales increases.

Unfortunately, piracy continues to be a problem in Brazil. The volume of PCs with some type of illegal component or software represented 65% of total sales, still a concern but an improvement over 2004's index of 74%.

Brazil's computer hardware market should continue to be buoyed up by some private sector modernization, the Brazilian government's commitment to promoting e-government initiatives and expanding Internet use throughout the country, general economic growth and greater consumer buying power. These efforts should translate into sales opportunities for U.S. suppliers of servers, desktop and notebook PCs, handheld computers, and even used PCs.

Perspectives and Opportunities

Forecasts show revenues in the IT hardware sector increasing 18% in 2005, from US$26.4 billion in 2004 to approximately US$30 billion. Brazilian imports in this sector are projected to grow about 10%. Cell phone production at Manaus Free Trade Zone is forecast to continue growing, resulting in increased demand for electronic subcomponents.

Brazil will continue to import computer hardware and peripherals as local production has not kept pace with demand.

At the end of 2004, the US supplied 57% of Brazil's computer hardware imports, a percentage forecasted to have staid stable

US$ millions	2004	2005 est*	2006 est*
Market Size	$26,850	$32,420	$37,000
Local Production	$14,300	$17,920	$22,000
Exports	$5,100	$5,500	$6,000
Imports (Global)	$12,550	$14,500	$15,000
Imports from US	$2,569	$2,400	$2,800

Exchange rate of R$ 2.25/US$ 1.00. Statistical data are unofficial estimates from trade sources. * 2005/2006 figures are estimates

through 2005. The computer hardware sector continued to expand in 2005 as Brazilian businesses continued technology upgrades, and the number of home computer users continued to grow. As mentioned, growth may slow among business buyers during 2006 as much of their needed upgrades were completed in 2005. Yet, as the Brazilian economy continues to perform well, consumer purchasing power and demand for technology should expand. As such, U.S. electronic hardware and peripheral exporters should continue to see opportunities, particularly in laptops, scanners, printers, DVDs, handheld devices, network products, storage devices and quick cams.

Global players, including IBM, Compaq, ABC Bull, Hewlett-Packard and Dell Computers, locally manufacture most PCs sold in Brazil. Other major manufacturers are Itautec, Microtec, UIS and Tropcom. Companies manufacturing PCs locally receive fiscal benefits through the "Basic Productive Process" and through the "Informatics Law", which assures more competitive prices to local PC manufacturers.

In the electric-electronics industry, Telecomm should continue to see strong investment, particularly in cellular telephony. Because the telecommunications sector added two more new transmission lines, demand for electronic components could grow. Additionally, investments are expected to continue in the Power Generation, Transmission, and Distribution segment, consolidation of the civil construction growth and implementation of the Federal Government's PC Connected program.

As the Federal Government cracks down further on the gray market for PCs, currently estimated to supply 60 - 70% of all computers in Brazil, import demand should increase.

Resources

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- For more market research: www.export.gov/marketresearch.html
- ABINEE: www.abinee.org.br
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- Brazilian Telecommunications Agency: www.anatel.gov.br
- Brazilian Chamber of E-Commerce: www.camara-e.net
- With offices in Brasilia, São Paulo, Rio de Janeiro, Belo Horizonte & Porto Alegre, the US Commercial Service Brazil (www.buyusa.gov/brazil) helps US exporters enter Brazil's market through research, matchmaking and advocacy. To the best of our knowledge the information in this report is accurate - however readers should conduct their own due diligence before entering into business ventures.*

Brazil purchases most medical equipment in SA

Brazil is the largest medical equipment market in South America. The total market for medical equipment in Brazil should continue to expand through 2006. Brazil is both a major medical equipment producer and importer. This industry comprised of a number of related products and services:

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

Brazilian medical equipment revenues in 2004 reached an estimated US$ 1.8 billion, which represents an increase of 72% since 1999. The U.S. Commercial Service estimates the market to reach over $2 billion in 2006. The United States accounts for approximately 50% of the import market. US sales have traditionally been made through Brazilian agents, distributors and importers who sell to hospitals and clinics.

There are few high-quality Brazilian manufacturers of advanced medical products so Brazil's reliance on imports should continue for some time. Local buyers view US and other foreign products (mainly Canadian and European) as having comparable quality and reliability. Thus, financing terms often become the differentiating criteria in making a sale. There are a number of financing tools available to help US exporters structure a more competitive financing structure. Please see the *Export Finance* report within this Country Commercial Guide for more details on financing tools.

Distribution largely controlled by regional firms

There are some 3,000 equipment and supply distributors in Brazil, but only 3.3% of these firms can be considered large companies. Excluding the direct sales networks of individual multinational manufacturers such as GE, virtually all distributors are regional rather than national.

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

An interesting trend in Brazil is the growing market for home health care products, which has increased dramatically in recent years. Brazil has approximately 150 home health care companies compared to approximately 1,440 in the US. In Brazil, these companies are increasingly viewed as good ways to cut hospitalization costs while offering better services to patients. Nowadays, health insurance companies are responsible for paying 99% of the costs of home care treatment. Accordingly, we see the market for home health care products growing dramatically for many years to come. Brazil's Regional Nursing Council is currently developing procedures on how to regulate this market, including standards for health professionals.

Private entities such as universities and even religious organizations represent new opportunities for both US

US$ millions	2004	2005 est*	2006 est*
Market Size	$1.81	$2,172	$2,389
Local Production	$1,148	$1,604	$1,964
Exports	$317	$382	$475
Imports (Global)	$979	$950	$900
Imports from US	$412	$400	$380

Exchange rate of R$ 2.30/US$ 1.00. Statistical data are unofficial estimates from trade sources. * 2005/2006 figures are estimates.

equipment and training/management service suppliers. Interested US suppliers should look for opportunities beyond the larger communities of São Paulo, Rio de Janeiro and

Minas Gerais. Excellent opportunities exist in the northeastern states of Bahia, Ceará, Pernambuco, Paraíba and Rio Grande do Norte and the southern states of Paraná, Santa Catarina and Rio Grande do Sul.

In the past, a week currency has slowed government investment plans for public hospitals. A stronger currency, though, has meant that private and public hospitals have greater purchasing power, and with continued expansion of Brazil's private health care sector, the market should grow. New opportunities for US exporters abound, particularly for:

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

Resources

- For more information please contact Industry Specialist Jefferson Oliveira at: jefferson.oliveira@mail.doc.gov
- For more market research: www.export.gov/marketresearch.html
- Brazilian Ministry of Health: www.saude.gov.br
- ABIMO - Brazilian Association of Dental, Medical and Hospital Equipment: www.abimo.org.br
- SINAEMO - Syndicate of Medical, Dental, Hospital and Laboratory Industries: www.abimo.org.br
- ABIMED – Brazilian Association of Equipment, Products and medical Supplies Importers: www.abimed.org.br
- With offices in Brasilia, São Paulo, Rio de Janeiro, Belo Horizonte & Porto Alegre, the US Commercial Service Brazil (www.buyusa.gov/brazil) helps US exporters enter Brazil's market through research, matchmaking and advocacy. To the best of our knowledge the information in this report is accurate - however readers should conduct their own due diligence before entering into business ventures.*

Brazil: World's 5th Largest Mineral Producer

Brazil is the world's fifth largest mineral producer and has one of the world's largest mining equipment markets, and still the country's mineral potential has not been fully surveyed. Most of Brazil's mines are open pit so the underground mining equipment market is relatively small, though more underground are expected opened in the next 3 - 7 years.

Brazil's largest installed mining operations are for iron ore, with 2004 output at 270 million metric tons (mt), representing 22.6% of the world's total. Brazil also produces bauxite (20 mt/y in 2004), gold (47.6 t/y), kaolin (2.23 mt/y), manganese (3.1 mt/y), niobium (with 94% of the world reserves), potassium K20 (400,000 t/y), phosphatic rock (6 mt/y of concentrate), zinc (120,000 t/y of metal) and cement (40 mt/y). Brazil's coal production is relatively small - in 2004 Brazil had to import 18.5 million tons (US$1.4 billion) of metallurgical coal.

CVRD: Companhia Vale do Rio Doce

Brazil's largest, and the world's third largest, mining company is Companhia Vale do Rio Doce (CVRD). Privatized in 1997, CVRD is responsible for approximately 42% of Brazil's mineral output based on value, and represents an excellent opportunity for US equipment suppliers. CVRD produces nearly 80% of Brazil's iron ore; is a top player in bauxite, aluminum, copper, potash, manganese; provides 60% of all railroad transportation (by weight); is one of Brazil's largest logistic services suppliers; and has four large power plants while building another three.

Opportunities in multiple segments

A number of mining investments are planned in Brazil, and the following illustrate some opportunities for US businesses.

IRON ORE:

- Companhia Siderúgia Nacional (CSN) is investing US$308 million to expand production from 20 mt/y to 40 mt/y; US$341 million in a pelletizing plant; US$100 million in railroad infrastructure; and US$132 million in port infrastructure.
- Samarco is investing US$1.18 billion to build a third pelletizing plant, an iron ore pipeline, and increase output from 15 mt/y to 21 mt/y by 2009.
- CVRD is expanding output of most of its mines, to 210 mt in 2005, and to add additional 40 mt/y by 2008.
- MBR (www.mbr.com.br) will invest US$460 million between 2006-2008, to build a pelletizing plant with an output of 7 mt/y.

COPPER: CVRD has five large copper projects:

- Sossego, begun July 2004 with US$384 million in investment, for 140,000 t/y of copper metal & 3 t/y of gold.
- Alemão/Igarape Bahia, start-up of first phase was done in 2005; the second phase will start up in 2006, for 186,000 t/y of copper content, total investment of US$600 million.
- Alvo 118, start-up will be in 2008 for 36,000 t/y of copper cathodes, total investment of US$232 million.
- Cristalino, estimated start-up in 2006, for 150,000 t/y of copper content, US$ 500 million total investment.
- Salobo, still being studied, may begin after 2009 for 200,000 t/y of copper metal and total investment of over US$ 1 billion.

GOLD:

- AngloGold plans to expand production from 380,000 to 600,000 ounces/year.
- Kinross is investing US$330 million to expand output from 5.6 t/y to 10.5 t/y by 2007.

US$ millions	2004	2005 est*	2006 est*
Market Size	$3,400	$3,655	$3,870
Local Production	$3,550	$3,800	$4,000
Exports	$400	$425	$450
Imports (Global)	$250	$280	$320
Imports from US	$100	$108	$112

Statistical data are unofficial estimates from trade sources. Exchange rate R$ 2.25/US$1.00. * 2005/2006 figures are estimates.

- Yamana Gold (Canada) is investing US$200 million to produce 61,000 tons of copper and 4.7 t/y of gold by 2007.
- Projects by Wheaton River (Canada) & Jaguar Mining (US).

TIN, TANTALUM AND NIOBIUM:

- The Paranapanema group has proposed a US$ 72 million tin, tantalum and niobium project to Brazil's National Development Bank. Financing approval is pending.

NICKEL:

- Canico's nickel project, "Onça Puma," calls for US$1.2 billion in investment over the next 4 years. CVRD has announced interest to purchase this project. Planned output is 52,000 t/y.
- CVRD will invest US$1.2 billion in 2006-2008 in the Vermelho nickel project, with planned output of 46,000 t/y.

Top Prospects for US Exports

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

Resources

- For more information contact Industry Specialist Mauricio Vasconcelos at mauricio.vasconcelos@mail.doc.gov
- US Commercial Service Market Research Worldwide: http://www.export.gov/marketresearch.html
- Ministry of Mines and Energy (MME): www.mme.gov.br
- Brazilian Geological Service: www.cprm.gov.br
- CVRD: www.cvrd.com.br
- Brazilian Mining Institute (IBRAM): www.ibram.org.br
- With offices in Brasilia, São Paulo, Rio de Janeiro, Belo Horizonte & Porto Alegre, the US Commercial Service Brazil (www.buyusa.gov/brazil) helps US exporters enter Brazil's market through research, matchmaking and advocacy. To the best of our knowledge the information in this report is accurate - however readers should conduct their own due diligence before entering into business ventures.*

Dramatic Changes Create Opportunity

Brazil's oil & gas industry is one of the most attractive sectors for US businesses. Since state-owned Petrobras' monopoly ended in 1998 over 40 international firms have entered Brazil, with 594 oil blocks awarded during seven oil-concession offerings, most recently in October 2005. Still, Petrobras was awarded the majority of these concessions so most opportunities for US firms are servicing/supplying Petrobras (interested suppliers must register at www.petrobras.com.br - "Suppliers Channel Guide"). The 2005 estimate for Brazil's oil & gas equipment market is US$12 billion: US$2.8 billion imported, US$1.5 billion from the US.

Petrobras' Importance

Petrobras maintains 95 oil production platforms and has plans for 16 new platforms (10 under tender or construction). With US$40.8 billion (R$97.9 billion) in January-September 2005 net revenues, Petrobras wants to expand international operations and domestic production to become a global player by investing US$56.4 billion (2006-2010) to increase production from 2004's 1.49 million barrels per day (bpd) to 2.3 million bpd. In 2004 Brazil refined 1.85 million bpd (1.73 million barrels of domestic, mostly heavy oil, and 119,000 of imported light oil). By 2010, 91% of oil refined in Brazil will be domestic, and the country should be energy self sufficient by the close of 2006. Oil exploration & production (E&P) is expected to account for 60% of Petrobras' annual investments.

Petrosynergy, W. Washington, and Shell produce oil in Brazil, while others, including El Paso, Chevon-Texaco, Ipiranga, Queiroz Galvão, Starfish, and Repsol YPF are developing offshore & onshore oil production projects. Devon, El Paso and Chevron are expected to produce oil by the end of 2006.

Upstream Overview

Opportunities exist for US offshore & onshore equipment and services, including flexible pipes, oil well completion systems, pumps, valves, drill pipes, and undersea services. Currently, Brazil has 21 onshore and offshore drilling rigs, mostly operated by Petrobras, and in the last few years, oil companies have ordered over 400,000 miles of seismic lines and drilled approximately 200 offshore wells. Also, Chevron-Texaco, British Gas, Devon, EnCana, Newfield, Wintershall, Kerr-McGee, Statoil and Partex are expected to invest US$6.4 billion through 2007 to fulfill contractual obligations.

Successful exploration rates have decreased in recent years compared with the Gulf of Mexico, Nigeria or Angola. Yet, in 2001, Petrobras discovered the Jubarte/Cachalote fields (970 million barrels) in the BC-60 Block in northern Campos Basin along Espirito Santos' coast. In May and June 2003, Petrobras found four more fields in the BC-60 Block (one with 630 million barrels and three with 500 million barrels), and in December 2005 four offshore oil exploration areas off Espirito Santo, jointly owned by Shell, Petrobras and Exxon were found to be commercially viable (60,000–100,000 bpd by 2009).

Downstream Overview

Petrobras' refining capabilities have historically focused on light crude, but offshore production shifts have dramatically increased heavy crude production. Petrobras has reached its heavy crude refining capacity and is currently forced to swap heavy crude for light crude abroad. Petrobras has plans to build two refineries in Brazil, one that will also function as a petrochemical unit, and by 2010 they plan to disburse US$11.4 billion to improve oil product quality, double heavy oil refining capacity and for safety and environmental upgrades.

Natural Gas Overview

Petrobras estimates that natural gas demand will increase from 2004's 37.9 million cubic meters per day to 99.3 mm^3/day in 2020 - the greatest consumption in energy generation. Brazil's 2001 energy shortfall resulted in a new federal strategy for improved energy capacity and a variety of new natural gas projects, some already installed and others pending. Certain gas pipeline construction and distribution systems have not proceeded as planned, so some generation facilities do not have natural gas supplies and others have been converted to bi-fuel plants.

