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Doing Business in Brazil

Marvet Overview

Brazil represents an excellent market for experienced U.S. exporters across various sectors. In addition to the domestic appetite for U.S. products and high opinion regarding their quality and value, there have been several significant national successes in the past two years:

- Open Skies: In May 2018, the U.S. and Brazil finalized the Open Skies agreement which expands opportunities for future air travel and commerce between the U.S. and Brazil.
- ATA Carnet: Brazil became the third country in Latin America to adopt the ATA Carnet which allows the free temporary entry of U.S. goods.
- Visa Requirement Waiver: Beginning June 17, 2019 U.S. citizens, with a valid passport, may travel to Brazil without a visa for tourism purposes. This also covers travelers' transiting through Brazil. Visitors will be granted up to 90 days to stay, which can be extended once for the same period as long as it does not exceed 180 days within a 12-month period counted from the date of first entry.
- PPH: The U.S.-Brazil Patent Prosecution Highway (PPH) agreement which accelerates the examination process for corresponding patent applications filed in participating offices has been extended to April 2020.

Brazil is the largest country in South America. Following the United States, it is the second largest economy in the Western Hemisphere, and the eighth fastest-growing source of Foreign Direct Investment (FDI) in the United States in 2017, according to SelectUSA, the USG's investment promotion program. U.S. FDI in Brazil (stock) was $68.3 billion in 2017, a 2.8 percent increase from 2016. U.S. direct investment in Brazil is led by manufacturing, finance and insurance, and mining. According to the United Nations Council on Trade and Development World Investment Report 2018, global FDI destined to South America increased by 10 percent as recessions in the two leading South American economies, Argentina and Brazil, ended. Specifically, FDI in Brazil increased by 8 percent to $63 billion supported by a significant influx in the energy sector.

In 2018, Brazil was the United States' ninth largest export market, and our second-largest trading partner. Last year, the United States exported $66.2 billion in goods and services to Brazil – up 4.2 percent from 2017, and imported $36.1 billion in goods and services from Brazil – up 3.1 percent from 2017. The primary products traded include crude oil, aircraft, iron and steel, and machinery. Brazil was our 13th largest goods trading partner with $70.7 billion in total (two-way) trade in goods during 2018. As a result, the U.S. trade surplus with Brazil increased over 7 percent to $30.1 billion. In 2018, U.S. exports to Brazil accounted for 2.6 percent of our global exports, and imports from Brazil accounted for 1.2 percent of global imports. Industrial supplies and materials dominated, accounting for 29.3 percent of U.S. exports to Brazil, and imports were led by industrial supplies and materials, which accounted for 45.4 percent of U.S. imports from Brazil. In 2017, The direct investment position from Brazil in the United States was - $2.0 billion. (Source: U.S. Department of Commerce Bureau of Economic Analysis).

On January 1, 2019 Brazil inaugurated a new President Jair Bolsonaro who declared that Brazil wanted the U.S. to be Brazil's number one trading partner – opening the potential for a stronger trade relationship with Brazil.

Market Challenges

Doing business in Brazil requires intimate knowledge of the local environment, including the direct and indirect costs of doing business in Brazil (informally referred to as "Custo Brasil"). The World Bank's Doing Business 2019 report ranks Brazil 109 out of 190 countries in terms of ease of doing business, up from number 125 in 2018. The "Custo Brasil" includes increased charges due to:

- Distribution costs, government bureacracy, employee benefits, complex labor code, environmental laws, intellectual property laws, and a complex tax structure.
- High logistics costs given the lack of sufficient infrastructure. (Note: according to the World Economic Forum's Global Competitiveness Index 2017-18 edition, Brazil ranks 73 out of 137 countries in the level of infrastructure development. See page 40 for opportunities in Brazil's Infrastructure sector)
- High tariffs, a complex legal system and customs procedures present additional challenges in some sectors. * The US Commercial Service in Brazil (aka CS Brazil) can help U.S. companies determine sales potential and the imported cost of their goods.

The Government of Brazil (GOB) is the nation's largest buyer of goods and services. Navigating the government procurement process, however, may prove challenging. Brazil is not a member of the World Trade Organization's (WTO) Government Procurement Agreement (GPA), and offers "margins of preference" to domestic firms bidding on government contracts. As such, U.S. exporters may find themselves at a competitive disadvantage if they do not have a significant in-country presence, whether via established partnerships with Brazilian entities or some type of Brazilian subsidiary along with the endurance and financial resources to respond to legal challenges and bureaucratic issues. CS Brazil can help U.S. companies to find trusted local partners through our matchmaking and due diligence services.

Since 2014, the criminal investigation, "Operation Carwash" (Lava Jato), has uncovered a complex web of public sector corruption, contract fraud, money laundering and tax evasion stemming from systematic overcharging for government contracts. The ongoing investigation has led to the arrests of many executives, including executives from Brazil's largest construction companies, money launderers, current and former politicians, and political party operatives. A growing compliance industry has also sprung up among Brazilian legal and accounting firms, as an increasing number of local companies take steps to become FCPA compliant.

Brazil has laws, regulations, and penalties to combat corruption, and the government is working to improve their effectiveness. Bribery is illegal and a bribe by a company to a foreign official can result in criminal penalties for individuals and administrative penalties, including fines and potential disqualification from government contracts, for companies.

Market Opportunities

The Commercial Service Brazil (CS Brazil) has prioritized six sectors with high export potential: energy, infrastructure, health, defense and aviation, as well as IT; and four for services: education, tourism, franchising and fintech. Across five offices, our specialists help U.S. companies identify public and private sector opportunities in these industries and others throughout Brazil. Additional information regarding specific market opportunities available to U.S. companies in the priority sectors listed above can be found in the Leading Sectors of the U.S. Exports and Investment chapters. U.S. companies are encouraged to consult the CS Brazil website for the full list of industry sector specialists and contact details.

Market Entry Strategy

For long-term market success, frequent visits to Brazil to establish a local presence (either in-person, or via an agent/distributor) are critical. CS Brazil has offices located in Belo Horizonte, Brasilia, Rio de Janeiro, São Paulo and Recife to provide U.S. exporters information and assistance. A directory of subject matter experts is also available. Consider joining a U.S. trade mission to Brazil or participate in a Brazilian trade show consultation with the United States Commercial Service (USCS) to explore the market. There are also 108 domestic offices available to assist in understanding the market.

Political Environment

For background information on the political and economic environment of Brazil , please click on the following U.S. Department of State link: https://www.state.gov/countries-areas/brazil/.

Selling US Products & Services

Using an Agent to Sell US Products and Services

Although some companies import directly from foreign manufacturers without local representation, in most cases the presence of a local agent, representative or distributor is essential. Companies trading with the Government of Brazil (GOB) are legally required to use a local representative. As in other countries, the selection of an agent requires careful consideration. Brazil is a large country, slightly larger than the contigiuous United States, and has many regional economic disparities, varying states of infrastructure, complex inter-state trade and taxation rules, and a host of other challenges. It is often difficult to find one distributor who can provide complete national coverage. CS Brazil offers a variety of services to help U.S. exporters find reliable local agents, representatives and distributors. For more information, please explore "Business Matchmaking" on our export.gov/brazil website.

We strongly recommend that U.S. exporters or their representatives consult with a Brazilian legal representative before signing any agreement with a local partner. This will help U.S. companies to abide by Brazilian laws, to limit liabilities, protect trademarks, ensure payments and define warranty terms. Clauses related to exclusivity, promotional obligations, service and support duties, localization and performance targets, among others, may be included within the agreement.

Establishing an Office

Investment options in Brazil include setting up a company or acquiring an existing entity in country. Based on the World Bank Doing Business Project's measurements, starting a business in 2017 will take 79 days, down from 120 days in 2012.

Setting up a new company is increasingly easier, partly because the Brazilian government implemented an online portal for business licenses. The time required to open a company correlates to the type of business as well as the targeted city selected by a company. For example, a SIMPLES (simple) category refers to a company that does not require environmental and other licenses. A SIMPLES company can be opened in approximately 40 days or within five days in the city of Sao Paulo, if the company does not require any additional licenses.