As part of the Petrobras Gas Use Dissemination Program, Petrobras' Gas & Energy Business Unit will spend US$4.5 billion (2004-2010), adding 5,000 km of gas pipeline to create a larger industrial market for gas and to supply future thermal power plant demands and natural gas vehicles. Petrobras recently discovered 419 billion mm^3 of natural gas reserves in the BS-100 and BS-500 blocks at Santos Basin, almost a 180% increase over proven gas reserves (231 billion mm^3).

Sector Challenges: Tax and Local Content

Petrobras, federal & state governments increasingly favor local firms or firms with significant local content. Because local content in Petrobras' purchases varies from 51% in E&P to 92% downstream, US companies are encouraged to seek local supplier partnerships.

Local content sentiments have also created tax changes. For example, to attract foreign oil & gas investors, Brazil's government created a special federal tax exemption regime (Repetro) in 1999 (scheduled until 2020). Although domestic suppliers were also eligible, foreign suppliers benefited the most because they were also exempt from state sales tax (ICMS). In June 2003, though, Rio de Janeiro State abolished the ICMS exemption for foreign oil & gas equipment suppliers. After lobbying from drilling service providers, since 2004 the state has allowed ICMS exemptions for oilrig, exploration and drilling equipment suppliers, and extended this benefit to rig & spare part suppliers for oil development projects whose contracts were signed before June 2003. Such unpredictability deters further oil investment, and some oil companies have urged the government to reconsider fiscal terms for E&P activities, arguing that the trend in Brazil is finding heavy oil in ultra-deep water, increasing risk, costs and reducing rewards.

Resources

- For more information please contact Industry Commercial Specialist Regina Cunha: regina.cunha@mail.doc.gov
- For more market research: www.export.gov/marketresearch.html
- Petrobras: www.petrobras.com.br
- Ministry of Mines and Energy (MME): www.mme.gov.br
- Geological Service of Brazil: www.cprm.gov.br
- Brazilian National Petroleum Agency: www.anp.gov.br
- With offices in Brasilia, São Paulo, Rio de Janeiro, Belo Horizonte & Porto Alegre, the US Commercial Service Brazil (www.buyusa.gov/brazil) helps US exporters enter Brazil's market through research, matchmaking and advocacy. To the best of our knowledge the information in this report is accurate - however readers should conduct their own due diligence before entering into business ventures.*

World's 14th Largest Pharmaceutical Market

The Brazilian pharmaceutical industry is comprised of 370 companies, representing a total market value of US$6.0 billion in 2004, and an estimated $8.4 billion in 2005. It is the 11th largest pharmaceuticals market in the world and the second largest in Latin America after Mexico. Despite stagnating pharmaceutical sales from 2001 – 2004, Brazil is still among the five largest pharmaceutical markets in the world in terms of unit sales (as opposed to dollar value sold). According to Brazil's Pharmaceutical Industry Syndicate (SINDUSFARMA), total Brazilian imports of pharmaceutical products in 2004 were approximately US$1.8 billion. This reflects a 12% increase over the previous year's level. US exports account for approximately 20% of Brazilian pharmaceutical imports.

Most Brazilian health insurance companies do not reimburse patients for prescription drugs. Consequently, over 80% of drug purchases are made by individual users. A significant problem facing Brazil is that large portions of the country's population lack access to essential drugs because of financial constraints. Estimates vary, but various sources suggest that 40-50% of the population have limited or no access to needed pharmaceuticals.

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

Multinationals have expressed concerns about the slow to non-existent approval of pharmaceutical patents in Brazil. Approximately 18,000 pharmaceutical patents are pending approval in Brazil. For more information on this issue, please see our report on intellectual property rights (IPR) available at www.focusbrazil.org.br/ccg.

Taxes applied on medicines in Brazil are among the highest in the world. The Government collects over US$ 1 billion in taxes from the pharmaceutical sector. The cascading tax method applied on manufactured goods in Brazil affects several industries, and is one of the most important topics that private industry has raised with the Government. The process aimed at reducing the taxes on pharmaceutical production is slow and bureaucratic. According to Government statements, however, taxes applied on pharmaceutical products are expected to be decreased in order to make drugs more affordable for the population. This has been seen more on the State level rather than the Federal.

Opportunities for US Firms

Brazil's Pharmaceutical market represents an excellent opportunity for US firms for a variety of reasons. The import market for pharmaceuticals in Brazil is significant. More importantly, once taxes on pharmaceuticals are reduced, the market is likely to increase dramatically as many would-be consumers who currently forgo medication due to financial constraints will begin purchasing needed medication.

US$ millions	2004	2005 est*	2006 est*
Market Size	$6,272	$8,834	$9,722
Local Production	$4,778	$6,756	$7,415
Exports	$351	$468	$515
Imports (Global)	$1,780	$2,180	$2,400
Imports from US	$356	$436	$480

*2005 and 2006 are unofficial estimates

Product Registration and Approval

U.S. firms seeking to enter the Brazilian market must register their products with Brazil's National Agency for Sanitary Health (ANVISA). ANVISA is an agency of the Brazilian Ministry of Health, the Brazilian equivalent of the U.S. Food and Drug Administration. More information on the registration process is available in English from ANVISA's web site: www.anvisa.gov.br/eng/drugs/registration.htm.

Generic Pharmaceutical Products

U.S. firms seeking to enter the Brazilian market should be aware that the local generic drug market is growing rapidly. Generic drugs first entered the Brazilian market in 1999. Since then, the sector has grown rapidly and is estimated to have accounted for 12% of sales in 2005 (nearly US$ 600 million). Nearly all generic production is purchased by state public health care systems as part of the government's program to distribute medicines to the poorest. It is expected that by 2008, the generic market will reach US$ 1 billion in sales. Local generic drug manufacturers in Brazil operate at world-class levels.

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

Resources

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

- US Commercial Service Market Research Worldwide: http://www.export.gov/marketresearch.html
- Brazilian Agency for Sanitary Health: www.anvisa.gov.br
- With offices in Brasilia, São Paulo, Rio de Janeiro, Belo Horizonte & Porto Alegre, the US Commercial Service Brazil (www.buyusa.gov/brazil) helps US exporters enter Brazil's market through research, matchmaking and advocacy. To the best of our knowledge the information in this report is accurate - however readers should conduct their own due diligence before entering into business ventures.*

Opportunities in Pollution Control Equipment

Environmental experts estimate that Brazil's environmental technologies market (including equipment, engineering / consulting services and instrumentation associated with pollution control and cleanup projects) is valued at roughly US$ 3.1 billion, of which US$ 2.1 billion are related to the water and wastewater sub-sector (the 50 largest water utilities reported investment plans of R$ 3.8 billion - approximately US$ 1.6 billion - for 2005, 43% above the previous year). Investments in solid waste management technologies are estimated at US$ 700 million, whereas investments in air pollution control equipment and services are US$ 300 million.

Business opportunities for international companies in the Brazilian market are mostly in offering innovative solutions and technologies, rather than supplies. Some of the critical segments in Brazil's water industry offer potential for international technologies, particularly in the areas of water loss and water reuse.

The water loss rate in Brazil corresponds to 40 to 50% of the potable water produced in the urban areas. Losses that result from inaccurate consumption metering and leakages are responsible for financial loss of about US$ 5 billion per year. Opportunities include complete solutions related to water distribution systems, including services and equipment.

The water reuse market is virtually unexplored, but the demand exists from industrial plants, residential buildings and municipalities. A few municipalities have recently approved legislation requiring that buildings apply water saving devices and rain water circulation systems. Opportunities include water saving devices and rain water systems. Develop expertise to design, build and operate water saving systems. Performance contracts are also feasible.

Opportunities in Public and Private Realms

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

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

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

U.S. Participation in this Sector

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

Statistical Information

US$ billions	2004*	2005*	2006*
Market Size	$2.70	$3.10	$3.40
Local Production	$1.90	$2.20	$2.40
Exports	$0.10	$0.20	$0.20
Imports (Global)	$0.90	$1.10	$1.20
Imports from US	$0.40	$0.50	$0.60

* Statistics are unofficial estimates. Exchange Rate: US$ 1.00 = R$ 2.38.
Source: environmental consulting companies.

Resources

- For more information about export opportunities in this sector contact US Commercial Service Industry Specialist Teresa Wagner at: Teresa.Wagner@mail.doc.gov
- For access to further Market Research, please go to www.export.gov/marketresearch
- With offices in Brasilia, São Paulo, Rio de Janeiro, Belo Horizonte & Porto Alegre, the US Commercial Service Brazil (www.buyusa.gov/brazil) helps US exporters enter Brazil's market through research, matchmaking and advocacy. To the best of our knowledge the information in this report is accurate - however readers should conduct their own due diligence before entering into business ventures.**

Trade Spurs Transportation Investment

Brazil's export led economy calls for increased infrastructure investment. Resources allocated for transportation infrastructure investment, in Brazil's Bi-Annual Investment Plan (2004-2007), total US$11.9 billion. European companies are poised to capture a large share by offering packages with attractive financing options. To improve competitiveness, US businesses should take advantage of US government financing sources, particularly the Ex-Im Bank (www.exim.gov).

Opportunities for Investment in Ports

Approximately 93% of Brazil's international trade is by ocean freight, making port investment a governmental top priority. Until 1990, the federally owned port administrator Portobrás was responsible for virtually all aspects of public ports, including administration, policy, tariffs and investments. In February 1993, the Port Modernization Law (Law 8,630/93) was passed, decentralizing, deregulating and reducing state control of the sector. Brazil's public port system is now run through eight federally owned companies in various Brazilian states (the current local Port Authorities), five state concessionaires and one private port concession.

Duty exemptions for key port upgrade imports

Brazil's heavy investment in ports, specifically in improving operational security and efficiency, has prompted several categories of upgrade imports to be declared duty-exempt. For more information on which are these goods, please contact Ruy Baptista at ruy.baptista@mail.doc.gov.

Port Location

The ports of Rio de Janeiro, Santos and Rio Grande do Sul have become important container terminals, with container gantry cranes for loading/discharging 20' and 40' containers. They are equipped with mobile machines for handling containers, an extensive paved yard for stacking and storage, and offer easy access to rail and road transport. The port of SUAPE Industrial Complex, located in the eastern-most part of Brazil, is one of South America's most important deep-water ports. SUAPE can dock vessels up to 170,000DWT and has an operational depth of 14.5 meters.

Ports such as Fortaleza, Salvador, Ilheus, Vitoria, and Paranagua handle large numbers of containers with conventional shore cranes and/or ship's gear. Some have specific berths with priority for container vessels and have mobile equipment for handling container units on shore, but are without container gantry cranes.

Medium and Long Term Investments

Brazilian companies generally have world-class cargo logistics and are constantly seeking to improve cost-effectiveness because of the difficult fiscal regime they operate under. These efforts to achieve competitive shipping costs could translate into excellent opportunities for U.S. consultancies. According to the Brazilian Container Terminal

Association, $400 million has been invested by the private sector in 10 affiliated terminals since 1995, and they expect $150 million more through 2007, and 8.8% annual growth in container transportation through terminals.

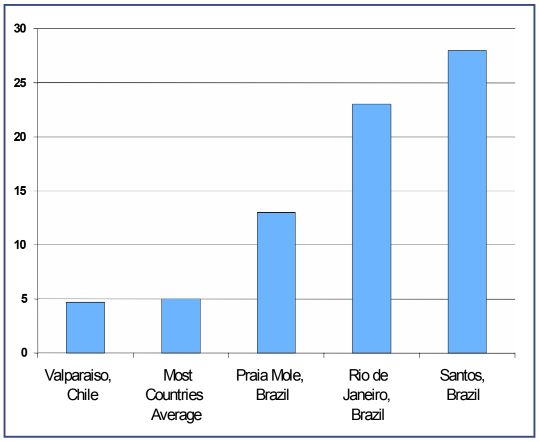
US$ millions	2004	2005 est*	2006 est**
Market Size	$434	$580	$754
Local Production	$232	$348	$452
Exports	n/a	n/a	n/a
Imports (Global)	$201	$232	$302
Imports from US	$81	$92	$110

Exchange rate of R$ 2.3/US$ 1.00. Statistical Data are unofficial estimates from trade sources. * 2004/2005 figures are estimates.

Port costs mean opportunity for US business

Brazil's shipping costs are 20% above international averages and 37% of total operational costs for ports are incurred during vessel loading and unloading. To lower costs, operators need to invest an estimated US$1.6 billion in additional security & control equipment; traffic control equipment; yard management equipment and software; and additional cranes and material handling equipment.

Port Costs for Steel per ton in US$



Resources

- For more information please contact Industry Specialist Ruy Baptista: ruy.baptista@mail.doc.gov
- For more market research: www.export.gov/marketresearch.html
- US Ex-Im Bank: www.exim.gov
- Ministry of Trade & Development: www.desenvolvimento.gov.br
- With offices in Brasilia, São Paulo, Rio de Janeiro, Belo Horizonte & Porto Alegre, the US Commercial Service Brazil (www.buyusa.gov/brazil) helps US exporters enter Brazil's market through research, matchmaking and advocacy. To the best of our knowledge the information in this report is accurate - however readers should conduct their own due diligence before entering into business ventures.*

Trade spurs investment in Transportation

Global economic forecasts indicate that trade between North America and Latin America will increase significantly in coming years. Trade is expected to more than double, from 260 million tons to 560 million tons, by 2020.

Allocated investment for transportation infrastructure, in the Brazilian government's Bi-Annual Investment Plan (2004-2007), was US$ 11.9 billion. European companies are poised to capture a large share by offering packages that include long-term financing. Unfortunately, US companies are not taking full advantage of financing sources offered by the US government, particularly by Ex-Im Bank (www.exim.gov), which could greatly increase their chances of selling US-made products.

Investment Opportunities in Railroads

Estimates indicate that Brazil's rail sector will require US$5 billion over the next thirty years. According to information released by Brazilian rail companies during NT2005 Encontrem, railroad companies are planning on investing R$2.3 billion (U.S.$ 1 billion) in 2006.

Though Brazil has traditionally relied less than others on rail for freight and passenger transport, its development of the interior, the capacity of rail to serve agriculture and difficulties constructing new roads point to increased rail investment. Opportunities for direct export to Brazil include both new and reconditioned equipment., and opportunities for foreign direct investment are in railroads, equipment, and logistics services.

After the privatization of the rail sector in the late 1990's, freight shipment by rail increased 20% on average, billings increased 75%, and more than US$ 500 million was invested. Today, we see the type of freight being shipped changing. Now food and beverage pallets, containers, paper and pulp and even automobiles are being shipped by rail.

While the government has been slow to execute some of the country's railroad projects, railroad concessionaries are making plans to invest about R$2.3 billion next year to improve network capacity. This amount does not include mega-projects, such as the Transnordestina (CFN – Ferroviaria Company of the Northeast) and the Ferroanel in São Paulo (north branch) that could together add another R$4.7 billion (U.S.$ 2 billion) in years to come. These two projects, though, still depend on some modifications before they begin. According to the president of the railroad, Jayme Nicolato, work should begin on Transnordestina in June 2006 and be operational in 2009.

Private consortiums, which include a number of US participants, invested US$ 2.5 billion in Brazilian concessions. Noel Group, Brazil Rail Partners, Railtex International Holding, Ralph Partners, and BankBoston are some of the US groups participating in the these concessions. US suppliers are expected to capture 25% of the market, as there is a local preference for US technology and product. Railroad companies are focusing their investments on important export corridors, particularly to Mercosul partners and other neighbors.