The Central Bank of Brazil closely monitors acquisitions of existing companies. Corporations (sociedades anônimas) and limited liability companies (limitadas) are relatively easy to establish. Brazilian law requires that foreign capital be registered with the Central Bank. Failure to comply may cause serious foreign exchange losses, as well as problems with capital repatriation or profit remittance. More information for potential investors can be found on the website for Brazil's Ministry of External Relations.

Web Resources

Agência Brasileira de Desenvolvimento Industrial (ABDI)
Agência Brasileira de Promoção de Exportações e Investimentos (Apex-Brasil)
Brasil Global Net

Portal Brasileiro de Comércio Exterior

Formerly Ministry of Industry, Foreign Trade and Services (MDIC). Today, MDIC is part of the Brazilian Ministry of Economy

Brazilian Investment Information Network (Renai)

Trade and Investment Guide – Brazil Export

American Chamber of Commerce (AmCham) in Brazil

Franchising

The Brazilian franchise sector is among the world's largest and most sophisticated markets. The sector has consistently grown faster than Brazil's economy overall, especially during the recent period of recession and stagnation, to become one of the economy's main growth engines. U.S. franchisors, however, often encounter strong competition from Brazilian franchisors offering a variety of product and service solutions.

The main challenge in Brazil is to identify a potential investor who has the ability and desire to scale the franchise quickly as a master franchisor. Local investors are generally interested in opening only one or two stores or restaurants per year. Finding suitable master franchisees in Brazil can be very challenging for U.S. franchise companies. One strategy is to develop relationships with Brazilian franchisors and master franchisees of non-competing yet complementary concepts.

In general, Brazilian investors make decisions based on well-structured business plans and the expectation of financial return. It is misleading to think that emotional factors will heavily influence a decision in favor of a certain brand or business concept. It is important for U.S. franchisors understand this and approach the market only after having done the necessary homework, and having estimated the true potential of the brand for Brazil.

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

For further discussion of the franchising sector, see the Leading Sectors chapter below.

Direct Marketing

According to Acton International, a U.S.-based international direct marketing services provider, the Brazilian consumer receives an estimated 9.3 pieces of direct mail every month. Its research has shown that 74 percent of Brazilian consumers prefer receiving direct mail.

Brazil continues to lead Latin America in direct marketing activities due to its large consumer base and growing economy. The Brazilian Association of Direct Marketing is a self-regulated, non-profit entity representing the direct marketing sector. Its website provides important information regarding codes of conduct, legislation compliance and direct marketing service providers.

Joint Ventures/Licensing

Joint ventures are common in Brazil, particularly as an option for foreign firms to compete for government contracts or in heavily regulated industries, such as telecommunications and energy. Usually, joint ventures are established through sociedades anônimas or limitadas, which are similar to corporations and limited partnerships, respectively. Licensing agreements are also common in Brazil.

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

Selling to the Government

According to the GOB procurement law (8,666), price is the overriding factor in selecting suppliers and the GOB may not make a distinction between domestic and foreign-owned companies during the tendering process. When two equally qualified vendors are considered, the law's implementing regulations provide a preference to Brazilian goods and services.

In most cases, to sell to the GOB, one must have a local presence or partner to participate in the bidding process. Just as in other countries, the selection of an agent requires careful consideration. Brazil permits foreign companies with established legal entities in Brazil to compete for procurement financed by multilateral development bank loans.

In several cases, those wanting to sell goods or services to the government of Brazil (GOB) should be registered and approved as official suppliers. Some exceptions and different rules may apply based on the specific characteristics of a given industry. Sector-specific information can be found within the industry chapters that follow.

Brazil is not a member to the WTO GPA 1994, which prescribes a common framework for government procurement, nor is it a party to a free trade agreement with the United States. As such, in public procurements, Brazil offers "margins of preference" whereby companies offering domestically produced goods are awarded contracts even if the cost of their goods are higher than those offered by producers of goods made outside Brazil. "Margins of preference" vary by product and cannot exceed 25 percent; therefore, it is very important for U.S. businesses to understand the specific details and procedures of Brazilian legislation when bidding on public tenders in Brazil.

Law 8,666/93 alsoestablishes the general rules for public tenders and administrative contracts regarding public works, services, purchases and leases. There are five types of bidding procedures under the law: competitive bidding, request for quotation, invitation to bid, contest bidding and auction.

Foreign companies that do not operate in Brazil must, as much as possible, fulfill 8,666 requirements by submitting equivalent documents certified by the Brazilian Consulates in the U.S. and translated by certified public translators. Additionally, foreign companies must have a legal representative in Brazil with power of attorney to respond administratively and judicially.

Winning bids in Brazil are chosen based on one of the three principles: lowest price, best technology or a combination of both. The determining principle(s) will be established in advance of the bid. In the case of a tie between bidders in identical conditions, preference will be given, successively to goods and services that are produced or rendered by businesses incorporated in Brazil; produced in Brazil; or produced or provided by companies that invest in research and technology development in Brazil.

Including Brazilian goods and services in your company's bid, or subcontracting with a Brazilian firm, may improve your company's chance for success. Similarly, a financing proposal for the project that includes credit for the purchase of local goods and services will be more attractive. Where appropriate, bids should include presentations on financing, engineering, equipment capabilities, training and after-sale service that will originate and be carried out within Brazil.

According to the Brazilian Constitution of 1988, the federal government has exclusive power to legislate and establish general rules for all types of public tenders and contracts carried out by government agencies, federal bodies, states, federal districts, public enterprises and corporations, and municipalities. The most important public procurement statutes today in Brazil are:

- Law 8,666/93: Set general bidding rules for procedures and government contracts.
- Law 8,987/95: Cover rules that delegate the provision of public services to private sector companies through permissions and concessions (Concessions Law).
- Law 9,478/97: Determine that goods and services acquisition contracts by the government-controlled petroleum company, Petrobras, must be processed using a simplified tender process for which only prequalified vendors are eligible. Law 9,478/97 is regulated by Decree 2,745/98.
- Law 10,176/01: Outline computers and automation purchase rules for either the form of goods or services, computer software, specific digital electronic equipment or telecommunications equipment.
- Law 10,520/02: Establishe rules on reverse auctions where government contracts are offered online to the lowest bidder (Pregão Law).
- Law 11,079/03: Govern rules for Public Private Partnerships (PPP) law.
- Law 12,349/10: Establish the "Margins of Preference" guidelines. A product decree is released for each granted by the government as a "margin of preference". Each decree has an expiration date.
- Law 12,598/12: Set special public procurement rules for defense products.

Many governments finance public works projects through borrowing from Multilateral Development Banks. Please refer to Project Financing section in the Trade and Project Financing chapter for more information.

Distribution & Sales Channels

Among others, Brazil has the following import channels: 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, in part because of high import and storage costs. Recently, industries that rely heavily on imported components and parts are maintaining larger inventories in bonded warehouses.

Express Delivery

U.S. express delivery service companies face significant challenges in the Brazilian market due to numerous barriers, including high import taxes, an automated express delivery clearance system that is not yet fully functional, and a lack of a de minimis exemption from tariffs for express delivery shipments. Brazil's $50 de minimis exemption applies only to postal service shipments to individuals.

The Brazilian government charges a flat 60 percent duty for all goods imported through the Simplified Customs Clearance process used for express delivery shipments. This flat rate is higher than duties normally levied on goods arriving through regular mail, putting express delivery companies at a competitive disadvantage. The Simplified Customs Clearance process is applicable only to shipments having no commercial purpose; business-to-business and business-to-consumer shipments are not eligible for express clearance. Moreover, Brazilian Customs has established maximum value limits of $5,000 for exports and $3,000 for imports sent using express services. Express delivery companies may transport shipments of higher value, but such shipments are subject to a formal import and declaration process.

DHL, FedEx and UPS are the major U.S. companies in the market that ship documents, packages and freight shipments to Brazil. Other prominent vendors in the market include Atlas Transportes, Brasspress, Brazil Express Delivery Service, Direclog, Jadlog, Jamef, SF Express, TNT Express and Total Express. Average delivery time from large U.S. cities is two to five days, depending on the frequency of international flights.