US$ millions	2003	2004 est*	2005 est*
Market Size	$405	$741	$639
Local Production	$235	$429	$371
Imports (Global)	$170	$312	$269
Imports from US	$104	$157	$129

Exchange rate of R$ 2.96/US$ 1.00. Statistical data are unofficial estimates from trade sources. * 2004/2005 figures are estimates.

Ministry of Transportation's Expansion Plan

The Ministry of Transportation has concluded a project to revitalize Brazil's railways that includes investments of R$ 10.5 billion. The project divides Brazil's rail network into sections, with the first and most critical section having a R$ 2.7 billion budget and the second a R$2.5 billion budget. This project is awaiting the implementation of the government's Public Private Partnership program, which has been slow to start. The first two sections should be finalized by 2007. The final phase, with projected investments of R$5.3 billion, will be discussed in 2007.

A Variety of Potential Investors

According to the Ministry of Transportation, China is willing to invest up to US$ 5 billion in Brazilian railways, highways and ports. The Ministry reports that China wants Brazil to continue to supply soybeans and other agricultural products at competitive prices.

Brazil's private railroad operators also plan to invest millions of dollars in purchasing and refurbishing locomotives; purchasing locomotive spare parts, braking systems, couplings, diesel engine parts, communication systems, signaling systems, track maintenance equipment and services, railroad ties of concrete and wood; and remodeling, duplicating and electrifying 3,300 km of railroad tracks, replacing rails and ties, and enlarging and remodeling maintenance facilities.

CVRD (Companhia Vale do Rio Doce), Brazil's largest mining firm, is planning on spending US$ 274 million on its railroad company, Vitoria a Minas (EFVM). US$ 227 million will be used to acquire and rebuild locomotives and railroad cars. The remaining US$ 47 million will be used to buy light equipment and to expand and upgrade their tracks. In addition, 46 railroad cars will be purchased or re-built.

Resources

- For information contact Industry Specialist Ruy Baptista: ruy.baptista@mail.doc.gov
- Market research: www.export.gov/marketresearch.html
- US Ex-Im Bank: www.exim.gov
- Brazilian Ministry of Transport: www.transportes.gov.br
- National Association of Transporters: www.antf.org.br
- With offices in Brasilia, São Paulo, Rio de Janeiro, Belo Horizonte & Porto Alegre, the US Commercial Service Brazil (www.buyusa.gov/brazil) helps US exporters enter Brazil's market through research, matchmaking and advocacy. To the best of our knowledge the information in this report is accurate - however readers should conduct their own due diligence before entering into business ventures.*

Safety Equipment

According to local trade contacts, public and private sectors together invest approximately US$ 20 billion per year in safety and security equipment and services in Brazil. The sector has registered annual average growth of 10 to 15% percent for several years and is expected to continue to grow at this pace for some time.

There are opportunities for US companies in almost all segments, but it is in electronic security that U.S. firms will find a competitive edge. According to the Brazilian Association of Electronic Security Companies (ABESE), the market for electronic security equipment is estimated at approximately US$ 1 billion.

Foreign products account for approximately 50% of total market share and US firms control about 50% of Brazil's import market, equating to approximately US$ 250 million. Major competitors are Israel and Japan, each responsible for about 20% market share.

ELECTRONIC EQUIPMENT MARKET
The market for electronic security equipment is heavily concentrated in the States of São Paulo, Rio de Janeiro, Espírito Santo and Minas Gerais. Together, these states account for more than 50% of the market.

Personal Security

According to local press, more than 300,000 cars are stolen in Brazil every year. In large cities like São Paulo and Rio de Janeiro car hijackings occur every few hours. Cargo robberies in the State of Sao Paulo caused losses of approximately US$ 50 million in the first Quarter 2005. To avoid such losses, transportation companies have invested approximately US$ 1.4 billion in equipment and personnel over the past year to enhance their security levels. The number of cars and trucks equipped with some sort of intelligent security device is currently estimated at 350,000 and the number of companies that provide monitoring services is estimated at 250.

Financial institutions are the main end-users of security equipment, spending approximately US$ 1 billion per year in security equipment and staff.

Port Security: Excellent Opportunity

Port security is a segment that should continue expanding in the next few years. Analysis done in early 2005 indicated that investments of toughly US$ 180 million would be necessary to comply with security requirements imposed by the International Ship and Port Facility Security Code (ISPS) and the International Maritime Organization (IMO). Although several measures have already been implemented, excellent opportunities still exist for companies supplying security equipment used in port operations.

Law Enforcement

Government investment in law enforcement has been minimal. By October 2005, the Ministry of Justice had released only 5.5 percent of US$ 178 million that it was supposed to allocate to the state governments in 2005. Under the National Public Security Program, the federal government invested only 28.7 percent of US$ 652 million that was originally budgeted for 2005.

US$ millions	2004	2005 est*	2006 est*
Market Size	$920	$1,000	$1,150
Local Production	$470	$540	$620
Exports	$40	$40	$50
Imports (Global)	$490	$500	$580
Imports from US	$245	$250	$290

Exchange rate of R$ 2.30/US$ 1.00. Statistical data are unofficial estimates from trade sources. * 2005/2006 figures are estimates.

Best Prospects

Best prospects for US suppliers of security equipment include:

- Access control equipment, especially equipment that uses biometric technology.
- CCTVs.
- Home security equipment.
- Alarm systems.
- GPS-based monitoring technology
- Drug and explosive detectors
- Metal detectors
- Fire prevention and detection
- Cellular phone blockers
- Night vision googles
- Non-lethal arms, batons, cuffs,
- Ballistic shields and helmets

Some of the above items are currently manufactured domestically, but local industry contacts have indicated that domestic quality is not up to international levels. US companies interested in this market segment will find better opportunities if they assign a well-experienced local agent or distributor, find a joint venture or technology transfer partner, or establish themselves in Brazil.

Resources

- For more information about export opportunities in this sector contact US Commercial Service Industry Specialist Marina Konno at: marina.konno@mail.doc.gov
- For more reports on this sector in other countries, please visit Export.gov's site for US Commercial Service Market Research Worldwide: www.export.gov/marketresearch
- With offices in Brasilia, São Paulo, Rio de Janeiro, Belo Horizonte & Porto Alegre, the US Commercial Service Brazil (www.buyusa.gov/brazil) helps US exporters enter Brazil's market through research, matchmaking and advocacy. To the best of our knowledge the information in this report is accurate - however readers should conduct their own due diligence before entering into business ventures.*

Brazil - the Telecom Giant in Latin America

With roughly 35 percent of the region's revenues, Brazil remains Latin America's largest telecom market. 2004 net revenue from telecom equipment and services was near US$35.6 billion, 23 percent more than 2003. Motorola, Nokia, Nortel and Cisco have manufacturing facilities in Brazil, giving the country one of the region's best telecom infrastructures. Sector revenues are split among fixed carriers (41.2%), mobile carriers (25.3%), manufactured products (19.5%) and services (14%). By the end of 2005, Anatel (the National Agency for Telecommunications) predicts total telecom investment will reach US$64 billion, 47 percent for fixed services and 19 percent for mass communication services.

Trends – Wireless Mobility is Driving Growth

For 2005, experts predict 11 percent sector growth. Brazil's import market for telecom equipment and components reached approximately US$1.5 billion in 2004, and is expected to surpass US$2.2 billion in 2005. US market participation decreased from 34 percent in 2003 to 27 percent in 2004, while Southeast Asian (mostly South Korean, Chinese) grew from 34 to 42 percent.

Wireless penetration continues to grow. According to Anatel, in December 2004 there were approximately 70 million cell phones in service, 41 percent more than in 2003. Estimates show Brazil reaching 80 million users by year-end 2005, with 81 percent of the phones prepaid and 19 percent post paid.

Vivo (CDMA/TDMA) is the largest mobile operator (39.2% market share), followed by TIM (TDMA/GSM) (21.4%), Claro (TDMA/GSM) (20.7%), Oi (GSM) (10.5%) and Telemig/Amazonia and Brasil Telecom (TDMA/GSM) with 8%. Brazil's GSM and CDMA client bases are growing monthly by 9.8% and 2.4% respectively.

CDMA vs GSM Standards

Because all telecom carriers except Vivo decided for GSM standard, the participation of this technology increased significantly in 2005 and as of November had 64.5% market share. Vivo, with CDMA technology has 35.5% of the market. Due to the increase of GSM technology, market analysts are saying that Vivo is exploring alternatives for the migration for the third generation licenses that are expected to be auctioned by Anatel by the end of June 2006. Brazil's government appears to favor the European approach of investing in a single standard as a means to speed adoption and ease roaming.

Vivo (CDMA/TDMA) is the largest mobile operator (35.5% market share), followed by TIM (TDMA/GSM) (23.1%), Claro (TDMA/GSM) (21.7%), Oi (GSM) (11.6%) and Telemig/Amazonia and Brasil Telecom (TDMA/GSM) with 8%. Brazil's GSM and CDMA client bases are growing monthly by 9.8% and 2.4% respectively.

Prospects: 3G, Broadband, VoIP, Teledensity

Anatel is planning to auction 3G licenses during the first half of 2006, which represent good opportunities for US companies as wireless data application increases are expected.

US$ millions	2004	2005*	2006 *
Market Size	$5,114	$5,765	$6,300
Local Production	$3,594	$3,557	$3,849
Exports	$1,334	$1,142	$1,268
Imports (Global)	$1,520	$2,208	$2,451
Imports from US	$410	$596	$662

Refers to size of telecom equipment market. Exchange rate of R$ 2.3/US$ 1.00. Statistical data are unofficial estimates from trade sources. *

Though broadband's reach is increasing, penetration is still only 8%. In July 2005, fixed line operator Telefonica announced it was investing US$21 million to promote its broadband service *Speedy*. Limited competition, though, may be hampering broadband's growth. Telefonica, Telemar and Brasil Telecom combine for 80 percent market share, but they use their near-monopoly control of local access in their regions to deter competition. Only one mirror operator, GVT, has established a meaningful broadband presence.

Growth in Internet based services and consumers' desire to cut telecom costs has increased demand for Voice over Internet Protocol (VoIP). This should couple with technology upgrades to prompt a demand surge for new VoIP equipment that at least in the short-term can almost be exclusively supplied by US firms.

At the end of 2004 Brazil had 39.2 million fixed line phones, up 1.1 percent from 2003. Fixed line teledensity fell, though, from 2003's 22.6 percent, to 22.2 percent in 2004 and 21.7 percent in 2005, as expansion failed to keep up with population growth.

Top Prospects for US firms are in Wireless

Brazil's wireless industry trends towards convergence, i.e., adding a range of telecom services to a single medium to maximize benefit and efficiency. Also, cell phones are expected to be the single biggest end-use market for Brazil's telecom equipment market. Motorola, Nokia, Samsung, Sony-Ericsson, Siemens, LG and Gradiente are increasing cell phone production to meet growing domestic and regional demand, and even export to North America.

Other best prospects include IP New Generation Networks (IP NGNs); Corporate and Virtual Private Network Services (VPNs); new revenue-generating mobile services (preferably based on the existing network); broadband multiple services; intelligent services networks; new services merging voice, data, image and sounds; telemedicine equipment; security telecom equipment; and system integration services.

Resources

- For more information please contact Industry Specialist Ebe Raso at ebe.raso@mail.doc.gov.
- For more market research: www.export.gov/marketresearch
- ANATEL: www.anatel.gov.br
- Brazil's Ministry of Communications: www.mc.gov.br
- With offices in Brasilia, São Paulo, Rio de Janeiro, Belo Horizonte & Porto Alegre, the US Commercial Service Brazil (www.buyusa.gov/brazil) helps US exporters enter Brazil's market through research, matchmaking and advocacy. To the best of our knowledge the information in this report is accurate - however readers should conduct their own due diligence before entering into business ventures.*

Market update on Travel & Tourism

Brazil was the ninth largest source of visitors to the United States in 2004. Brazil has a very diverse population with diverse tastes, represented by their destination choices - France, Italy, New York, Florida, California, Australia, Canada and Asia. Before 2001, Brazil was one of the fastest growing outbound travel markets in the world. Travel dropped some after September 11th, but appears to be recovering. With only 4 million outbound travelers from a population of 182 million, and the country's economic growth prompting more middle-class travelers, growth seems likely to continue.

The U.S. as a Destination

The U.S. is Brazil's second most popular destination, behind only Argentina, competing for Brazilian travel dollars with Argentina, Europe, Australia, Canada and Asia. Though the number of Brazilian visitors to the U.S. dropped from 941,000 in 1997 to 349,000 in 2003 because of currency depreciation, security concerns, stricter visa requirements and competition from other countries, recovery seems to be on the horizon. More Brazilians are traveling to the U.S. because of promotions offered by U.S. companies and the Brazilian Real's increased value. The U.S. Department of Commerce's Office of Travel & Tourism Industries (OTTI) reported that Brazilian travel to the U.S. began recovering in 2004, when 385,000 Brazilians traveled to the U.S. - 10% more than 2003. Mid-year numbers for 2005 indicate that the number of Brazilian arrivals in the U.S. rose 23% from January-June 2005. If such growth continues, 457,000 Brazilians could visit in 2005.

2004's most popular destinations were Florida/Miami, New York/New York City and California, while Las Vegas, Los Angeles and Orlando are expected to be among 2005's most popular. Washington, DC, New Orleans, Massachusetts, San Francisco and Texas are popular secondary destinations. Top activities were dining out, shopping, theme parks, historical visits, visits to small towns, art galleries/museums, night clubs/dancing and concerts/plays/musicals.

The Typical Brazilian visitor

Brazil's typical visitor to the U.S. has visited at least once before. The high season for Brazilian travel to the U.S. is Dec-Jan, and then July, because of school holidays. Shorter trips during public holidays are also very popular. Although not as popular as before, fly and drive trips are still popular and one can often find Brazilian families driving through Arizona, California, Nevada, Colorado, Florida, Louisiana or New England. According to OTTI, in 2004, Brazilian travelers to the U.S. averaged 2.3 trips, spent 18.6 nights, visited 1.7 states and 2.1 destinations. Brazilian travelers are among the biggest spenders when traveling to the U.S., averaging $3,557 per traveler. The greatest proportion of Brazilian visitors are in the age groups 35-44 and 44-54, married and professional, followed by the age groups 25-34, 55+, and 15-24 year of age.

Business Travel

Brazil's business travel industry continues to grow – U.S. Department of Commerce statistics show that over 40% of total outbound trips from Brazil are for business. Brazilian business travelers are lucrative targets as they often include some leisure days during their trip and spend more than the average traveler. FAVECC, the Forum of Corporate Travel Agencies in Brazil, reported 33% growth in 2004 in number of international business trips, generating US$1.3 billion in sales. TMC Brasil, the Brazilian Business Travel Management Association, reported US$ 2.7 billion in 2004 sales.

Ski Travel

Brazil's outbound ski market, dominated by the upper-middle and upper class, has grown steadily. Argentina and Chile are the most popular ski destinations during Brazil's winter (June-Aug), the U.S. during Brazil's summer (Dec-Feb). Colorado, particularly Aspen, is popular, and many Brazilians have bought houses there. Ski tour operators predict 30-40% more Brazilians will visit Aspen in 2005, while Tahoe, Jackson Hole and Park City will remain popular.

Brazil's Travel & Tourism distribution system

While wholesalers are key travel distributors, Brazil's 10,000 travel agencies, 60% of whom issue international tickets, are most important. As many tour operators began as travel agencies, many do both, and stiffer competition has prompted most to upgrade technology and improve efficiency. Associations are important in Brazil's travel industry. The Brazilian Tour Operators Association (Braztoa), formed by 60 operators, is the main association of tour operators, and the Brazilian Travel Agencies Association (ABAV) has approximately 3,000 members responsible for just over 80% of travel sales. In 2004 the majority of Brazil's visitors to the U.S. went through a travel agency, while others went directly to airlines, through the Internet, or used state/city travel offices.

Promote to attract Brazil's diverse travelers

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

Resources

- For more information please contact Industry Specialist Jussara Haddad at jussara.haddad@mail.doc.gov.
- For more market research: www.export.gov/marketresearch.html
- ABAV: www.abav.com.br
- BRAZTOA: www.braztoa.com.br
- FAVECC: www.favecc.org.br
- Travel Agent Association of São Paulo's interior www.aviesp.org.br
- With offices in Brasilia, São Paulo, Rio de Janeiro, Belo Horizonte & Porto Alegre, the US Commercial Service Brazil (www.buyusa.gov/brazil) helps US exporters enter Brazil's market through research, matchmaking and advocacy. To the best of our knowledge the information in this report is accurate - however readers should conduct their own due diligence before entering into business ventures.*

Trade Barriers Continue to be Significant

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.

This report touches upon a broad range of trade regulations that may affect US companies seeking to export to Brazil. The US signed a trade and investment framework agreement with Mercosul in 1991 and will continue to encourage the reduction of barriers to trade and investment, including tariffs and the creation of a customs union that is open and consistent with the WTO, specifically GATT Article XXIV.

Tariffs, Non-Tariff Barriers, and Import Taxes

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's average applied tariff was 17% in 2002. The average tariff in 1990, by contrast, was 32%. Brazil also maintains a higher average tariff on processed items than on semi-processed goods and raw materials. The United States continues to encourage tariff reductions on products of interest to US firms.

Brazil and its Southern Common Market (Mercosul) partners, Argentina, Paraguay and Uruguay, implemented the Mercosul Common External Tariff (CET) on January 1, 1995. In November 1997, after consulting with its Mercosul partners, Brazil implemented an across-the-board three-percentage point increase on all tariffs (inside and outside the CET), raising the ceiling from 20 to 23%. The surcharge is being gradually phased out, but given uncertainties over Argentina's economic recovery, its elimination may be delayed. Other Mercosul members have also unilaterally adjusted their tariffs in response to economic crises, and given these developments, the CET is currently full of exceptions.

SISCOMEX – Computerized, but additional requirements
In January 1997, the Secretariat of Foreign Trade (SECEX) implemented a computerized trade documentation system (SISCOMEX) to handle import licensing, and a wide variety of products were subject to non automatic licensing. There are fees assessed per import statement submitted through

SISCOMEX, and importers must comply with onerous registration guidelines, including a minimum capital requirement, to register with SECEX (the Foreign Trade Secretariat). Complete information on requirements for importing into Brazil is available only through SISCOMEX, which is only available to registered importers

Beginning in October 1998, Brazil issued a series of administrative measures that required additional sanitary/phytosanitary (SPS), quality and safety approvals from various government entities for products subject to non automatic licenses.

To fight increasing under-invoicing, Brazil issued a series of measures that required additional approvals for products subject to non-automatic licensing, and broadened the list of such products. While the Government is now in the process of phasing these out and moving most products to the automatic license category, these requirements still present a barrier.

Comparing Tariffs	Source: USTR
Average Brazilian Tariff on Goods	17%
Average US Tariff on Goods	1.7%
Average US Tariff on Agriculture	12%

Under Brazil's new Customs Valuation regulations, Customs will focus its efforts on under-invoicing, and is authorized to hold up imports until the goods are valued.

WTO compliance?
A primary concern has been the use of minimum reference prices both as a requirement to obtain import licenses and/or as a base requirement for import. It appears that the Government of Brazil has required some products to meet minimum prices for the issuance of import licenses in order to receive normal customs processing. This requirement raises questions about whether Brazil's regime is consistent with its obligations under the WTO. In November 1999, the US actively participated as an interested third party in European WTO consultations on the issue, and in July 2000 the US held its own WTO consultations with Brazil. The Brazilian Government reportedly has modified its customs regime somewhat, but it has not codified these changes in a public document. Senior Brazilian officials have stated to US Embassy officers since late 1999 that such requirements currently do not exist.

In addition, product registrations from the Ministry of Health are required for imported processed food products and food supplement products effective March 1, 2000, with a reduced term of validity for registrations. Registration fees for these imports, as well as for medical and pharmaceutical products, also increased significantly over the course of 1999. The US Government also has received complaints relating to Brazil's "law of similars," including that it leads to non transparent preferences for Brazilian products in procurement bids for government and non profit hospitals and prejudices against the import of refurbished medical equipment when domestically produced "similars" exist. Implementation of such import measures continues to be poorly coordinated and not well publicized, magnifying the negative impact on US exports.

Taxes and Fees On Imports

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 importing 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; these costs are shown in the table. Note that most taxes are calculated on a cumulative basis.

Import Duty (II)
The Import duty is a federally mandated product specific tax. After the creation of the Mercosul customs union, the four member countries -- i.e., Argentina, Brazil, Paraguay and Uruguay -- adopted a single import tariff structure known as the "common external tariff" (known in Brazil as the "TEC"). While after the adoption of the TEC, Brazilian import tariff rates were reduced, they are still high in comparison to US import tariff

rates. In most cases, Brazilian import duty rates range from 10 - 20 %.

Industrialized Product Tax (IPI)
The IPI is a federal tax levied on most domestic and imported manufactured products. It is assessed at the point of sale by the manufacturer or processor in the case of domestically produced goods, and at the point of customs clearance in the case of imports. The IPI tax is not considered a cost for the importer, since the value is credited 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. Often one can note that usually a relatively low import tariff rate carries a lower IPI rate. Conversely, a relatively high import tariff rate carries a correspondingly higher IPI rate. As with value-added taxes in Europe, IPI taxes on products that pass through several stages of processing can be adjusted to compensate for IPI taxes paid at each stage. Brazilian exports are exempt from the IPI tax.

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

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

Customs Regulations – Still Burdensome

In 1997 the Brazilian Government established a computerized information system to monitor imports and to facilitate customs clearance known as the Foreign Trade Integrated System (SISCOMEX). The SISCOMEX has facilitated and reduced the amount of paperwork previously required for importing into Brazil, which, however, can still be burdensome. 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 has a graphic interface for the composition of electronic import documents and transmits information to a central computer.

Landed Cost in Brazil - Santos Example

Free on Board (FOB) Price of Machine	$100,000
Freight (estimated)	$2,400
Insurance (1% estimated)	$1,000
Cost Insurance Freight (CIF) Basis	***$103,400***
II of 19% on CIF	$19,646
IPI of 5% x (CIF plus II)	$6,152
ICMS of 18% x (CIF plus II plus IPI)	$23,256
PIS and Cofins Tax of 9.25% x (CIF plus II plus IPI plus ICMS) *	$14,102
Merchant Marine Tax 25% of ocean freight cost	$600
Warehouse Charge 0.65% of CIF (min $170 - max $235)	$235
Terminal Handling Charges average US$ 100 per container	$100
Custom Broker's Union 2.2% of CIF (min $71 – max $160)	$160
Custom Brokerage Fee 0.65% of of CIF (min $170 – max $450)	$450
SISCOMEX Fee	$30
Cargo Transportation Fee	$35
Bank Costs (2% of FOB estimated)	$2,000
Final Cost at Port - *a 70% increase*	**$170,066**

* Applied to imports starting in May 2004

Customs Clearance in Brazil can be a time consuming and frustrating process, even compared with other countries in Latin America. In a report issued by ICEX (Instituto de Estudos das Operações de Comércio Exterior), the average customs clearance time in Brazil was the slowest in the Hemisphere (150 hours). Products can get caught up, for various motivations, in customs because of minor errors or emissions in paperwork.

From April – June 2004 the Customs Union conducted a work slowdown in an attempt to gain a dramatic increase in salary, which has risen only 9% in the last 10 years. For importers, the slowdown caused considerable delays. The Union notes that customs inspectors' salaries give rise to incentives for corruption and anecdotes among importers abound to confirm the widespread nature of this problem. However, the Government of Brazil notes that customs inspectors' jobs are hotly sought after and that the budget would not withstand such a dramatic salary increase.

Import Licenses

Automatic Licenses

As a general rule, Brazilian imports are subject to the automatic import license process. This procedure requires the Brazilian importer to submit information concerning each import, including description of the product as well as the harmonized tariff classification number, quantity, value of the shipment, shipping costs, etc. This information will be used for purposes of preparing the Import Declaration (locally known as the DI). Subsequently, all information is fed into the SISCOMEX.

Certain products and import operations are subject to special requirements, which should also be completed prior to the customs clearance process. For example, food products require additional approval by the Agricultural Ministry. Selected natural and synthetic rubbers require approval by the Environmental Agency (IBAMA). And a variety of product registrations may be required for asbestos, chemicals, pharmaceuticals, perfumes, cosmetics, and medical equipment.

Non-Automatic License (LI)
Whenever imports are subject to the Non-Automatic License (LI) regime, the importer must provide information concerning each shipment to Brazilian customs authority either prior to shipment or prior to customs clearance. The required information includes a description of the product as well as the harmonized tariff classification number, quantity, value of the shipment, shipping costs, etc.

Importers must seek **clearance prior to shipment** if they want to bring in products subject to special controls from SECEX or approvals from other Brazilian government agencies. Such products may include used products in general, products that enjoy import tariff reductions, and imports that do not involve payment from importer to the exporter.

Examples: samples, donations, temporary admission, psychotherapeutic drugs, products for human or veterinary research, weapons and related products, radioactive products and rare earth metal compounds, crude oil, oil derivatives or other petroleum derivatives, anti-hemophilic serum, medications with plasma and human blood, and products that may be harmful to the environment such as CFC and airplanes.

Importers must seek **clearance prior to customs clearance** if they want to bring in products imported under the drawback regime or items destined for the free trade zones or the National Council for Scientific and Technological Development.

Import Documentation for Health/Pharmaceuticals
Any product that comes in contact with the human body is controlled by the Ministry of Health, 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. However, such products must be registered with the Brazilian Ministry of Health.

Export Controls

At this time, the US Government maintains no export controls specific to Brazil. Normal controls are maintained on military equipment, high-tech information systems, and equipment of a highly sensitive nature. Items on the Munitions Control list are also a controlled export to Brazil requiring a special license from the State Department or Commerce Department depending on the item. You can see the current list of export controls at the US Bureau of Industry and Security (BIS) website: http://www.bis.doc.gov/. For additional information, please contact the US Trade Information Center (TIC) at 1-800-USA-TRADE or http://www.export.gov/tic/.

Temporary Imports – Taxes Reduced

Since 2000, the Government of Brazil has made an allowance for temporary importation of products that are to be used for a predetermined time period and then re-exported. Under the program, the II and IPI are used to determine the temporary import tax. Products must be used in the manufacture of other goods and involves payment of rental or lease from the local importer to the international exporter. Examples of products falling under this program would be temporary importation of machine tools. Taxes due are proportional to the time frame the imported product will remain in Brazil, as the following example demonstrates:

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 V=31,000 x [1-(60-12)/60] (20% of tax is owed since tool will only stay in Brazil 1/5th of its useful life)	**$6,200**

Labeling and Marking Requirements

The Brazilian Customer Protection code, in effect since September 12, 1990, requires that product labeling provide the consumer with correct, clear, precise, and easily readable information about the product's quality, quantity, composition, price, guarantee, shelf life, origin, and risks to the consumer's health and safety. Imported products should bear a Portuguese translation of this information. Since metric units are the official measuring system, products should be labeled in metric units or show a metric equivalent. The labeling requirement for genetically modified organism (GMO) must follow the same procedures as mentioned above, although GMO is currently being debated in Brazil.

The US Senate Concurrent Resolution nº 40 adopted July 30, 1953, invited US exporters to inscribe, on external shipping containers in indelible print of a suitable size. "United States of America". Although such marking is not compulsory under law, US shippers are urged to follow this procedure in publicizing American-made goods.

More information can be found regarding required and recommended labeling and marking in the USCS Brazil's report on standards. This report can be found at the following website: www.focusbrazil.org.br/ccg.

Prohibited Imports

The Brazilian Government has eliminated most import prohibitions. However, it places special controls on certain imports and does continue to prohibit the importation of others. 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. There is also specific legislation that prohibits the importation of products that the

Brazilian regulatory agencies consider harmful to health, sanity, national security interest, and the environment.

Manaus Free Trade Zone

Imports of used machinery and equipment to the Manaus Free Trade Zone (FTZ) are subject to more liberal treatment. While there are 7 other FTZs established in Brazil, the Manaus installation is the only one of consequence for most US exporters. Originally established in 1967, the Manaus FTZ recently had its protections extended to 2013. The FTZ covers a 3,900 square mile region that includes the city of Manaus on the Amazon River.

Manaus's FTZ status means that goods of foreign origin may enter without customs duties charges or other Federal, State or local import taxes. In addition, IPI taxes on certain commodities and ICMS taxes on most items are not applied. With very few exceptions, imported products to be used for processing, re-exportation, or transshipment to other parts of Brazil qualify for IPI tax exemptions. If items are shipped to other parts of Brazil, the ICMS still applies, however.

The Superintendent of the Manaus Free Trade Zone (SUFRAMA) is the Manaus FTZ authority. Commercial invoices and bills of lading must have a letterhead mentioning "Free Zone of Manaus" that must be typed on them, and one of the following statements: "Zona Franca de Manaus para Consumo" (Manaus Free Zone for Consumption) or "Zona Franca de Manaus para Reexportação" (Manaus Free Zone for Re-export). As noted in the Import Licensing section of this report, importers must still obtain licenses through SISCOMEX.

Manaus FTZ importers are allowed to supply foreign goods from their stock in Manaus to other parts of the country regardless of quantity. These goods, however, are subjected to all duties assessed under normal importation. On the other hand, there is the advantage that the ICMS is reduced to only 4 percent.

Manaus's very success in using a liberal tax regime to attract industry makes it a political target for other states, particularly in the southeast of Brazil, who feel at a competitive disadvantage. There has been considerable pressure on the Government of Brazil to water down Manaus's tax advantages, and US companies considering investments in this region are following developments carefully.

Detailed information on the Manaus FTZ can be obtained at SUFRAMA's website: www.suframa.gov.br.

Other Attempts at Fiscal Paradises

As noted, the seven other FTZs have not succeeded in attracting investments on the scale of Manaus, which was a strategic outpost for 19th century rubber exports from the Amazon. In addition, 19 export processing zones (ZPEs) have been authorized, but are not in operation. Finally, various states have attempted to use creative applications of the ICMS in order to attract investment.

We recommend that US companies exercise caution with ICMS promises. The Government of Brazil has launched legislation that would harmonize the ICMS in order to reduce interstate competition for investment, and it is not clear how states' longterm promises would be treated under a change in federal legislation in this area.

Standards in Brazil

Brazil's efforts to establish uniform measurements and standards began as early as 1862, when the French decimal metric system became official. With industrial growth during the following century came the necessity to create more efficient measuring instruments for consumer protection. As a result, in 1961 the National Institute of Weights and Measures (INPM) was created.