Selling Factors & Techniques

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

eCommerce

The 2018 yearly average conversion rate was US$1 to (R)$3.6 Brazilian Reais (Hey-EYES). According to the 2019 eEbit Webshoppers report, eCommerce in Brazil grew by 12 percent in 2018 compared to 2017, closing the year with revenues of $15 billion. This is the first time the industry registered double-digit growth since 2015. Brazil shows signs of overcoming its 2014-2016 economic downturn with positive projected growth for eCommerce at 15 percent. Ecommerce is expected to generate $16.8 billion (R$61.2 billion) in 2019. In Brazil, 58 million consumers made at least one virtual purchase in 2018, representing 27 percent of the country's population and an increase of 6 percent compared to 2017 - making eCommerce a viable sales channel worth exploring.

In Brazil, the average eCommerce purchase (average cart price) for 2018 was $119 (R$434), 1 percent higher than the previous year. This number is projected to reach $122 (R$447) in 2019. There were 123 million online purchases in 2018, an increase of 11 percent over the previous year. It is estimated that the number of purchases will increase 12 percent in 2019, resulting in 137 million online purchases.

E-commerce sales in Brazil represent 3 percent of retail sales according to the Brazilian Consumer and Retail Association. This number does not reflect the actual relevance of online sales channels in the consumer's purchasing process – a recent study conducted by PwC found that that 53 percent of Brazilians use their smartphones to research products, 45 percent compare prices in different vendors using their mobile devices, and 32 percent use online payments to purchase goods.

Despite continued growth, the eCommerce market in Brazil can be difficult for U.S. companies to navigate due to challenges involving customs, taxes, shipping and payments for cross-border sales, in addition to the application of local consumer laws to any purchase completed in Brazilian territory. The Brazilian eCommerce Association and Brazilian eCommerce Chamber are also resources.

Cross-Border eCommerce

More than 23 million Brazilians purchased goods on a foreign website in 2018, a growth of 3 percent compared to the previous year, totaling 69.4 million purchases and generating $2.1 billion. The average cart price of these purchases was $30.48 mainly due to Brazil's de minimis exemption value of $50 – applied only to postal service shipments to individuals.

U.S. B2C firms targeting Brazilian consumers online should proceed with caution. Brazil is a price sensitive market with high import taxes. Direct sales from foreign countries, including the United States, are subject to customs and duties regulations. Although Brazil has made substantial progress reducing traditional border trade barriers (tariffs, import licensing, etc.), rates in many areas remain high and favor locally-produced products.

Brazil is on the U.S. Trade Representative (USTR) Special 301 Watch List. This designation reflects the agency's concerns with respect to high levels of counterfeiting and piracy in Brazil, including internet piracy and online sales of counterfeit goods. It is important to be aware of this when buying or selling content online.

Businesses that locate online content infringing on their rights can contact the Internet Service Providers (ISPs) hosting said content to attempt to resolve their concerns. Businesses can also contact Brazilian enforcement authorities to explore potential criminal action. With respect to potential civil actions, businesses should be generally aware that ISPs will not be found civilly liable for damages resulting from content generated by third parties. Therefore, companies should be aware that their civil actions against an ISP, based on online sales of counterfeit goods, may not be successful. On the other hand, ISPs that host content infringing on copyrights or neighboring rights may be found civilly liable if the ISP does not remove content in a timely matter after notice has been given by the rights holder. The legislation in this area is still developing in Brazil, so companies may wish to consult local counsel if they have concerns.

Businesses seeking to market in Brazil also may wish to consider registering their trademark(s) as domain name(s) ending in ".br," the country-code top-level domain (TLD) for Brazil. Registering trademarks as domain names in country-code TLDs may be helpful in establishing a local market presence. Defensively registering trademarks as domain names also helps guard against cybersquatters i.e., bad actors who register others' trademarks as domain names in bad faith. Domain names typically can be registered for future use, thus preserving the company's options for expansion. The .br TLD, unlike some country code TLDs, has an administrative dispute resolution policy for addressing cybersquatting. Court litigation also remains an option for instances of cybersquatting. For more information on e-commerce IPR, please visit the World Intellectual Property Organization website.

Online Payment

Brazilians often pay in installments for high-value eCommerce purchases, while preferring to pay in one payment for low-value purchases. In 2018, more than half (54.2 percent) of e-commerce sales were made in one payment, the remaining 45.8 percent were made in installments. In the same year, 19 percent of purchases were made in two to three installments and 26.8 percent were made in four to 12 installments.

Security continues to be a concern particularly regarding online fraud. Most Brazilians do not carry international credit cards, so international transactions can be challenging for both residents and visitors. While visitors have relatively few problems using credit cards at hotels and tourist venues, the same is not true for online purchases. Those wishing to pay for services such as food delivery or movie tickets online often encounter barriers, as many Brazilian websites do not accommodate international credit cards. The most commonly accepted cards in Brazil are Visa and MasterCard with chip and PIN technologies adopted to avoid misuse of physical cards.

Major Buying Holidays

Brazil has five holidays where retail sales increase: Christmas, Mother's Day (the second Sunday in May), Valentine's Day (June 12), Father's Day (the second Sunday in August) and Easter. There are also five other major retail events: Carnival, Children's Day (October 12), Consumer's Day, Black Friday and Cyber Monday (in line with the U.S.).

Trade Promotion & Advertising

There are three main ways for U.S. companies to advertise in Brazil: through a U.S. public relations firm with an office in Brazil, a local PR company in Brazil, or direct contact with a local newspaper or magazine - some of which have a dedicated international department. With its well established and diversified industrial sector, Brazil has a variety of specialized publications that can provide excellent advertising outlets that target a multitude of trade and consumer audiences. TV advertising can be an especially important marketing channel for Brazil's growing consumer base. The top advertising categories by expenditure are trade and commerce, consumer services, culture, leisure, sports and tourism, media and public and social services.

The most popular magazine in Brazil, with a circulation of over one million copies, is the weekly *Veja*, published by the Abril Publishing Company. Like many places, daily newspaper circulation is declining, but tabloids still lead the pack:

Maganizes and Newspapers in Brazil			
Newspaper	**State**	**Daily circulation**	**Format**
Super Noticia	Minas Gerais	156,572	Tabloid
O Globo	Rio de Janeiro	130,417	Broadsheet
Folha de Sao Paulo	Sao Paulo	121,007	Broadsheet
O Estado de Sao Paulo	Sao Paulo	114,527	Broadsheet
Zero Hora	Rio Grande do Sul	100,979	Tabloid
Valor Economico	Sao Paulo	29,382	Broadsheet
Correio Braziliense	Distrito Federal	26,493	Tabloid
Estado de Minas	Minas Gerais	26,366	Tabloid

Digital Press in Brazil		
Digital Press	**State**	**Digital circulation**
Folha de Sao Paulo	Sao Paulo	164,327
O Globo	Rio de Janeiro	112,987
O Estado de Sao Paulo	Sao Paulo	88,745

Zero Hora	Rio Grande do Sul	80,150
Super Noticia	Minas Gerais	48,143
Valor Economico	Sao Paulo	28,985
Estado de Minas	Minas Gerais	25,356
Correio Braziliense	Distrito Federal	18,427

Trade fairs are another important marketing tool. The city of São Paulo hosts around 300 trade fairs per year. Other principal cities host significant shows as well, e.g. Rio for the oil and gas industry and Belo Horizonte for mining. These events attract many visitors and exhibitors from Brazil and foreign countries. Specialists from the CS Brazil participate in many of these events, and can help you arrange meetings with potential agents, distributors, lawyers and customers at these trade shows.

Pricing

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

Sales Service/Customer Support

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

Protecting Intellectual Property

Brazil has been on the USTR Special 301 Watch List since 2007 and the annual Special 301 report includes comments on Brazil. This designation reflects significant concerns with respect to high levels of counterfeiting and piracy in Brazil, including internet piracy, as well as concerns regarding the long delays in the examination of patents. Currently, the reported average pendency is approximately 10 years.

A wealth of information on protecting IP is freely available to U.S. rights holders. Below is a list of several reliable resources for companies regarding intellectual property:

- Information about patent, trademark, or copyright issues, including enforcement issues in the United States and other countries.
- Brazil-specific resources
- For more information about registering trademarks and obtaining patents in the United States as well as in foreign countries, contact the U.S. Patent and Trademark Office (USPTO) at 800-786-9199.
- Registering for copyright protection in the United States

- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits, visit the STOPfakes website. The toolkits contain detailed information on protecting and enforcing IP in specific markets and contain contact information for local IPR offices abroad and U.S. Government (USG) officials available to assist small and medium sized enterprises (SMEs).

In any foreign market companies should consider several general principles for effective protection of their intellectual property. For background, link to our article on Protecting IP and Stopfakes.gov for more resources.

CS Brazil also has an IP Attaché based in Rio:

Laura Hammel

IP Attaché

U.S. Consulate General, Rio de Janeiro

Telephone: +55 (21) 3823-2497

USPTOBrazil@trade.gov

Due Diligence

It is always advisable to conduct due diligence on potential partners before signing a contract. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. As stated in the previous section, a good partner is an important ally in protecting IP rights, but permitting your partner to register your IP rights on your behalf generally is not advisable. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end.

Closely monitor your cost structure and reduce the opportunities for potential bad actors. Projects and sales in Brazil require constant attention. Work with legal counsel familiar with Brazilian laws to create a solid contract that includes non-compete clauses and confidentiality/non-disclosure provisions.

CS Brazil can provide U.S. companies with lists of well regarded credit rating companies and law firms that can conduct credit checks on potential customers or provide important legal advice. Additionally, the CS Brazil team can offer U.S. companies detailed background information on potential partners, and conduct on site due diligence before a contract is signed through our International Company Profile service. For information, please visit Export.gov/Brazil website.

Local Professional Services

U.S. companies in search of local, technical support services will find a diverse array of options in the Brazilian market such as: accounting, tax management, legal, advertising, freight, port terminals and business process outsourcing. CS Brazil maintains a database of local professional service providers to support the needs of U.S. companies interested in doing business in Brazil. The list, preliminarily vetted by our team, includes: accounting and auditing; business administration services, consulting and development, customs brokerage, market research, marketing, public relations and sales, transportation, freight forwarder, storage services as well as vetting and due diligence.

Principal Business Associations

The AmCham Brazil was founded in 1919, and is now the largest of the 104 American Chambers in the world. The organization has attracted virtually all the American companies with operations in Brazil as well as multinationals from over 40 countries, along with a large number of large Brazilian companies. The main objective of AmCham Brazil is to support the free enterprise system for a better business environment, and to strengthen the Brazil-U.S. economic and commercial relationship. AmCham Brazil has approximately five thousand-member companies connected by its São Paulo headquarters with branches in 13 Brazilian cities: Campinas, Ribeirão Preto, Porto Alegre, Curitiba, Joinville, Belo Horizonte, Uberlândia, Brasília, Goiânia, Campo Grande, Recife, Salvador and Fortaleza.

The U.S. section of the Brazil-U.S. Business Council (BUSBC) represents the major U.S. companies invested in Brazil and operates under the administrative aegis of the U.S. Chamber of Commerce, maintaining independent policy formulation and membership through offices in Washington, DC. The Brazil section is managed by the National Confederation of Industry (CNI) composed of the 27 Brazilian state-level federations of industry. The BUSBC also maintains an office in Brazil's capital city, Brasilia.

Apex-Brasil works to promote Brazilian products and services abroad and to attract foreign direct investment to strategic sectors of the Brazilian economy. CS Brazil partners with Apex to promote Brazilian FDI into the United States through our SelectUSA program.

Federação das Indústrias do Estado de São Paulo (FIESP) is a Brazilian industry entity. FIESP is also affiliated with the CNI. FIESP has 52 representatives in the State of Sao Paulo comprised of 133 employer trade unions and 130,000 industries.

Industry Federation of the State of Rio de Janeiro (FIRJAN) is a network of private NGOs with over 10,00 associates, who promote business competitiveness, education, quality of life for industrial employees and society as a whole in the state of Rio de Janeiro.

Limitations on Selling US Products and Services

Some Brazilian companies can import directly from foreign manufacturers without local representation, however, a local agent or distributor is necessary more often than not. For public tenders, companies with direct GOB business are legally required to use a local representative selected after careful consideration. As Brazil is larger than the continental United States, it is important to consider geographic capabilities and to not grant national exclusivity prior to conducting due diligence and capacity verification.

The CS Brazil advises exporters and representatives to consult with a Brazilian legal representative before drafting or signing agreements to comply with Brazilian laws so as to limit liabilities, protect trademarks, and define payment and warranty terms. Clauses related to promotional obligations, service and support duties, localization and performance targets, among others, may be included within private commercial agreements and should be reviewed by counsel before signing.

Note: CS Brazil is on hand to help companies resolve commercial disputes before cases go to court. If you are experiencing any problems with your local partner, please contact us sooner rather than later. Once a case goes to court, we are unable to intervene on a U.S. company's behalf.

Web Resources

Biotechnology Innovation Organization

Brazil Export Control Information

Brazilian Tax Authority (Receita Federal)

National Institute of Metrology, Standardization and Industrial Quality (INMETRO)

National Council of Metrology, Standardization and Industrial Quality (CONMETRO)

National System of Metrology, Standardization and Industrial Quality (SINMETRO)

Prohibited and Restricted FedEx items with Customs and Standards Data

The Brazilian Franchise Association

The United States Census Bureau

Leading Sectors for US Exports & Investments

Agriculture

Agricultural Products: Information on best prospects in Brazil for agricultural products, food, and beverages (including alcoholic beverages) can be found in the searchable U.S. Department of Agriculture Global Agricultural Information Network reports.

The main point of contact in Brazil for U.S. food and beverage exporters is the Agricultural Trade Office (ATO), located in São Paulo. For any questions, please contact:

USDA/FAS/ATO

Rua Thomas Deloney, 381
04709-041 São Paulo, SP Brazil
Phone: +55-11-3250-5400
Fax: +55-11-3250-5499
atosaopaulo@fas.usda.gov

Aviation, Defense, Safety and Security

Aviation

There are three major segments that U.S. suppliers in this industry should focus on: original equipment manufacturers (OEMs), general aviation, and repair & maintenance markets. A fourth niche, still small but growing rapidly, is the unmanned aerial vehicle (UAV) market.

The Brazilian aerospace industry is the largest and the most important in the Southern Hemisphere. Brazil has been one of the top 10 export destinations for U.S. aerospace products over many years. In 2018, U.S. exports of aerospace products to Brazil reached $6.5 billion, an increase of 14.2 percent compared to 2017. U.S. imports of aerospace products from Brazil in 2018 dropped 20 percent compared to the previous year of $2.2 billion - a trade surplus to the United States of $4.2 billion.

Opportunities

OEMs

Embraer is a global company headquartered in Brazil with businesses in commercial and executive aviation, as well as defense and security markets. Founded in 1969, the company became a leading manufacturer of commercial jets with up to 150 seats. In July 2018, Boeing and Embraer signed a Memorandum of Understanding to establish a strategic partnership. Both companies approved the terms of partnership in December 2018, under which a joint venture will be established covering the commercial aircraft and services operations of Embraer. Boeing will hold an 80 percent ownership stake in the new company and Embraer will hold the remaining 20 percent. The two companies also agreed to a joint venture to promote and develop new markets for the multi-mission medium airlift KC-390 manufactured by Embraer. Under the terms of this proposed partnership, Embraer will own a 51 percent stake in the joint venture, with Boeing owning the remaining 49 percent. Embraer and Boeing expect that the deal will obtain final regulatory approval by the end of 2019.

Embraer imports approximately 56 percent of its components from North America, mostly from the United States. Embraer always welcomes the registration of new and qualified companies in its Supplier's Portal. Embraer's selection criteria takes into consideration: technical solutions, product quality, commercial and aftermarket support, supplier's performance, expertise and financial health, and manufacturing capability. It requires certifications e.g. AS9100, EN9100, JISQ9100 and NBR15100. Depending on the type of the product, additional certifications may be required.

The other major OEM is Helibras, the Brazilian subsidiary of Airbus helicopters. Annually, approximately 36 helicopters are produced in its Brazilian plant, serving the military and civil markets. Companies interested in supplying parts or technology to Helibras should send an e-mail to their procurement office.