In 1973, industrial production reached a level that new avenues were opened for manufactured good exports. With a focus on exports, Brazil needed to adopt qualitative and quantitative methods comparable to those in other industrialized countries. Thus, in 1973, the National Institute of Metrology, Standardization and Industrial Quality (INMETRO) was born with the objective to improve the quality of life of all citizens and the competitiveness of all industry through the use of metrology and improved quality.

Organization of Standards Bodies in Brazil

In 1973, Brazilian Federal law established a National System of Metrology, Standardization and Industrial Quality, SINMETRO, which is comprised of CONMETRO, INMETRO, ABNT, IPEM and accredited labs. INMETRO serves as the executive chair of SINMETRO.

Standards and Technical Regulations

Under SINMETRO, the development of voluntary standards is the responsibility of the Brazilian Association of Technical Standards (ABNT). ABNT is a private, non-governmental, not-for-profit organization that develops standards across all industries in Brazil. ABNT represents the country in relevant international and regional forums and acts as a certification body. Brazilian standards are developed either through ABNT's own technical committees or through Sectoral Standardization Bodies (ONS), which it accredits. ABNT annually publishes a National Standardization Plan, containing all of the titles it plans to develop throughout the year. It can only be accessed by a member of ABNT or by contacting the corresponding Brazilian Committee (ABNT/CB): www.abnt.org.br/normal_comite.htm. Proposed voluntary standards that are open for public comments can be accessed through: www.abnt.org.br/normal_consulpub.htm.

Voluntary standards can be adopted as mandatory technical regulations by any of the 9 Ministries. Alternatively, these Ministries may develop their own technical regulations. Brazil's technical regulations are available through INMETRO's website. This website provides access to both proposed and final technical regulations: www.inmetro.gov.br/rtac/.

Brazil is a signatory of the Agreement on Technical Barriers to Trade (TBT) of the World Trade Organization (WTO), affirming its obligations relative to standards, technical regulations, and conformity assessment procedures. Under the agreement, INMETRO was established as the national inquiry point for information on standards-related issues. Additional information about technical barriers to trade and a formal system for inquiries is available through INMETRO at www.inmetro.gov.br/barreirastecnicas/index.asp.

Standards: First Analog, now Digital TV?

Brazil is considered a standards developer, and its choices often influence its neighbors' decisions. One can see Brazil's activity in standards in its current efforts in digital television (DTV) technical regulation. While a number of countries in the Western Hemisphere are adopting the US standard (ATSC), Brazil has spent millions of dollars studying various options ranging from the adoption of one of the three existing DTV standards (U.S., European, Japanese), the development of its own technical regulation, or some combination of these. A uniform DTV standard throughout the hemisphere will result in lower consumer costs for all. The US Government has voiced concern that the selection process is not fully transparent, and that Brazil's DTV choice may not be compatible with ATSC. The US Government is continuing to work on this issue, urging Brazil to select the standard that offers the best technology at the lowest cost. There is cause for concern; Brazil developed the Pal-M standard for analog television, which is not used by any other country in the world and is incompatible with PAL or NTSC.

Conformity Assessment

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.

Test and Calibration Laboratories

INMETRO accredits test and calibration laboratories authorized to operate in Brazil. The following link provides information on Brazil's accredited calibration laboratories: www.inmetro.gov.br/laboratorios/rbc/. One can search for accredited test laboratories at the following website: http://www.inmetro.gov.br/laboratorios/rble/

Product Certification

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 US laboratories that are accredited by US 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: www.inmetro.gov.br/qualidade/prodCompulsorios.asp.

Non-Mandatory Testing and Product Certification

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

To facilitate US product acceptance in Brazil by recognizing existing certifications, agreements between US and local certifiers/testing houses are encouraged. Also, there is no impediment for the establishment of US certification organizations in Brazil.

If your product has been certified in the US 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.

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

Accreditation and Quality System Registration

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 www.inmetro.gov.br/credenciamento/index.asp.

Labeling/Marking Requirements

The Brazilian Customer Protection code, in effect since September 12, 1990, requires that product labels provide consumers with correct, clear, precise, and easily readable information about the product's quality, quantity, composition, price, guarantee, shelf life, origin, and risks to the consumer's health and safety. Imported products should bear a Portuguese translation, and all products should use the official metric units or show a metric equivalent.

The US Senate Concurrent Resolution nº 40 adopted July 30, 1953, invites US exporters to inscribe, on external shipping containers and in indelible print of a suitable size, "United States of America." Although such marking is not compulsory under law, US shippers are urged to follow this procedure in publicizing US-made goods.

Other Comments

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

- For more reports on standards in other countries, please visit Export.gov's site for US Commercial Service Market Research Worldwide: www.export.gov/marketresearch
- American Embassy in Brasília: www.embaixadaamericana.org.br
- ABNT - Associação Brasileira de Normas Técnicas: www.abnt.org.br
- AMN - Asociacion Mercosul de Normalizacion: www.amn.org.br
- Brazil's Ministry of Development and Commerce: www.desenvolvimento.gov.br/

For information on the WTO-TBT inquiry point, contact:

- INMETRO – Instituto Nacional de Metrologia, Normalização e Qualidade Industrial: www.inmetro.gov.br

For information in the U.S., contact:

- National Center for Standards and Certification Information (NCSCI), National Institute of Standards and Technology (NIST): www.nist.gov/ncsci
- American National Standards Institute (ANSI): www.ansi.org

Information resources on labeling:

IPEM – Institute of Weights and Measures:
www.ipem.sp.gov.br
CVS – Center for Sanitation Vigilance:
www.cvs.saude.sp.gov.br

Resources
USCS Brazil's reports on Top Prospects for US exporters:
www.focusbrazil.org.br/ccg
USCS Brazil's Guide to Marketing Services:
www.buyusa.gov/brazil.
US Trade Information Center (TIC) for tariff information:
www.ita.doc.gov/td/tic/tariff/.
US Trade Representative's Office for information on FTAA and trade disputes:
www.ustr.gov/Trade_Agreements/Regional/FTAA/Section_Index.html.
Government of Brazil's customs site:
www.receita.fazenda.gov.br/Grupo1/Aduana.asp
Government of Brazil's SISCOMEX customs site:
http://www.receita.fazenda.gov.br/aduana/siscomex/siscomex.htm

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

Openness to Foreign Investment

Brazil is open to and encourages foreign investment. The Brazilian Congress approved constitutional amendments in 1995 to eliminate the distinction between foreign and national capital. Foreign investors have been permitted to invest in the Brazilian stock market since 1991; new rules, which liberalized considerably foreign investment in equities and put foreign investors essentially on an equal footing with Brazilians, took effect in 2000. The 1962 Foreign Capital law and subsequent amendments govern most foreign investment. During the high point of the privatization program, Brazil was the second largest destination for foreign investment among emerging markets, with a peak inflow of $32.8 billion in 2000; the country remains a leading investment destination.

Constitutional amendments passed in 1995 opened formerly closed sectors, such as petroleum, telecommunications, mining, power generation, and internal transport to foreign investors. In 2002, Congress approved a constitutional amendment permitting foreign investors to own up to 30% of media companies. Restrictions remain on foreign investment in a limited number of sectors: nuclear energy, health services, media, rural property, fishing, mail and telegraph, aviation and aerospace. Law 10,610 (2002) limits foreign ownership in media outlets to 30 percent, including the print and "open broadcast" (non-cable) television sectors. Brazil's legislature is considering extension of this restriction to cover Internet Service Providers, pay TV channels and operators, and content producers and distributors; such a change would pose a serious threat to a number of U.S. companies operating in Brazil as content producers/distributors.

New or expanded foreign investment in the banking sector is technically forbidden by the Constitution of 1988. However, since 1995 entry or expansion has been approved on a case-by-case basis; the vast majority of requests for entry or expansion have been granted. Foreign banks currently account for 27% of the net worth of the banking system and 23.4% of total banking system assets. Since 1996, the insurance sector has been open to foreign investors, and most major US firms are already represented, mainly via joint venture arrangements. Brazil maintains a government-owned reinsurance monopoly, the Brazil Reinsurance Institute (IRB). The Lula administration has not pursued privatization of the IRB but it has proposed legislation, sent to Congress in May 2005, which would dismantle the IRB's monopoly and permit new entrants in the reinsurance sector. The Congress has not acted on the bill.

In 1991, Brazil embarked on the world's largest privatization drive, selling off more than US$100 billion worth of assets. Since 2002, however, privatization has virtually stopped. Through 2005, Brazil realized US$87.8 billion in sales revenue and another US$18.1 billion in debt transfer as a result of the national privatization program. Foreign investment accounted for US$42 billion, or 48% of the total. One third of the foreign investment was from the US ($14 billion). With the exception of power-generation sector, in which the majority of power generation capacity remains in government hands, most of the largest state enterprises have been sold in whole or in part. Privatization activity has slowed substantially since 2001; in 2002, it totaled only US$2 billion; in 2003 there were no privatizations. The Lula administration has carried out two privatizations, the 2004 sale of the State Bank of Maranhao for US$ 26.6 million and the December 2005 privatization of the State Bank of Ceara for US$ 302 million. In December 2004, the Congress approved and the President signed a Public-Private Partnership (PPP) investment law that promotes joint ventures in otherwise marginally profitable infrastructure investments; the first such projects may be bid in 2006. The law creates a federal guarantee fund to protect investors in federal PPPs.

In December 2004 and April 2005, Brazil conducted its first auctions of long term energy supply contracts under a new energy regulatory framework advanced by the Lula administration. Under the new model the federal government now plays a more central role in establishing energy demand forecasts and energy prices. Although a central goal of the new model is to attract private investment in power generation, several investors that bought energy assets during the now-halted energy sector privatization were disadvantaged by the transition to the new regulatory system. Analysts, companies and investors also have expressed concern that the more centralized government role and low auction prices will inhibit private investments. A majority of power generation capacity remains in public hands.

During the early 1990s, foreign direct investment (FDI) was a crucial source of financing for Brazil's balance of payments. Dramatic growth in Brazil's exports has produced trade surpluses since 2001 and current account surpluses since 2003 have dramatically reduced the importance of FDI as a source of external financing. Moreover, the winding down of the privatization program has seen FDI fall from a 2000 peak of $30 billion to a low of $10.1 billion in 2003. FDI inflows have since picked up, increasing to $18.2 billion in 2004 and an estimated $15 billion in 2005.

Brazil has undertaken a significant reduction in trade barriers in recent years. In 2005, Brazil's average Normal Trade Relations (NTR) tariff was 10.7%, versus 32% percent in 1990, according to the Foreign Trade Secretariat of the Ministry of Development, Industry and Foreign Trade. Foreign investors may own real estate, but purchase of land along the borders by foreigners requires specific authorization.

Conversion and Transfer Policies

There are few restrictions on converting or transferring funds associated with an investment. 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 also be registered with the patent office (INPI). Investors must have a representative in Brazil and register with Brazil's securities commission (CVM). Other transactions such as reinvestment of profits may also require Central Bank registration.

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.

Foreign loans obtained abroad no longer require advance approval by the Central Bank, provided the recipient is not a government entity (loans to government entities still require prior approval). Upon concluding the transaction, the loan must be registered electronically with the Central Bank. In most instances, the registration is completed automatically. Automatic registration is not issued when the costs of the operation are "not compatible with normal market conditions and practices." In such instances, the loan is reviewed by the Central Bank; if the Central Bank does not respond within five working days, the registration is considered complete.

Interest and amortization payments specified in the loan contract can be made without additional approval from the Central Bank. That also applies to early payments, if there is a provision in the contract for early payment. If the contract does not have such a provision, early payment requires prior approval by the Central Bank. According to Central Bank officials, this requirement is to ensure accurate records of Brazil's stock of debt, and all requests have been approved since the new guidelines were issued in 2000. In addition to payments associated with registered loans and investments, there are other approved procedures for transferring funds abroad that can be used for a wide range of purposes.

Capital-gain remittances are subject to a 15 percent income withholding tax. Repatriation of an initial investment is exempt from income tax. Beginning in 2000, lease payments were assessed a 15 percent withholding tax. Remittances related to technology transfers are not subject to the tax on credit, foreign exchange, and insurance (IOF), although they are subject to a 15% withholding tax and an extra 10% Contribution of Intervention in the Economic Domain (CIDE). Loans with terms of 90 days or less must pay the IOF (5%), while those of longer maturity do not. In 2002, Brazil eliminated the application of the financial transaction tax (CPMF), which is currently 0.38%, to stock market transactions. Foreign cable and satellite television programmers are subject to an 11 percent remittance tax; however, the tax can be avoided if the programmer invests 3 percent of its remittances in co-production of Brazilian audio-visual services.

Brazil has no double taxation treaty with the US, but does have such treaties with a number of other countries, including, Japan, France, Italy, the Netherlands, Canada and Argentina.

Expropriation and Compensation

There have been no expropriatory actions in Brazil in the recent past nor any signs that the current Government is contemplating such actions. In 1999, a state government sought and obtained a court ruling canceling contractual obligations, signed by the prior state government, associated with the partial privatization of a state electricity company. The U.S. investors are appealing the court ruling. In 2003, a newly inaugurated government in another state refused to honor a number of contracts the previous state government had signed with a range of Brazilian and foreign investors; the parties involved continue to negotiate these contract disputes and have had recourse to local courts. Some claims regarding land expropriations by state agencies many years ago have been judged by courts in US citizens' favor. There remain individuals who have not yet been compensated because the states have appealed these decisions.

Dispute Settlement

Brazil is not a member of the International Center for the Settlement of Investment Disputes (ICSID-also known as the Washington Convention), but it is a party to the New York Convention of 1958 on the recognition and enforcement of foreign arbitration awards. In August 1995, Brazil ratified the 1975 Interamerican Convention on International Commercial Arbitration, as well as the 1979 Interamerican Convention on Extraterritorial Validity of Foreign Judgments & Arbitral Awards.

Arbitration clauses in contracts are not automatically enforceable. Foreign arbitral awards require confirmation by a court of the country in which the award was rendered and by the Brazilian Supreme Court. This confirmation is procedural in nature, and not meant to consider the merits of the case. Confirmation by the Supreme Court allows the claimant to enforce the arbitral award through Brazilian courts. The Supreme Court has confirmed foreign arbitral awards between two private parties in multiple cases. Some companies opt for domestic arbitration as an alternative.

There is some legal controversy in Brazil over binding foreign arbitration between foreign investors and state entities. Some Brazilian legal interpretations claim this is prohibited under Brazilian law on the grounds that it infringes the sovereign rights of the state. The Federal Government nevertheless maintains, in the absence of a definitive judicial ruling on the issue, that it can agree to binding foreign arbitration and routinely enters into contracts that allow for such arbitration.

This legal uncertainty, as well as congressional politics, has held up ratification of Bilateral Investment Agreements that Brazil has signed with fourteen countries (not including the US), which call for arbitration by either ICSID or a panel set up under the United Nations Rules for International Commercial Law. Given doubts about the applicability under Brazilian law of these international arbitration provisions to Brazilian government entities, the government withdrew the agreements from consideration for Senate ratification in December 2003.

Brazil has a functional commercial code that governs most aspects of commercial association, except for corporations formed for the provision of professional services, which are governed by the civil code. In December 2004, Congress approved an overhaul of the bankruptcy code. The reforms create a system, modeled on Chapter 11 of the U.S. bankruptcy code, which allows a company in financial straits 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 a better chance at recovering debts. An overburdened court system can take years to enforce property rights. Judicial reform measures enacted in December 2004 streamlined administrative procedures and introduced binding precedent, which should eventually make judicial decisions more predictable.