General Aviation

Brazil has one of the largest general aviation fleets in the world. As of January 2019, the general aviation fleet was composed of 11,231 conventional aircraft, 2,087 helicopters, 1,382 turboprops, 771 jets and 41 amphibious aircraft. Cessna, Neiva, Piper, Embraer and Beechcraft together represent 50 percent of the existing fleet. According to a Brazilian General Aviation Association study, the southeast region concentrates 40 percent of the fleet, but in 2018 the south and the midwest regions registered the highest growth rate of 5.99 percent and 4.17 percent, respectively. The market has been stagnant over the last three to four years, but experts in the sector view signs of slight recovery over the last few months.

Repair & Maintenance

According to the Brazilian National Civil Aviation Agency (ANAC), the Brazilian fleet consists of 22,219 aircraft composed of 640 commercial aircraft, 15,914 general/business aircraft, and 5,665 experimental aircraft. Due to the political and economic disruptions going on in the country, demand for new aircraft has slowed down over the last couple of years, but the demand for replacement parts will likely continue growing over the next few years.

The market for aircraft repair and maintenance is estimated at $730 million and has annually expanded 5-6 percent. The relatively strong market for repair and maintenance is driven by more than 40 percent of the general aviation fleet being composed of one or two-engine piston-powered aircraft with more than 30 years of use. The average age of the general aviation fleet is currently 30 years, while the commercial aviation fleet has an average age of six years. To provide repair and maintenance services in Brazil, the company needs a Maintenance Organization Certificate (COM) issued by the ANAC. There are 507 maintenance bases currently in Brazil with a valid COM.

UAVs

While there is no official data on the size of the umanned aerial vehcile market in Brazil, it is estimated to be approximately $80 million. Following a worldwide trend, the market should grow rapidly over the next few years, mainly in the agricultural and inspection segments. In May 2017, the ANAC approved the special regulation for the commercial use of UAV throughout the Brazilian territory. UAV operations in Brazil must follow the ANAC regulations as well as the regulations established by the Brazilian Air Space Control Department (DECEA) and the National Telecommunications Agency (ANATEL). According to ANAC, there are currently around 2,400 registered drone companies in Brazil, a near 200 percent increase from 2017.

Defense

As an outcome of President Bolsonaro's visit to Washington in March 2019, the White House officially notified Congress of its intent to designate Brazil as a Major Non-NATO Ally (MNNA) in May. The MNNA designation is a unilateral U.S. decision that identifies the United States' top, strategic defense partnerships. Brazil is only the second country to receive MNNA designation in the Western Hemisphere, which reinforces the strong bilateral defense relationship between our two countries. The MNNA will help support the collaboration on the development of defense technologies; privileged access to the U.S. defense industry; and increased joint military exchanges, exercises, and training, as well as special access to military equipment financing.

Opportunities

Brazil's 2019 budget proposal for the defense sector is approximately $30 billion. The National Strategy of Defense (NSD) published in 2008 has been recently revised and continues to be the guide for the medium and long-term strategy for the defense sector in Brazil. The three strategic sectors highlighted in the NSD are: nuclear, cyber, and space, as well as promoting the development and strengthening of the Brazilian defense industry.

Major Brazilian Defense Strategic projects include: the Submarine Development Program and the Navy Nuclear Program coordinated by the Brazilian Navy, Guarani Armored wheeled vehicles, an Integrated Border Monitoring System and Cyber Defense coordinated by the Brazilian Army. as well as the KC-390 aircraft, Grippen AM-X aircraft modernization and Space System Strategic program coordinated by the Brazilian Air Force.

The strategic relationship between Brazil and U.S. in the space sector has been rapidly growing in recent years with several foundational agreements signed such as COPOUS-Space Framework Agreement, Space Situational Awareness Agreement, and a Framework Agreement on Peaceful Uses of Outer Space. Most recently, in March 2019, Brazil and the U.S. signed a Technology Safeguards Agreement (TSA). Once ratified by the Brazilian Congress, the TSA will allow the use of U.S. technology in space launches from Brazil, specifically the Alcantara Space Launch Center. TSA will also unlock bilateral commercial cooperation for a range of space-related advanced technologies. According to Brazil’s Strategic Program for Space Systems, priorities for the space sector include development in the following areas: Satellite constellations, Alcantara Center and space operations center.

Safety and Security

In the last decade, public security has become a fundamental problem in Brazil. The industry has gained enormous public visibility leading the federal government to create a public security department to coordinate a portfolio of law enforcement agencies throughout the national territory, including the Federal Police Department, National Prison System and the National Public Security Councils, among others.

Opportunities

The Brazilian National Bank for Economic and Social Development (BNDES) approved the creation of a program to support investments in public security for the acquisition of equipment by states and municipal level police forces. With total expected disbursements of US$30 billion over the next four years, Brazilian officials are seeking to modernize public security agencies through the acquisition of vehicles and equipment such as ballistic vests, holographic sights, stun guns, and others. The GOB is also structuring public-private parternerships (PPPs) to construct and manage prisons.

Web Resources

Aviation

Brazilian Airlines Association (ABEAR)

Brazilian Aviation Institute (IBA)

Defense

Brazilian Defense and Security Industries Association (ABIMDE)

Aerospace Industries Association of Brazil (AIAB)

U.S. Department of Defense/State of Sao Paulo Industry Federation (COMDEFESA/FIESP)

Safety & Security

Brazilian Association of Electronic Security Equipment (ABESE)

Brazilian Association of Security Professionals (ABSEG)

National Federation of Security Companies (FENAVIST)

Energy

Overview

In the Brazilian Energy Expansion Plan (PDE) for 2024, published by the Brazilian Ministry of Mines and Energy (MME), the Brazilian energy matrix shows that renewable sources will maintain a high share of 45 percent in 2024, compared with the 39 percent observed in 2014. The aggregate "other sources" (wind, biodiesel, solar, and black-liquor) will contribute to the growth of renewables followed by hydro energy and sugar cane products. In fossil fuels, oil and gas will reduce their participation, and coal will increase slightly. Nuclear energy is expected to grow due to the entry into operation of the Angra 3 power plant.

Domestic Energy Supply (% and TOE)									
Year	Oil	Natural Gas	Coal	Nuclear	Hydro	Firewood and Charcoal	Sugar Cane Products	Others	Total
2014	39.4%	13.5%	5.7%	1.3%	11.5%	8.1%	15.7%	4.7%	Million toe: 305.6 % renewable: 39.4
2024	34.3%	11.8%	5.8%	1.7%	13.3%	6.9%	16.9%	8.8%	Million toe: 399.5 % renewable: 45.2

Source: MME

Total Primary Energy Consumption in Brazil by Fuel Type					
Petroleum and other Liquids	Hydroelectric Power	Natural Gas	Renewables	Coal	Nuclear Energy
46%	28%	11%	8%	6%	1%

Source: BP Statistical Review of Energy 2018.

Leading Sub-Sectors

Oil and Gas

Brazil is the largest oil producer in South America, the ninth largest global oil producer, seventh largest oil consumer, and has the largest recoverable ultra-deep (pre-salt) oil reserves in the world. Brazil's oil production is predominantly offshore (94 percent). Significant energy reforms, frequent oil finds, along with recent and future oil bidding rounds have been attracting International Oil Companies (IOCs) from around the world to bid on opportunities in Brazil. Additionally, there is an increased potential for U.S. exports of equipment and services, with lower local content requirements, plus new investments in exploration, production, and refining by Brazil's national oil company Petrobras, and others, estimated at $100 billion over the next several years.

Nuclear

Brazil has a promising civil nuclear energy market. The country's two nuclear reactors supply nearly two percent of Brazil's energy. Government-owned Eletronuclear (ETN) has recently approved its investment plan of R$13.8 billion (approximately $4 billion) for the 2019-2023 period. The conclusion of the third nuclear power reactor is pending availability of financial sources and a new business model to allow private sector participation. The new Brazilian Minister of Mines and Energy has recently announced that the 2050 Long-Term Energy Expansion Plan, currently under draft, may include between four to eight new nuclear power plants.

Electric Power Systems

Brazil is the largest electricity market in Latin America. Brazil generates and distributes more electricity (to over 79 million residential, commercial, and industrial consumers) than all the power produced in its South American neighbors combined. Electricity load growth in Brazil is about 5 percent per year, so the country must integrate about 4 GW of new generation power capacity every year to keep up with the load growth. According to MME, electricity demand is expected to increase at 4.2 percent per year until 2024, which will demand the addition of 79 GW of installed total generation capacity (41 GW already contracted), 70,000 km of transmission lines and 163 GVA in substations. Creating capacity to address this demand will require investments of around $142 billion.

- Generation: Brazil has a total of 160 GW in installed capacity, of which 77 percent is from renewable resources, mainly hydropower. Natural gas and biomass represent 9 percent each, while nuclear accounts for nearly 2 percent. According to MME, installed power generation capacity is expected to reach 212 GW by 2024 and it will require around $101 billion in investments.

- Transmission: Brazil has a country-wide interconnected grid of 130,000 km of high voltage transmission lines. Fifty percent of the power transmission companies in Brazil are privately-owned. International groups, such as Sterlite Power from India and State Grid from China, have been actively growing their presence in this segment by winning several auctions for new transmission lines. According to the MME, approximately $41 billion will be invested in transmission until 2024.

- Distribution: Privately-owned companies are responsible for sixty percent of the electric power distributed in Brazil. Large international companies are leaders in this segment, such as Spanish Ibedrola and Italian ENEL, both with four power distribution companies each.

Renewable Energy

Brazil generates 77 percent of its electricity from renewable resources. Brazil's commitment to renewable energy is strong and continued investment is expected in wind, solar, and hydropower capacity.

Brazil uses auction-based renewable procurement to increase new generation capacity. By contracting via electricity auctions, Brazil can ensure renewable development in Brazil. Contracts have durations between 15 and 30 years.

Hydropower represents 63 percent of the Brazilian electricity matrix. Hydropower generation is complementary to other renewable resources in Brazil, allowing for hydro reservoirs along with the countrywide transmission grid to modulate and integrate seasonal and intermittent power generation from other renewables.

Wind power is the second largest source of energy in Brazil with 15 GW of installed capacity, along with an additional 4.6 GW already contracted or under construction and expected to come online by 2023. Brazil has 601 wind farms using 7,000 wind turbines.

New solar energy developments over the long term could potentially rival investments in wind power. Solar energy already accounts for 2.1 GW in installed capacity in Brazil and should reach 3.7 GW by 2022. Investments in utility-scale solar energy projects, already contracted in the energy auctions, will reach over U.S. $5 billion by 2022. U.S. $1 billion has have been invested in solar distributed generation since 2012, and this amount is expected to increase exponentially in the next few years.

Opportunities

Every year, the MME publishes an expansion plan (PDE) that presents, for a ten year period, the results of prospective studies on energy demand and supply, and related projects such as electricity generation power plants, transmission lines, oil refineries, oil exploration blocks, oil and gas pipelines, and bioenergy production facilities. The planned investments through 2024 are shown on the table below:

Total Investments on Energy Expansion		
Sector	**Billion $ (*) 2014-2024**	**%**
Electricity	142	27

• Generation	101	19
• Transmission	41	8
Oil and Gas	375	71
Biofuels	14	3
Total	531	100
% of the accumulated GDP in the period		3
% of the accumulated GFCF in the period		14
(*) The exchange rate adopted is R$/$2.7		

Source: MME

Oil & Gas

Aside from Petrobras which accounts for 92 percent of Brazil's oil and gas production, and will invest $84.1 billion from 2019 to 2023, another 47 local and 50 foreign companies hold oil rights to exploration and appraisal areas in Brazil (aka "blocks"), representing additional opportunities for U.S. companies. According to the Brazilian National Oil and Gas Regulator (ANP) databank, ANP has granted 1005 oil exploration blocks to oil companies, including Petrobras, during the oil licensing concession rounds, held from 1999 to 2018. Another 28 blocks have been granted to oil companies, including Petrobras, under a production sharing agreement (PSA) regime, at the 2017 and 2018 PSA licensing rounds for pre-salt fields. Global energy giants like Shell, Equinor, Chevron, Murphy Oil and Exxon are among the foreign oil companies with assets in Brazil. Together, the oil companies plan to drill 300 offshore wells, order 17 new production units, and build 600 km (373 miles) of gas pipelines in Brazil. The major oil companies, including Petrobras, will also invest to maximize production and reservoir recovery indexes or levels. Prospects for U.S. companies include: well services, including intelligent well completion services; FPSOs and rig leasing; EPC, EPCI, project design and revamp; subsea systems (including power transmission and distribution), autonomous subsea inspections (to reduce human diving interventions), oil rig decommissioning (including well plugging through heat emissions); valves, tubing, fittings, and static equipment; HSE (offshore emergency response solutions and safety supervisory systems, IT and cybersecurity, geophysical (including reservoir appraisal strategy optimization); chemicals and catalysts, as well as logistics.

U.S. companies can also consider purchasing assets that Petrobras is looking to sell under its ongoing divestment program. These include upstream offshore and onshore oil fields as well as downstream facilities.

Opportunities also exist for U.S. oil companies to bid during the 2019 to 2021 auctions for oil blocks that ANP will organize.

In the natural gas segment alone, the Brazilian Piped Gas Association (ABEGAS) estimates that, pending the conclusion of a new gas regulatory framework, the sector may draw investments of about $32 billion over the next ten years, including $5 billion for the construction of new LNG regasification terminals.

U.S. oil and gas suppliers are encouraged to secure a supplier's registration to facilitate contracting procedures with Petrobras. Registration requires that foreign firms have a local representative. It is our recommendation that U.S. firms not established in Brazil consider partnering with a local firm that is registered as a supplier to Petrobras rather than attempting to register directly. CS Brazil can assist with making those connections through our Gold Key Service.

The best combination of price and technical requirements normally prevail in Petrobras tenders, especially for critical types of equipment and services.

Nuclear Power Sector

Eletronuclear (ETN), a division of Brazil's state-owned energy company Eletrobras, will focus primarily on the operation and maintenance of the two existing nuclear power plants and on a new Spent Fuel Dry Storage Facility. ETN is expected to have demand for the following equipment and services:

- Safety and other plant upgrades
- Plant design modifications
- Modernization of instrumentation and controls
- Licensing support services to Brazil's nuclear regulator, the National Nuclear Energy Commission
- Components: Moderate opportunities to supply existing plants, one of which was built by Westinghouse, with engineering support, fuel components, waste handling systems and related materials.

U.S. nuclear power equipment and service suppliers can check ETN's website for tender announcements, registration and information.

Electric Power Systems and Renewable Energy

- Data analytics
- Control and automation systems
- Data loggers and acquisition systems
- Monitoring/testing/inspection systems
- Remotely operated vehicles

- Digital power plants
- High efficiency turbines capable of integrating with renewable resources
- Rehabilitation/repair/maintenance/upgrading services
- Weather instruments and meteorological equipment
- Microgrid solutions
- Residential, commercial and industrial energy efficiency solutions
- Energy storage
- Distributed energy resources management and control
- Transmission and distribution automation
- Enterprise grid management
- Cybersecurity and incident response solutions
- Customer engagement solutions
- Smart metering: smart grid software and analytical packages; advanced metering infrastructure
- Electric vehicle infrastructure
- Disruptive, emerging and innovative technologies: Blockchain, vehicle-to-grid, off-grid, PV + storage

Web Resources

Brazilian Wind Power Association (ABEEOLICA)

Brazilian Energy Efficiency Association (ABESCO)

Brazilian Association of Electric Power Distribution Companies (ABRADEE)

Brazilian Association of Large Electric Power Generation Companies (ABRAGE)

Brazilian Association of Large Electric Power Transmission Companies (ABRATE)

Brazilian Solar Power Association (ABSOLAR)

Brazilian Association of Independent Power Producers (APINE)

Brazilian Cogeneration Association (COGEN)

The Brazilian Petroleum Institute (IBP)

Brazilian Association of Oil Service Companies (ABESPETRO)

Brazilian Machinery and Equipment Association(ABIMAQ)

Brazilian Association of Independent Oil and Gas Producers (ABPIP)

Brazilian Association of Fuel Distribution Companies(BRASILCOM)

Brazilian Association of Nuclear Power Development (ABDAN)

Brazilian Nuclear Power Association (ABEN)

Healthcare

Overview

Brazil is the largest healthcare market in Latin America and spends 9.1 percent of its GDP in healthcare. Of the approximately 6,400 hospitals, 70 percent are private. There are approximately 495,000 hospital beds, 96,000 healthcare supplementary services, 432,000 physicians, 144,000 dentists and 70,000 drugstores.