Political Violence (As it May Affect Investments)

Brazil's major urban centers suffer from significant drug trafficking-related and organized crime-related violence. Poverty, gangs, drugs and a lack of government resources have combined to erode state authority in some urban slums (favelas). There have been episodes of drug-related violence prompting major police crackdowns, particularly in Rio de Janeiro. Police have been implicated in significant human rights violations, including extra-judicial killings, abuse of prisoners, and other criminal activity. Since mid-2003 the Landless Workers' Movement (MST) has continued its aggressive invasions of a variety of agricultural interests, both domestic and foreign, in its campaign to force redistribution of land. In rural areas, powerful landowners, sometimes aided by police or private security agents, have used violence to settle land disputes, including but not limited to those with the MST or indigenous peoples, and to influence the local judiciary.

Corruption

Corruption can be an obstacle to investment in Brazil. In general terms, businesses find corruption an obstacle in government procurement and at some levels of the judiciary. 2005 saw a range of corrupt activities of spectacular scope come to light as Brazilian Congressional and law enforcement authorities began multiple investigations into illicit financing by several political parties of their 2002 presidential campaigns. The campaign financing investigations uncovered a multi-layered corruption scandal involving alleged vote-buying in the Congress by elements within the President's PT party and executive branch, financed by kickbacks on government procurement contracts and influence peddling. Brazil is a signatory to the Organization for Economic Cooperation and Development (OECD) Anti-Bribery Convention. While Federal government authorities generally investigate allegations of corruption, there are inconsistencies in the level of enforcement among individual states.

Performance Requirements and Incentives

Geographic preferences consist of tax benefits for investment in less developed parts of the country, such as the Northeast and the Amazon, with equal application to foreign and domestic investors. These benefits have succeeded in attracting some major foreign plants to, for example, 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. Some municipalities provide land on favorable terms for industrial development.

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.

On November 21, 2005, Brazil's President signed law 11,196 which provides tax benefits to qualifying exporters. The law's Special Regime for the Information Technology Exportation Platform (REPES) suspends PIS/PASEP and COFINS taxes on goods and services imported by companies which commit to export software and IT services to the extent that those exports account for over 80 percent of annual gross income. The MP's Special Regime for the Acquisition of Capital Goods by Exporting Enterprises (RECAP) suspends these same taxes on new machines, instruments and equipment imported by companies which commit for a period of at least three years to exports goods and services such that they account for at least 80 percent of overall gross income. The government also has a series of smaller programs designed to assist small and medium sized businesses to export.

The Special Agency for Industrial Financing (FINAME) of the National Bank for Economic and Social Development (BNDES) provides financing for purchases by Brazilian firms of Brazilian-made machinery and equipment -- capital goods with a high level of domestic content.

Right to Private Ownership and Establishment

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

Protection of Intellectual Property Rights (IPR)

Brazil is a signatory to the GATT Uruguay Round Accords, including the Trade Related Aspects of Intellectual Property (TRIPS) Agreement, signed in April 1994. Brazil is a member of the World Intellectual Property Organization (WIPO) and a signatory of the Bern Convention on artistic property, the Washington Patent Cooperation Treaty, and the Paris Convention on Protection of Intellectual Property. In August 1992, Brazil removed its reservations and fully accepted the Stockholm revision of the Paris Convention. Brazil has not yet ratified the WIPO Treaties on Copyright and Performances and Phonograms. As a result of problems regarding protection of intellectual property rights, principally in enforcement, Brazil was retained on the Special 301 priority watch list in the 2005 review.

Patents

In most respects, Brazil's 1996 Industrial Property law brings its patent and trademark regime up to the international standards specified in the TRIPS Agreement. However, the law includes local working requirements which may be TRIPS-inconsistent. The law would theoretically permit the grant of a compulsory license if a patent owner has failed to "work" (i.e. locally manufacture) the patented invention in Brazil within three years of issuance. Invoking TRIPS provisions, Brazil has at times threatened to issue compulsory licenses for anti-retroviral drugs used in treating HIV/AIDS if satisfactory supply agreements, including a reduction in prices, could not be reached with patent-holders; to date Brazil has not issued such a license. Negotiations were successfully completed with one U.S. pharmaceutical company in 2005 and are on on-going with two others.

Trademarks

The fraudulent use of internationally "famous" marks has been a problem in Brazil. However, the Industrial Property Law has provided improvements in Brazil's trademark regime, including better protection for internationally known trademarks. Some foreign firms have been successful in court actions against trademark infringement. Trademark licensing agreements must be registered with the National Institute of Industrial Property (INPI) to be enforceable; however, the failure to register licensing agreements will no longer result in cancellation of trademark registration for non-use.

Copyrights

Brazil's copyright law generally conforms to world-class standards. Likewise, its software copyright protection law contains provisions that introduce a rental right and an increase in the term of protection to 50 years. Despite passage of these copyright laws in 1998, widespread piracy of copyright and trademark material remains a problem. The US private sector estimates that trade losses from copyright infringements (including from piracy of videocassettes sound recordings and musical compositions, books and computer software) were $960 million in 2004. Nonetheless, given progress on enforcement in 2005, the U.S. Government in January 2006 announced that it would maintain Brazil's trade benefits under the Generalized System of Preferences after a review prompted by a 2000 petition from the International Intellectual Property Rights Association.

The Brazilian Congress passed a law in July 2003 that increased minimum prison sentences for copyright violations and established procedures for making arrests and destroying confiscated products. However, the heftier sentences have not acted as effective deterrents due to the continued ability of judges to commute many of the prison terms to fines. A much-publicized Special Congressional Inquiry into IPR piracy completed its report in June 2004, amidst considerable sensation after a reputed piracy kingpin was arrested on charges of trying to bribe the chairman of the inquiry commission. In November 2004, the government created a high-level, inter-ministerial, National Council to Combat Piracy and Intellectual Property Crimes. In 2005, the Council developed and has begun implementing a national plan for combating piracy and smuggling.

Integrated Circuit Layout Designs
A government-drafted bill to provide protection for the layout design of integrated circuits (computer mask works) was introduced in the Brazilian Congress in April 1996. In 2004 the administration asked that the Congress give the bill greater priority as part of a package of measures to stimulate innovation and local production of electronics. The draft law has made it through several Congressional committees but was still under discussion in 2005.

Regulatory System (pertaining to investments)

Although somewhat improved, Brazil's legal and procedural system is complex and overburdened. State courts can be subject to political influence, the central government has historically exercised considerable control over private business through extensive and changing regulations, and the bureaucracy has broad discretionary authority.

Taxes are numerous and burdensome, but do not discriminate between foreign and domestic firms. There have been some complaints, though, that the value-added tax collected by individual states (ICMS) favors local companies. Taxes on commercial and financial transactions are particularly burdensome, and businesses complain that these taxes hinder international competitiveness of Brazilian products. Brazil has separate value-added tax systems run by the federal government and individual state governments. The administration has made some recent efforts at tax reform, including the conversion of invoice taxes to VATs at the federal level in 2003 and 2004. A 2004 measure reduces taxes paid on long-term investments. A measure to simplify and harmonize state-level VATs (which vary from state to state and product by product) was proposed but did not pass in 2003.

Regulatory agencies for sectors such as telecommunications, energy and transportation are a relatively young phenomenon in Brazil. ANATEL, the country's telecommunication agency, handles licensing and assigns bandwidth. The National Petroleum Agency (ANP) has been commended by the industry for its fair handling of auctions of oil exploration blocks and its willingness to assist industry in seeking to simplify regulatory procedures such as environmental licensing. Conversely, in the electric power sector, some companies have complained about the high level of regulatory risk, for example the tariff review process and the implementation of the Brazil's new energy model. The federal government in 2003 passed legislation setting fixed three-year terms for directors of the regulatory agencies. Congress passed legislation in 2005 to create a civilian air transport industry regulator (ANAC). The new agency, expected to begin functioning in 2006, will exercise regulatory functions previously the responsibility of a directorate overseen by the Brazilian Air Force. Separate legislation to further clarify the roles and responsibilities of the regulatory agencies and consolidate the multiple laws currently governing each separate regulator was still under consideration by the Congress at end-2005. Separate legislation will refine the personnel systems of these agencies.

Bilateral Investment Agreements (BITs)

Brazil has signed Bilateral Investment Agreements (BITs) with fourteen countries. There are two Mercosul investment-related agreements: the Buenos Aires Protocol ("extra-bloc") and the Colonia Protocol ("intra-bloc"); the latter has not been signed by Brazil. Seven of the bilateral investment treaties have been sent to the Brazilian Congress, but have not been ratified. All of these treaties pending ratification were withdrawn from Senate consideration by the Executive in late 2003. The Executive cited the need for further review of the treaties so as to avoid potential juridical conflicts. At issue are the international arbitration clauses of these treaties, which may not be binding on Brazilian government agencies under Brazilian law. The US signed an Investment Warranty Treaty with Brazil in 1965 (OPIC). The US and Brazil currently have no plans to discuss a BIT.

OPIC & Other Investment Insurance Programs

Overseas Private Investment Corporation (OPIC) programs are available and active in Brazil. The size of OPIC exposure in Brazil may occasionally limit its capacity for new coverage. For more information on OPIC please go to http://www.opic.gov/. In 1992 Brazil became a member of the Multilateral Investment Guarantee Agency.

Capital Outflow Policy

In 2005 the Central Bank introduced a new administrative regime for foreign currency transactions. The new regulations unified the foreign exchange market and removed many restrictions associated with remittances overseas, for example, removing a requirement for prior Central Bank approval for contracting loans in another country. In a related effort, the Central Bank is working to streamline the regulatory regime for foreign investment transactions in Brazil.

There has been a relaxation since 1991 of the restrictions on the remittances of royalty payments for patent and trademark use between subsidiaries established in Brazil and the parent office headquartered overseas and on remittances of franchise contract royalties. A 1992 INPI resolution simplified procedures and, in particular, eliminated a number of requirements (but not all) concerning technology transfer agreements. No royalties or other fees may be transferred between related companies for the use of software.

Employer Federations Play a Significant Role

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

The Brazilian labor force comprises nearly 84 million workers in a wide range of occupations and industries. Nearly half of the labor force is employed in the service sector, roughly a quarter in agriculture, and the retail and manufacturing sectors combine to employ another quarter. The participation of women, who now account for over 40% of the labor force, continues to grow. The labor market has a high rate of informal sector employment-sources estimate that approximately 40% of all workers are not formally registered, pay no income taxes, and do not enjoy full protection under the law. About a quarter of all workers are self-employed.

Unemployment – significant

The Brazilian Institute of Geography and Statistics (IBGE) calculates an average unemployment rate for the country based on data collected monthly in Brazil's six largest metropolitan areas. According to this survey, the unemployment rate in November 2005 was 9.6%. This average masks some significant variation, from a high of 15.9% in Salvador to a low of 7.8% in Porto Alegre.

Real wages halt decline, disparities significant

Real wages in 2004 halted an almost decade-long slide and continued on an upward trend in 2005. Real wages were up 2.1% in November 2005 over November 2004. The average monthly wage in Brazil's six largest cities was approximately 974 Reals (approximately $423) in November 2005, and the minimum monthly wage was raised from 260 Reals in April 2004 to 300 Reals (approximately $130) in 2005. These averages gloss over some stark wage inequalities, as the wealthiest 50% of the Brazilian population earn nearly 90 percent of total income. Earnings also vary significantly by region and industry. The typical industrial worker in São Paulo, for example, earns about three times as much as the average retail worker in the northeastern state of Bahia.

Differences in earnings are caused in part by the regional disparity in educational attainment and in the availability of skilled workers. According to a 2002 survey by IBGE, 60% of the population has less than 8 years of schooling - 45% in the Southeast (including Rio and São Paulo) and 70% in the Northeast (including Recife and Salvador). Illiteracy rates also exhibit regional disparities. The IBGE reports roughly 11% illiteracy - 7% in the Southeast and 21% in the Northeast.

Unions play a significant role

Labor unions, especially in sectors such as metalworking and banking, tend to be well-organized and aggressive in defending wages and working conditions. In more remote areas with smaller local unions, they tend to be less effective. Union members account for approximately 12% of the workforce, but unions represent more than twice this number in collective bargaining. Unions, which are funded largely by a mandatory tax equivalent to one day's wages per year, are obliged to represent all formal sector workers in a professional category and geographical area, regardless of membership.

The Ministry of Labor estimates that there are over 16,000 labor unions in Brazil, but Ministry officials note that these figures are inexact. Local unions often associate with state federations and national confederations in their professional category. In addition, four major labor federations, known as "centrals," have emerged: the Workers' Unitary Central (CUT), the Union Force (Forca Sindical – FS), the Workers' General Confederation (CGT), and the Social Democratic Union (SDS). Labor unions channel much of the political activity of the labor movement. They also organize strikes and salary campaigns involving multiple professional categories and represent workers in many governmental and tripartite councils. 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.

Extensive regulation, slow legal system

The labor code is highly detailed and relatively generous; formal sector workers are guaranteed 30 days of annual leave, an annual bonus equal to one month's salary, and severance pay in the case of dismissal without cause. Brazil also has a system of labor courts that are charged with resolving routine cases involving unfair dismissal, working conditions, salary disputes, and other grievances. Currently, over 2.5 million cases sit in the labor court system, where they may remain unresolved for four or five years. Brazil's government is attempting to reduce this backlog and increase labor court efficiency through recent initiatives to expedite legal procedures and increase the number of claims that are resolved before reaching the courts.

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 Inter-Union Department of Socioeconomic Studies and Statistics (DIEESE) no longer collects data on the number of strikes each month, though they are still frequent, particularly in the public sector.

Major Foreign Investors

According to the Central Bank's most recent foreign-capital census (December 2000), the US was the largest single foreign investor in Brazil followed by Netherlands, Spain, France, Germany and Portugal. Investment from the Cayman Islands began growing rapidly in 1995 and is thought to represent mainly repatriation of Brazilian capital entering the country as foreign investment and, to a lesser extent, investment activity by other national groups. Investment from Spain and Portugal surged beginning in 1998 due to involvement in telecom privatizations and greatly increased investment in the banking sector by Spain.

The stock of direct foreign investment in Brazil stood at $103 billion as of December 2000, the most recent year for which detailed data is available. Of this, the US had the largest share at about $24.5 billion (24%). Spain had 11.9% of the total ($12.2 billion) and The Netherlands 10.7% ($11.0 billion). Investment inflows since 2000 have amounted to about $87 billion, exclusive of depreciation and capital repatriation. (The Central Bank is expected to publish updated figures in 2006.)

Despite its leading position among foreign investors, as of 2005 the local operations of only two US companies - Cargill and AES - were among the top thirty domestic firms in terms of revenues. Four of the top ten importing firms in 2004 were foreign: Nokia, Motorola, Bunge, and Ford Motor Co. Six of the top ten exporters -- Bunge, Volkswagen, Cargill, General Motors, Ford and Halliburton -- represented foreign investment.

Efficient Capital Markets & Portfolio Investment

Banking shakeout results in improved system

The Brazilian financial sector is large and sophisticated, in part a legacy of the high inflation period when good financial management was critical to survival. Despite current moderate inflation rates, bank-lending spreads remain extremely high due to taxation, repayment risk, lack of judicial enforcement of contracts, high mandatory reserve requirements and administrative overhead. Brazilian banks have weathered a difficult period of consolidation and streamlining over the last decade. The elimination of high inflation in the mid-1990s, and with it the disappearance of so-called "float income," led to liquidity problems among many banks. A series of failures, mergers, and acquisitions took place in the late 1990's. The surviving banks have returned to profitability. Today, the financial sector is fairly concentrated, with the 10 largest institutions accounting for over 65% of financial sector assets. Acquisitions and partnerships with retailers have contributed to this trend as banks seek economies of scales. Lending by the large banking institutions is focused on the largest companies, leaving small and medium-sized companies underserved.