An aging population and poor management of resources in the healthcare sector offer opportunities for U.S. products and services.

U.S. healthcare products must follow regulations established by the Brazilian Health Regulatory Agency (ANVISA). While certain low risk products may be exempt from registration, it is mandatory to have an importer or distributor for product liability. Also, it is recommended that foreign companies have local technical staff and replacement parts for customer support.

In Brazil, the healthcare market is price-driven, mostly towards products that are manufactured in country. Quality is also important and companies must meet all sanitary registration requirements to sell to the Government. U.S. companies should consider cost-saving concepts and make clear the benefits of new technologies in marketing and promotional materials.

Leading Sub-Sectors

Pharmaceuticals and Nutritional Supplements

Brazil ranks among the top six markets in size for drugs and pharmaceuticals with sales of $28.4 billion in 2018 including taxes (Source: Sindusfarma). In 2018, Brazil increased imports by 9.7 percent in medicines and raw materials, reaching $7.2 billion. For high value-added medicines, the United States and Europe are the main exporters to Brazil, while China, India, and Ireland are the main suppliers of raw ingredients.

Regulations prohibit sales of medicines and medical devices outside of specialized medical stores or pharmacies.

Opportunities

The GOB is the main buyer of healthcare products to supply the public healthcare system. U.S. companies can participate in bids as long they have local representatives, with some exceptions. It is also possible to participate in a Productive Development Partnership (PDP). PDPs are designed to allow international companies to partner with local laboratories to supply the public system for a period of up to five years, with a reserved market share, and with the goal of technology transfer at the end of the contract. Companies should be well-prepared and fully investigate all terms before committing to a PDP.

In 2018, a new decree from ANVISA adjusted limits for daily intake, labeling, claims, and new products in the nutritional supplements and vitamins categories.

E-commerce is a growing channel for end-users to acquire imported products, if they are for personal use. To reduce returns, sellers should inform customers that Brazilian Customs charges fees to clear imported goods.

Leading areas of opportunities include: chronic diseases, e.g. blood pressure, diabetes, cardio, contraceptives, rare diseases, generic drugs; and infectious diseases, e.g. HIV and Hepatitis C, weight loss, vitamins and sports nutrition.

Medical Devices/Health IT

For medical devices, the market size is approximately $10.5 billion. The consumption of healthcare products increased 13.3 percent in 2018. (Source: Abimed)

In 2018, Brazil increased imports of medical devices 21.8 percent, reaching $5.4 billion. Imported medical devices hold 80 percent of the market in Brazil and the United States represents 29 percent of this share. Brazil is the 14th largest market for U.S. medical devices and second in Latin America, after Mexico. In 2018, U.S. medical device exports to Brazil reached $953 million, an increase of 9.6 percent from the previous year. (Source: *Census Bureau, U.S. Department of Commerce (DOC)*.

Brazil is part of the Medical Devices Single Audit Program (MDSAP), in conjunction with the United States, Japan, Canada, and Australia. This can expedite processes of approval for new products in Brazil, though ANVISA maintains their fee in addition to the MDSAP fees.

Opportunities

For Healthcare IT, the Ministry of Health announced possible investments of more than $450 million by 2019 to digitalize the public basic care units of the country's Unified Health System (SUS). Private hospitals are also investing in technology, and several new hospitals are formalizing their progress by obtaining international certificates for data management and reduction of paper use. The Federal Council of Medicine is in discussion to regulate the market for Telemedicine, which could open opportunities for U.S. companies to deliver solutions for teleconsultation, telediagnostic and data safety.

Brazilian hospitals are also investing in minimally invasive technology for complex procedures, such as stents and catheters. One source also reported that by 2018, there were 41 types of equipment for robotic surgery in the country.

U.S. companies can be competitive in the Brazilian market when offering high quality, innovative products at a competitive price.

Web Resources

Brazilian Association of Nutritional Products (ABENUTRI)
Brazilian Alliance for Innovation Healthcare Industry (ABIIS)
Brazilian Association of High Technology Industries of Medical Devices (ABIMED)
Brazilian Association of Manufacturers of Nutritional Supplements and Special Food (BRASNUTRI)
Brazilian Association of Pharmaceutical Research Industry (Interfarma)

Information and Communication Technologies

Overview

The Brazilian Information Technologies (IT) market grew 9.8 percent in 2018, reaching $47 billion. It surpassed previous forecasts of 4.1 percent growth for the period and will continue to grow in 2019 according to a study prepared by IDC in partnership with the Brazilian Software Association (ABES). Additionally, the device market is expected to represent 38 percent of all IT investments in Brazil (about $24.5 billion), due to sales of higher value devices. The growth expectation for IT investments in Brazil for 2019 is 10.5 percent, still driven by the sale of devices, while the global average growth is estimated at 4.9 percent.

With approximately a third of Latin America's population, Brazil is the region's largest telecom market. The Brazilian telecommunications services market is expected to reach $45.76 billion by 2022, a market growth of 20.42 percent since 2016 based on a study prepared by Frost & Sullivan. Investments in 5G are expected to occur gradually, without significant impact to the sector in 2019/2020.

Leading Sub-Sectors

Information Security

Investments in artificial intelligence (AI) and machine learning for security are expected to reach $671 million. The reason is the prevention of ransomware attacks and compliance with the General Law of Protection of Personal Data, which is expected to take effect in August 2020.

AI

In Brazil, 15.3 percent of medium and large companies already have AI technology among their priority initiatives, and this percentage should double in the next four years. The areas with the greatest growth potential are related to customer service, fraud analysis and investigation, IT automation, diagnostics and health care.

Big Data & Analytics

The big data & analytics market in Brazil is expected to grow to $4.2 billion in 2019 from $3.7 billion in 2018

Public Cloud

The public cloud segment in Brazil is expected to reach $2.6 billion in 2019, growing 35 percent annually to reach $6.5 billion in 2022. Portaria No 9 regulates cloud computing for the federal government and includes a data localization requirement.

Internet of Things

The Internet of Things (IoT) segment in Brazil is estimated to reach $9 billion this year, driven by applications in agribusiness, health and public services, and is expected to grow by more than 20 percent annually by 2022. "The National Plan of IOT" has not yet been signed into law.

Opportunities

The Brazilian government has conducted several studies to improve the information and communication technologies (ICT) market and to address challenges and gaps in Brazil's adoption of its Digital Transformation Strategy. The "Brazil Efficient" program was created with the objective to present guidelines to simplify and modernize public services. The program lists priorities and goals related to the Digital Governance Strategy (EGD) and presents opportunities for U.S. companies. The following areas will be addressed within the "Brazil Efficient" program: interoperability of government data, digital citizenship platform, e-Health services, innovation policies for schools, simplification projects for taxes, social security and services for companies and citizens and digital work identity.

The growing importance of mobile telephony requires improvements in service delivery, especially for developing countries, where the challenges for improving and expanding the existing infrastructure network are greater. Investments in the service and infrastructure areas are necessary for the expansion of the market, but government assistance is needed to take the service to the most remote areas of the country. Brazil will be among the five largest markets in the world for smartphones by 2025, with around 200 million connections.

According to Brazilian regulations, ICT products to be sold and used in Brazil, must have a Certificate of Conformity issued by a Designated Certification Body (OCD), indicating that they comply with Brazilian regulatory requirements. This certificate must also be approved by the Brazilian Telecommunications Agency (ANATEL). The chosen OCD will examine the technical characteristics of the product, determine the applicable regulations and laboratory tests which will be necessary for the certification and approval process. The list of OCDs designated by Anatel to conduct certification processes is available under the tab "Informações Técnicas" then "Certificação de Produtos" and OCDs. It is also important to note that, for imported products, the manufacturer must have a local representative, established according to Brazilian legislation, who will be responsible for product supply and warranty in Brazil. For additional information please visit Anatel's website.