Most government-owned banks, in particular those that were owned by state governments, have been privatized. These insolvent institutions were taken over by the federal government, liquidated, privatized, or transformed into development agencies. Three federally owned banks, the largest in the country, still play a prominent role in the financial system. These federal banks, while in better shape than their state-level counterparts, were also undercapitalized and carrying poorly performing loans, many the result of the loss-making "social" lending. These banks have, to an extent, recapitalized by selling back government bonds. Extraordinary bank profits in 2002 - 2004 also have improved the health of their balance sheets. As part of an effort to prevent the need for future recapitalizations of these federal banks, the government now requires that loss-making social lending programs by any government-owned bank be supported with an explicit government subsidy.

Dealing with the bank failures and consolidations of the last several years has led the Central Bank to strengthen bank audits, implement more stringent internal control requirements, and tighten 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 Central Bank intervened in medium-sized Banco Santos in late 2004 after embezzlement left the institution insolvent. Banco Santos was liquidated in 2005.

<u>Stock markets not an option for most companies</u>

Brazilian stock exchanges serve to raise financing primarily for domestic companies, although the Sao Paulo Stock Exchange (BOVESPA) aspires to a regional role. There were 9 Initial Public Offerings (IPOs) on the Sao Paulo Stock Exchange (BOVESPA) in 2005. In June 2004, Brazilian airline Gol executed an initial public share offering simultaneously on the São Paulo and New York stock exchanges. The total number of companies listed on the BOVESPA increased to 382 as of year-end 2005 from 361 in June 2004, compared to 399 in 2002 and 428 in 2001. Total turnover was about $430 billion in 2005, while total market capitalization was $482 million at end-2005. Trading is highly concentrated, with the top 10 stocks accounting for over 50 percent of turnover. Some 71 Brazilian firms, including Petrobras, Embraer, Banco Itau, CVRD, Brasil Telecom and Ambev, are also listed on the NYSE via American Depository Receipts (ADR's).

In 2000, with the intent of promoting the stock market and improving liquidity, the numerous regional stock markets agreed to consolidate. All stock trading is now done on the São Paulo stock market, while trading of public securities is conducted on the Rio de Janeiro market. The São Paulo stock market also launched a "New Market," in which the listed companies would comply with strict corporate governance requirements. As of 2005, the new market had 18 listed companies, down from 31 in June 2004.

Until recently, up to 2/3s of a corporation's capital could be preferred (non-voting) shares, so it was possible to achieve majority control of voting shares, in some cases, by holding only 17% of total capital. In 2001, the Congress approved a law that limits preferred shares for new issuances to 50%. The same proposal strengthens rights for minority shareholders.

The Brazilian Securities Exchange Commission (CVM) directly regulates the stock exchanges, brokers, distributors, pension funds, mutual funds, and leasing companies. In 2001, new legislation granted the CVM independence and established stronger penalties against insider trading.

In January 2000, Brazilian regulators removed a number of remaining restrictions on foreign portfolio investment. As a result, foreign investors–both institutions and individuals–can directly invest in equities, securities and derivatives. The foreign investors are required to trade derivatives and stocks of publicly held companies on established markets. As of 2005, foreign investors accounted for 31.9% of the total turnover on the BOVESPA. Domestic institutional investors were the second most active category of market participants, accounting for 27.8% of BOVESPA transactions.

<u>Export credit availability</u>

BNDES, the government national development bank, is the primary Brazilian source of longer-term credit, and also provides export credits. FINAME (Special Agency for Industrial Financing) provides foreign and domestic companies operating in Brazil financing for the manufacturing and marketing of capital goods. FINAMEX (Export Financing) is a part of FINAME, which finances capital good exports for both foreign and domestic companies. An export credit program for capital and some consumer durable goods, known as PROEX, was established in 1991. PROEX receives funds from the National Treasury to offer assistance in the areas of interest rate equalization, capital, other goods exports, and service exports.

<u>Other issues: accounting and mergers</u>

Wholly owned subsidiaries of multinational accounting firms, including the major US firms, are present in Brazil. The failure of major banks and large businesses during 1995, notwithstanding positive financial statements prepared by the major accounting firms, raised doubts about the credibility of these financial statements. Beginning in 1996, auditors have been personally liable for the accuracy of accounting statements prepared for banks.

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

Additional Information

There is a wealth of information available to investors interested in Brazil. The web sites listed below are a good start. The Government of Brazil's sites are in Portuguese, but most allow you to switch the language to English (usually a button in the top right corner).

- Central Bank of Brazil: http://www.bcb.gov.br/
- Brazil's Ministry of Foreign Trade Relations Trade Promotion Department: http://www.braziltradenet.gov.br/.
- Brazil's Ministry of Development (MDIC): http://www.desenvolvimento.gov.br/ and www.investebrasil.com.br.
- Brazil's Institute of Statistics (IBGE): http://www.ibge.gov.br/.
- Brazil's Treasury Ministry: http://www.fazenda.gov.br/ .

- LatinFocus: http://www.latin-focus.com/latinfocus/countries/brazil/
- Latin American Network Information Center (LANIC), an affiliate of the University of Texas: http://www.lanic.utexas.edu/la/brazil/economy/
- Economist Country Briefing: http://www.economist.com/countries/Brazil/
- The World Bank: http://www.worldbank.org/
- CIA World Factbook: http://www.cia.gov/cia/publications/factbook/geos/br.html
- US Embassy in Brazil: http://www.embaixada-americana.org.br/.*

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Resources

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

Financing Exports to Brazil

When exporting to Brazil, US firms should be aware that Brazilian companies will push hard for unsecured open account credit terms because the country's high interest rates. The Selic Rate, Brazil's equivalent to the US Federal Discount rate, was over 19% per annum through much of 2005, and was 18% at year-end. Short-term interest rates (60 to 90 days) are 20% - 60%, with an average of approximately 30%.

Selling on open account terms gives exporters an advantage when competing with firms insisting on confirmed letters of credit. Doing so, though, is very risky, particularly with new clients. Credit due diligence should always be undertaken and continue through a relationship. For information on credit due diligence, please refer to www.export.gov/finance.html or our report *Getting Paid by Your Brazilian Buyer*.

Export Finance & Credit Insurance Sources

Brazil has one of the most sophisticated financial systems in Latin America. All standard methods of export finance are available and used in Brazil. These include local commercial banks and subsidiaries of international banks, the US Export–Import Bank and USDA's Credit Assistance Program. Brazilian importers have a number of options for financing imports, including the Brazilian Development Bank, FINAME and FINEP (see below). Brazil's largest domestic commercial banks are Banco do Brasil (federally controlled), Bradesco and Itau. US banks have been in Brazil since 1915, with BankBoston and Citibank listed among the country's top financial institutions.

Ex-Im Bank

The U.S. Export–Import Bank (Ex-Im), www.exim.gov, offers a range of loan, insurance and loan guarantee programs to facilitate US exports, authorizing US$213 million in 2004 to support US exports to Brazil.

Financing
Ex-Im's programs can support US exports to Brazil when the obligor is a creditworthy private sector entity. A Brazilian public sector entity may also be an end-user, obligor, or guarantor of Ex-Im guaranteed financing. However, Brazil's Government does not accept Ex-Im's arbitration clause, which challenges Ex-Im's support for Brazilian public sector transactions.

Ex-Im does not require a guarantee by a private sector commercial bank on all transactions. The bank will consider applications by creditworthy enterprises with audited financial statements, a strong balance sheet and good operating/commercial records. Ex-Im requires information on proposed obligors and guarantors, including financial statements, credit references and engineering data for long-term transactions. Most of Ex-Im's recent medium-term business transactions in Brazil have been authorized under the Guarantee Program, where Ex-Im acts as a guarantor for US bank loans to Brazilian buyers or banks.

Credit Insurance
Ex-Im offers credit insurance for short- and medium-term export credit, letters of credit and lease defaults. Other Ex-Im export credits are available from the Private Export Funding Corporation (www.pefco.com), which borrows in the commercial market and re-lends for exports. Ex-Im has approved major changes in its foreign content and local cost policies, and the new flexible procedures have facilitated co-financing projects with foreign export credit agencies. More information is on Ex-Im's website, with its new Brazil page.

US Department of Agriculture (USDA)

USDA, www.usda.org.br, has a number of credit assistance programs for foreign purchasers of US agriculture, which help reduce nonpayment risk and lower interest rates.

GSM-102 Credit Guarantee: For up to three years, the US Government (USG) guarantees 98% of a letter of credit used to purchase US agricultural products.

Supplier Credit Guarantee Program (SCGP): For up to 180 days, the USG guarantees 65% of an importer's promissory note when they purchase US agricultural products.

GSM-103: For 3 – 10 years, the USG guarantees letters of credit for livestock and animal genetics.

Facilities Guarantee Program: US suppliers and Brazilian buyers are eligible for FGP, through which the Commodity Credit Corporation guarantees letters of credit for U.S. manufactured goods and services used to improve agricultural-related facilities.

BNDES, FINAME & FINEP

State owned BNDES's, www.bndes.gov.br, main credit activities are financing fixed investments, Brazilian exports, or machinery and equipment acquisition/leasing. In 2005, R$21.6 billion (US$ 9.8 billion) went towards infrastructure investments, 42% more than 2004.

The FINAME program (www.bndes.gov.br/linhas/finame.asp), administered by BNDES, provides loans of up to 90% of purchase cost, to a maximum of US$7 million, to purchase new industrial equipment with no less than 60% local content. Interest rates are well below commercial rates, and loans have an amortization period of 6 months - 5 years.

FINEP, www.finep.gov.br, run by the Ministry of Science and Technology, provided US$260 million in 2002 for new products, research centers, quality systems and joint ventures. FINEP funds are available through development banks.

Brazil Needs More Foreign Direct Investment

Brazil requires major investment in virtually all areas of its economy and infrastructure. Accordingly, there are significant opportunities for US firms seeking to expand into Brazil. Capturing project financing for foreign direct investment (FDI) in Brazil and other countries is more complex and challenging than for domestic projects. Thus, US firms should be aware of the wide variety of available project financing tools.

Sources of Project Financing

The largest source of project finance for US firms is the commercial banking sector. Though the sector is very active, lenders are generally more interested in major or medium-sized projects of at least US$2 million.

Other sources of project finance available to US firms, particularly for smaller projects, are the Overseas Private Investment Corporation; the US Ex-Im Bank; the Inter-American Development Bank and the World Bank.

OPIC
The U.S. government's Overseas Private Investment Corporation (OPIC), www.opic.gov, was established in 1971 as a development agency. OPIC helps US businesses invest overseas, fosters economic development in new and emerging markets, and complements the private sector in managing risks associated with foreign direct investment. Because OPIC charges market-based fees for its products, it operates on a self-sustaining basis, with no net cost to taxpayers.

Ex-Im Bank
In June 1994, the United States Government Export-Import Bank (Ex-Im), www.exim.gov, established a Project Finance Division. Ex-Im can finance all creditworthy projects that request its support. Ex-Im Bank has no minimum or maximum project size limitations and no specific country lending caps. The cost of using Ex-Im Bank financing will be directly based on the risks associated with each project and will be designed so that the bank neither makes nor loses money.

Development Banks/International Financial Institutions
The Inter-American Development Bank (IDB) and the World Bank are also involved in supporting infrastructure projects in Latin American countries.

As of November 30th, 2005 the IDB approved had 26 projects worth $28 billion in Brazil. In 2004, the World Bank approved 24 Brazilian projects totaling US$2.05 billion. The Bank's activities include traditional co-financing, World Bank guarantees, infrastructure funds to finance private project companies, and designing projects for future private sector participation.

Sources of Political Risk Insurance

Regardless of where project financing is sought, a significant number of lenders require that their loans be secured by publicly funded political risk insurance. Political risk insurance covers investors against the risks of expropriation, political violence and war and currency inconvertibility/non-transfer.

There are a number of public and private providers of political risk insurance. The main private political risk insurers are Chubb, American International Group (AIG), Zurich, and Lloyd's of London. Public insurers available for US firms are OPIC and the World Bank's Multilateral Investment Guarantee Agency (MIGA), www.miga.org.

OPIC has insured a number of projects in Brazil, including Anheuser Busch (US$5 million), BankBoston Leasing (US$44.1 million), and Citibank (7 Different Loans, primarily in telecom, totaling US$359 million).

MIGA provides political risk insurance for new projects in developing countries with the aim of supporting economic growth and reducing poverty. MIGA has provided insurance for a number of projects in Brazil, including a US$90 million guarantee of medical equipment leases for MRI's, CT scanners and other medical equipment, and partial guarantees for a US$650 million non-shareholder loan for a telecom project in São Paulo.

Project Finance Opportunities for US Lenders

There is great potential for project finance in Brazil because of a lack of public funds for infrastructure investment. The Brazilian Government's public-private partnership (PPP) was meant to help promote economic growth without adding to the Government's debt. However certain aspects of the legal framework of the Federal program still require further regulation and no Federal project has been launched. At the State level, though, the legal framework is better defined and projects are beginning. With the development of the PPP, US firms should see more opportunities appear.

Since February 1995, Brazil's Government has granted concessions to private companies for exploring activities formerly reserved for the State (electricity distribution/generation, highway repair, and port development and operation). These concessions have, and will, provide US banks with new business opportunities in Brazil. Generally, US Banks will need a Brazilian office to successfully prospect for clients, though most foreign banks handle the transaction and raise funds outside of Brazil. Citibank, Banco Bradesco, Banco Itaú and Unibanco are some of the banks in Brazil that have been involved in project finance.

Resources

- For more information on Ex-Im Bank financing or business in Brazil, please contact Patrick.Levy@mail.doc.gov.
- For more market research www.export.gov/marketresearch.html
- With offices in Brasilia, São Paulo, Rio de Janeiro, Belo Horizonte & Porto Alegre, the US Commercial Service Brazil (www.buyusa.gov/brazil) helps US exporters enter Brazil's market through research, matchmaking and advocacy. To the best of our knowledge the information in this report is accurate - however readers should conduct their own due diligence before entering into business ventures.*

Business Customs

While Brazil is well known for Carnaval, its business environment is very sophisticated, and U.S. businesses should make efforts to comport themselves accordingly.

Business meetings will often start late – sometimes more than 1 hour late – and they will often run late. Traffic in São Paulo above all other Brazilian cities means that sufficient time should be scheduled for transportation.

If there is a business event such as a cocktail hour at night, it will often begin at 8 or 8:30, but most will not show up until 9:30 or later. Often there are associated events with the cocktail, such as an award ceremony, that may take an hour.

Dinner in Brazil, even during the week, usually starts at 8:30 p.m. at the very earliest. Often, one can see families arriving at a restaurant sometime after 10 p.m. On the weekends, the meals may start even later, and last well into the late night or early morning.

During a first visit to a company it is often customary to give a gift, though it is not required. Business dress is often formal, though it will depend on the type of business and position of the individual with which one is meeting.

Personal space standards in Brazil are different than the U.S., so one should not be surprised if a local contact is standing very closely while speaking, pats one on the shoulder or even hugs. In spite of the difference in personal space, it is smartest to act more formal rather than less during an initial meeting.

Travel Advisory

U.S. Department of State travel advisory on Brazil:

- http://travel.state.gov/travel/cis_pa_tw/cis/cis_1072.html

Language

Portuguese is Brazil's official language. English is spoken among many businesspersons, though it is often a good idea to have a translator accompany you on meetings to ensure that there are no major misunderstandings.

Currency

The Brazilian currency is the Real (R$). Through 2004 and 2005, the value of the U.S. Dollar as compared to the Real fell from roughly US$3:R$I to US$2.17:R$1. Exchange rates change often, so U.S. businesses should check the currency prior to their trip to Brazil.

Health & Safety

Crime rates throughout Brazil have increased, but remain highest in the larger cities. The incidence of crime against tourists is greater in areas surrounding beaches, hotels, discotheques, bars, nightclubs, and other similar establishments that cater to visitors and is especially prevalent during Carnaval (Brazilian Mardi Gras). Occasionally, crime against tourists has been violent and has led to some deaths. While the risk is greater at dusk and during the evening hours, street crime can occur during both the day and night, and safer areas of the city 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.
Armed robberies of homes and vehicles, some violent, and street crime are becoming commonplace. "Express kidnappings," where victims are abducted and forced to withdraw money from ATMs, have become frequent. At airports, hotel lobbies, bus stations and other public places there is much pick pocketing, and the theft of carry-on luggage, briefcases, and laptop computers is common (including some reports of thefts on internal flights). Travelers should "dress down" when outside and avoid carrying valuables or wearing jewelry or expensive watches. "Good Samaritan" scams are common. If a tourist looks lost or seems to be having trouble communicating, they may be victimized by a seemingly innocent and helpful bystander. Care should be taken at and around banks and internationally connected automatic teller machines that take U.S. credit or debit cards. Very poor neighborhoods known as "favelas," often located on steep hillsides in Rio de Janeiro, are found throughout Brazil. These areas are sites of uncontrolled criminal activity, and are often not patrolled by police. U.S. citizens are advised to avoid these unsafe areas. Carjackings are on the increase in Sao Paulo and other cities.

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

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

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

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

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

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

Local Time & Business Hours

Brazil observes daylight savings from December to February. When daylight savings is in effect in the United States, i.e April to October, Brazilian time is one hour ahead. When daylight savings is in effect in Brazil, i.e November to March, Brazilian time is three 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 - 5 pm, although this is less the case for São Paulo where appointments are common throughout most of the day. Lunch is often two hours. While many Brazilians may speak English, they may wish to conduct business in Portuguese. The non-Portuguese speaking U.S.

executive may need an interpreter on more than 50 percent of 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.

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

The slower pace of business negotiations does not mean that Brazilians are less knowledgeable in terms of industrial technology or modern business practices. In fact, one should be as prepared technically when making a call on a São Paulo firm as on a Chicago firm. In addition, a US businessperson is encouraged to learn as much about the Brazilian economic and commercial environment as possible before doing business.

Telecommunications

Telecommunication 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 many people use cell phones.

Transportation

Brazil has numerous international and domestic airports. The country's size often means that U.S. businesses will have to fly during their time in Brazil, unless they stay in one metropolitan area. The country's taxi system runs very well, though U.S. citizens are recommended not to simply hale them on the street, but rather meet one at a Taxi Stand or ask the restaurant, hotel or other establishment to call one. Public transportation is available, though in major metropolitan areas it can often be unsafe.

Visa Information

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.

The Government of Brazil fingerprints/photographs all U.S. citizens arriving in Brazil. In the first six weeks of 2004, two U.S. citizens were fined (an average $15,000 each) for making obscene gestures while being photographed.

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

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

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

Resources

- For more information about doing business in Brazil, please review your Industry Sector report and contact the Industry Specialist, or email sao.paulo.office.box@mail.doc.gov.
- For more Market Research: www.export.gov/marketresearch.html
- With offices in Brasilia, São Paulo, Rio de Janeiro, Belo Horizonte & Porto Alegre, the US Commercial Service Brazil (www.buyusa.gov/brazil) helps US exporters enter Brazil's market through research, matchmaking and advocacy. To the best of our knowledge the information in this report is accurate - however readers should conduct their own due diligence before entering into business ventures.*

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Market Research

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

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

Trade Events

Please click on the link below for information on upcoming trade events throughout the world.

http://www.export.gov/tradeevents.html

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

Overview of the US Commercial Service

The Commercial Service offers comprehensive, customized solutions to your international trade challenges and provides export promotion assistance through a variety of products and services. We have over 100 offices in the US and programs in nearly 70 countries abroad.

Our mission is to:

- Promote the export of US goods and services to strengthen the US economy.
- Maintain job security and create jobs.
- Protect and advocate for US business interests abroad.
- Assist US firms in realizing their export potential by providing counseling, overseas market information, international contacts, and trade promotion vehicles.
- Support the export promotion efforts of other public and private organizations, creating, through partnership, a full-service export development infrastructure.

The Commercial Service recognizes that exporting is a critical part of ensuring a healthy future for the US economy and US jobs. To that end, we champion the interests of the US business, particularly small and medium-sized enterprises, around the world. See what Commercial Service has to offer and why you can look to us as your international business advisor, your advocate, and your partner in export success.

The Commercial Service in Brazil (CS Brazil)

CS Brazil is one of the US Commercial Service's largest organizations, with 9 US officers and over 50 Brazilian staff members, all of whom are based in Brazil and are fluent in both English and Portuguese. Many of our staff members have years of sector-specific experience with the private sector and with Brazilian government entities.

Last year we helped US companies obtain approximately 600 distinct export successes in Brazil.

Services to Help US Companies Export to Brazil

CS Brazil offers a variety of services designed to help you do more business in Brazil. Each of our offerings is listed below. For more information, please contact us at: sao.paulo.office.box@mail.doc.gov.

You can also contact one of our sector-specific team leaders through our website at www.buyusa.gov/brazil.

Customized Research Services

The US Commercial Service has published a substantial body of market research that is available free of charge to US companies. For starters, we suggest you to look at our Country Commercial Guide: http://www.focusbrazil.org.br/ccg/, which highlights what we consider to be top prospects for US exporters. In addition, the Market Intelligence section of our website www.buyusa.gov/brazil is a good start for free CS Market Research, not only for Brazil, but for over 70 countries.

What if you need more specific information?
CS Brazil knows that concise up-to-date information is the key to making intelligent marketing decisions and we have the resources to obtain the information you need. We provide customized answers to your inquiries about the Brazilian market and its receptivity to your products and services.

If you use this service you will also automatically be eligible for a free one-year online promotion on our Brazilian website. You give us a summary of what your company offers, including links to your website, and we will translate it into Portuguese and post it on our website where over 8,000 registered Brazilian companies will be able to view it.

Please contact us (sao.paulo.office.box@mail.doc.gov) for more information on any of these services.

Customized Market Research
We provide customized market research for companies with specific questions about such factors as the overall marketability of a product or service, market trends or size, customary distribution and promotion practices, market entry requirements, regulations, product standards and registration, key competitors, and potential agents, distributors, or strategic partners. You have flexibility to design your own questions.

Cost: Price is dependent on the level of detail involved, the availability of information, and the time required to process your request.
Delivery Time: Depending on scope, will normally be completed in 2-15 business days.

Video Market Briefing (VMB)
Take advantage of state-of-the-art technology! The VMB gives you live video conferencing access to customized market information, without the cost of a plane ticket or hotel bill, to help properly identify and evaluate key dynamics of the Brazilian market, and to understand the opportunities and challenges it offers. We will structure the briefing, the participants, the interpreters (if needed), and any necessary materials. You may even be able to use the video conferencing services of your nearest Export Assistant Center.

Cost: Price will be quoted to your prior to providing the service, covers the customized research, additional services is needed, and up two hours of video conferencing with our specialists.
Delivery Time: depending on scope will normally be completed in 30 business days.

Finding a Business Partner in Brazil

We will save you time and money finding pre-qualified buyers, distributors, licensees, and other business partners. Let us help you locate the most qualified Brazilian partners for your company!

If you use any of these services you will also automatically be eligible for a free one-year online promotion on our Brazilian website. You give us a summary of what your company offers, including links to your website, and we will translate it into Portuguese and post it in our website where over 8,000 registered Brazilian companies will be able to view it.

Please contact us (sao.paulo.office.box@mail.doc.gov) for more information on any of these services.

Customized Contact Lists
Using a variety of sources, including in-country databases and local expertise, we will provide a Contact List of 10 – 20 potential Brazilian agents, distributors, and importers of your product. The list will contain basic information, such as company name, address, and phone/fax numbers. In addition, it will contain such information as contact names, a company description, company size, products/services offered, foreign companies represented, year established, territory covered, and sales revenue if available.
Cost: US$ 200.
Delivery Time: 5 – 10 business days from receipt of payment.

International Partner Search
Based on parameters you provide – product data, pricing guidelines, and other information – we will conduct a pre-screened search to identify up to 5 qualified potential representatives, distributors, licensees, franchisees, or strategic partners interested in your product or service in Brazil. The preferred method for showing your products and company information to Brazilian firms is your website or electronic catalog/brochure. If a website or electronic catalog is not available, we will require 20 sets of product literature.
Cost: US$ 600.
Delivery Time: 15 business days from receipt of materials.

Gold Key Matching Service (GKS)
The GKS is perhaps the most effective service we offer. It is designed for US companies ready to travel to Brazil to meet face to face with potential business partners. We will prepare a customized schedule of appointments with pre-screened potential agents, distributors or other business contacts according to your needs. We will give you a minimum of 4 appointments per day, typically at each Brazilian company's offices. We will also arrange initial hotel reservations, driver services, and interpreters upon receipt of your credit card.
Cost: US$685 for the first day and US$400 for subsequent days.
Delivery Time: Six weeks advance notice required. If needed, we can arrange for an interpreter and a driver for an additional fee.

Video Gold Key Matching Service (VGK)
Don't have the time to travel, but still want a personal approach? Use of our VGK offers many of the advantages of the GKS, without the expense of travel. We will arrange for pre-screened potential agents, distributors, or other business contacts to come to our offices for a one-hour video meeting. The service can be tailored to your specifications but would typically include at least 3 quality meetings with pre-screened potential Brazilian firms and up to 4 hours of video interaction (including a briefing with CS Brazil staff).
Cost: Please contact us regarding current fees and the method of payment. We can provide interpretation services for an additional fee.
Delivery Time: Six weeks advance notice is required.

International Company Profile
The ICP enables US companies to evaluate potential Brazilian business partners by providing confidential background checks on their financial health and business standing in Brazil. CS Brazil will conduct due diligence on a Brazilian company through such actions as visiting the company, its suppliers, customers, neighbors, and bankers. You can request answers to a detailed set of questions or add special ones of your own to our standard list.
Cost: US$520.
Delivery Time: 10 business days.

Platinum Key Service (PKS)
The PKS is intended for US firms active in a key industry sector, involved in bidding on a major project, or seeking commercial intelligence to achieve their business goals. A senior staff member will actively monitor and seek out information and intelligence in your area of interest. You will receive up-to-the-minute privileged market intelligence, trade leads, insights, and major projects news or developments. These reports, via e-mail or through confidential periodic telephone or videoconferences with CS Brazil specialists, will discuss political, strategic, financial and competitive developments in your firm's sector or in any number of specific projects in Brazil. In short, you can now access the perfect tool to know – or double check – what your foreign competitors, colleagues, customers, private and government clients are doing and how it affects your competitive position. The PKS may include bundled GKS services and customized market research.
Cost: Price varies deeding on scope of work and timeframe.
Delivery Time: Varies depending on timeframe agreed upon prior to initiating the service (typically six months – one year renewable).

Trade Events

Participating in trade events is an excellent way to explore opportunities in the Brazilian market. Get high-profile exposure for your products and services by taking advantage of the many trade event options the US Commercial Service in Brazil (CS Brazil) offers you.

Please contact us (sao.paulo.office.box@mail.doc.gov) for more information on any of these services. You can also contact one of our sector-specific team leaders at: www.buyusa.gov/brazil.

Trade Fairs in Brazil
We sponsor US pavilions in selected Brazilian trade shows and provide counseling and other support to US exhibitors. One-on-one matching at the show with potential buyers arranged by our team of market and industry specialists can help you generate sales and long-term business relationships at these high-volume local shows.

Trade Mission Support
We provide detailed marketing information, advance planning, meeting arrangements, and publicity for US Department of Commerce matchmaker events, trade missions, seminar missions, and industry or state-organized trade missions.

You can find out about upcoming trade events in a variety of ways. First, you can check out the exhaustive list of US and Brazilian trade events on our **Upcoming Trade Events** page at www.buyusa.gov/brazil. Second, you can view a broader global set of trade events at our export.gov website for trade events: http://export.gov/comm_svc/tradeevents.html. Third, you can contact your local Export Assistance Center (http://www.export.gov/comm_svc/eac.html) to inquire about forthcoming events. Please call 1-800-USA –TRADE of check the web site above to locate the office nearest you.

Catalog Shows
The US Commercial Service's International Catalog Exhibitors Program offers a convenient, affordable way to stimulate sales leads and find representation around the world, without leaving your office. These catalog show events showcase your company's product literature, videos, and other visuals in fast-growing export markets for US goods and services.

Showcase your product or service literature in this important emerging market. You don't even have to leave the US! Let us do the legwork and send you the leads.

To learn more about this service, please go to the Catalog Exhibition Program website at the following address: (http://export.gov/comm_svc/catalog_program.html).

International Buyer Program
This joint government-industry effort is designed to increase US export sales by promoting international attendance at major US industry exhibitors. CS Brazil regularly organizes delegations of Brazilian buyers to these selected international shows in the US. Take advantage of this opportunity to meet with Brazilian buyers at these Department of Commerce sponsored events.

Please check the International Buyer Program website (http://www.export.gov/comm_svc/intl_buyer_program.html) for a list of forthcoming events. If you would like to exhibit at these shows, please contact the organizer. You can also contact one of our industry sector experts directly or simply contact us.

Business Facilitation and Advocacy

Single Company Promotions

Want to get the attention of the major Brazilian players in your industry? We can help you or your local representative organize a product launch, technical seminar, cocktail reception or other similar event in Brazil. We may also be able to help obtain competitive rates at hotels or other venues. This service is tailored to your specific needs. Price varies based on venue and services requested.

Featured U.S. Exporters (FUSE)

Promote your products and services to thousands of Brazilian buyers, distributors and representatives by listing your company profile on the local website of the U.S. Commercial Service. Your company profile will be posted online in the local language and will remain on the site for six months. Material will be reviewed by one of our International Trade Specialists previous to publication on the site. The U.S. Commercial Service can help you translate your product description into the local language. In addition, your profile is marketed through our Network USA email system to over 3.5 million Brazilian entrepreneurs interested in doing business with U.S. companies. This online listing is an effective and inexpensive way to gain additional exposure in the Brazilian Market.

Cost: $ 200 for six months period. However, if your company is paying for any other service with our office such as a Gold Key or International Partner Search, you can benefit from this service for free.

Consulting and Advocacy

The US Commercial Service in Brazil can help you through our advocacy support. We can help you resolve your investment and trade disputes with Brazilian firms, overcome trade barriers, bureaucratic problems, or unfair trade practices, enabling you settle your differences through friendly negotiations and making sure that your company has the best possible chance to sell its US products and services in Brazil.

If you are bidding on an international tender and would like assistance, please go to our Advocacy Assistance Website (http://www.export.gov/advocacyassistance.html). The US Commercial Service's mission is not only to increase US exports, but to defend US business interests overseas. If you are experiencing problems with Brazilian business partners, please contact us (sao.paulo.office.box@mail.doc.gov) for more information on this service. You can also contact one of our sector-specific team leaders at www.buyusa.gov/brazil. You will receive a reply to your request for information within two business days. *