Web Resources

Brazilian Association of Information and Communications Technology Companies (BRASSCOM)

Brazilian Association of Telecommunications (TELEBRASIL)

Brazilian Electrical and Electronics Industry Association (ABINEE)

Telecommunications Intelligence (TELECO)

Infrastructure

Infrastructure in Brazil is comprised of four leading subsectors: airports; architecture, construction and engineering (ACE) services; transportation and water and wastewater technologies. To boost the economy and promote private sector participation in infrastructure, the GOB created the Investment Partnerships Program (Programa de Parcerias de Investimentos (PPI) in 2016. Working with sector-focused Ministries, PPI serves a coordinating role and posts projects on its website in both Portuguese and English. As of May 8, 2019, the Brazilian Ministry of Infrastructure has 59 new qualified projects under the PPI Program, to include six port terminals, 22 airports and 14,500 kilometers of highways to be granted to the private sector. The estimated total investment is about US$ 10 billion.

Leading Sub-Sectors

Architecture, Construction and Engineering Services

Opportunities abound for ACE services in urban planning, airport design, design, real estate (new or retrofit), industrial design (new or retrofitted plants), hospitality (new hotels, retrofit of existing hotels, transformation of residential buildings into hotels), health sectors (new hospitals and upgrades to existing hospitals), education, HVAC, furniture design, drywall technologies, lighting (residential, commercial, industrial, urban), sports venue design and equipment and building information Modeling (BIM) process. There has been an increase in activity of medium-sized construction companies as well as foreign players in the market following the 2014-2016 recession and subsequent "car wash" (Lava Jato) scandal which affected many of Brazil's major construction companies. Analysts are seeing a slow recovery in the ACE industry encouraged by the expectation of lower inflation and interest rates.

Airports

Brazil is a pioneer in large-scale airport privatization (airport concessions). Since 2012, the GOB has privatized 23 of the country's busiest airports. The funds generated by auctioning these airports will be reinvested into the modernization of 50 regional airports. There are over 200 airports in Brazil, and most urbarn areas have an airport, although not all have regular service.

Transportation

Brazilian transportation is comprised of railways (cargo and passenger), logistics infrastructure, roads, ports, public transportation, urban mobility technology and smart transportation systems.. According to the World Bank's 2018 Logistics Performance Index, Brazil ranks 50 out of 160 countries in the quality of its infrastructure. The primary method of cargo transportation is in trucks via roads. This became especially apparent during the 11-day truckers' strike in May 2018, launched in response to rising fuel prices, which caused a nationwide shortage of food, medicine, oil and other goods throughout the country. Roads and ports still need upgrades to make Brazil more competitive in terms of logistics. The use of trains for long distance transportation of passengers is restricted to a few urban tourist routes, while cargo transportation is mostly restricted to raw minerals and bulk agricultural commodities. Despite the existence of several rivers, waterways are rarely used, except in the Amazon region where barges are the most effective mode of moving bulk commodities and other goods.

Water and Wastewater Technologies

With annual investments of $3-4 billion, Brazil's water and wastewater technologies (W&WWT) sector has significant growth potential. According to Brazil's National Plan for Water and Sanitation, known as (PLANSAB), Brazil needs to invest $90 billion, or $6 billion per year from 2019 to 2033, to make sanitation services (drinking water supply, sewage, solid waste management, and rainwater drainage) available to the entire the population by 2033.

The technologies needed include online sensors, telemetry-digital hydrometers, GIS for digital mapping and public works monitoring, water efficiency and reuse engineered solutions, smart water systems and software, energy efficient physical treatment, leak detection equipment and software, water loss prevention solutions, advanced metering technology and software, intelligent valves, rainwater collection systems, advanced filtration, membrane filtration, reverse osmosis and UV disinfection.

In Brazil, municipalities are responsible for water and sanitation services. State-owned utilities provide W&WWT services to about 75 percent of the Brazilian population; whereas, municipal and privately-owned utilities cover 10 percent of the population. Municipalities often have long term contracts with state-owned or private companies to perform the services. Of the 25 state-owned utilities that serve three-fourths of the population, 13 charge fees that do not cover their operational costs. Private capital represents about 20 percent of investments, although Brazilian sanitation authorities are interested in increasing private company participation, as they bring technologies, financial resources, governance and modern management practices. Acciona Águas, GS Inima Brasil, Veolia, and Suez are among the international companies that operate water and wastewater plants under PPPs, or concession contracts with the municipal and state utilities.

Brazil's regulatory framework on basic sanitation is being revised through Provisional Measure MP 868/2018. The new legislation allows the Brazilian federal government to participate in a fund for financing specialized technical services. Under this regulation, the regulation of water and sewage, which is done by the municipalities, would become the responsibility of the federal government, through the National Water Agency (ANA) which would also regulate service fees. The sanitation service contracts will be made through bids to create public private partnerships in this area.

Opportunities

Airports

Brazil recently concluded a round of airport concessions which signals exciting opportunities for U.S. companies. While most of the large international airport concessions have already taken place, many opportunities, particularly in regional airport development, are still available as Brazil works to concession important regional airports. Even with a sluggish economy, the airport concession program in Brazil presents significant opportunities for U.S. companies. The Brazilian Civil Aviation Secretariat (SAC) predicts that the domestic segment needs to triple in size within the next 20 years.

Architecture, Construction, and Engineering Services

In a country of over 200 million people spread over 27 states, there are numerous opportunities for U.S. companies. Launched in 2009, the federal project low-income housing Project, "Minha Casa Minha Vida," aims to build one million homes (out of an estimated deficit of about 7 million units). Over those last 10 years, the federal government contracted almost 5.5 million housing units, with more than 4 million already delivered. On May 9, 2019, the Ministry of Economy announced the release of $200 million for "Minha Casa, Minha Vida."

Green and sustainable businesses continue to gain attention. According to the Brazilian Greenbuilding Council, Brazil ranks fourth in LEED registrations worldwide, with over 2 millon certified buildings, trailing only the United States, the United Arab Emirates and China.

A new area in the ACE sector that is booming is Construction Tech (Construtech). Startups are investing in areas such as field management, equipment and construction materials, marketplaces and applications in mobile and cloud technologies, robotics; and software for the construction industry. In Brazil, there are already over 250 construtech firms, with about $150 million invested in 2018.

U.S. ACE firms should be aware of the differences, administrative and regulatory, for working in each of Brazilian state. In addition, although construction in major cities such as São Paulo and Rio is still booming, the high number of ACE firms already operating in these areas may make it difficult for smaller firms to enter the market. Other states, such as Pernambuco and Ceará (in the north and northeast regions of the country) may also offer opportunities in the industrial, residential, hospitality, health, education, and other subsectors.

Transportation

The PPI is a key part of the GOB strategy to restore business confidence. According to the GOB, PPI's portfolio has 46 ongoing infrastructure concession/renewal projects open to participation from the private sector, in the segments of agriculture and supply, aviation, defense, mining, energy and transportation. The goal with the new round of projects, 59 which just received approval to be launched, is to attract a total of $400 billion in investments during the concession period.

Water and Wastewater Technologies

There are several opportunities for U.S. companies in Brazil's water and wastewater technologies at the municipal and state levels, and with private companies. The Sao Paulo State Water and Wastewater Utility (SABESP), Brazil's number one W&WWT utility, operates in the state of São Paulo and has plans to invest $1.6 billion in water supply, $1.9 billion in sewage collection, and $628 million in sewage treatment.

Web resources

Airports

Brazilian Association of Airline Companies (ABEAR)

Brazilian Association of General Aviation (ABAG)

Brazilian Association of Ground Handling (ABESATA)

National Association for Brazilian Airport Concessionaires (ANCAB)

National Association for Airport Management Companies (ANEAA)

ACE

Brazilian Council for Architecture and Urbanism (CAU)

Brazilian Association of Architecture Firms (ASBEA)

Federal Council for Engineering and Agronomy (CONFEA)

Brazilian Association of Architectural and Consulting Engineering Companies (SINAENCO)

Brazilian Association of Engineering Consultants (ABCE)

Brazilian Greenbuilding Council (GBC Brasil)

Transportation

National Association of Public Transportation (ANTP)

National Association of Railway Transport (ANTF)

Brazilian Association of Railroad Industry (ABIFER)

Brazilian Association of Port Terminals (ABTP)

W&WWT

National Association of privately-owned water and wastewater utilities (ABCON)

Internet portal covering the water and wastewater sector: Portal Saneamento Básico

Brazil's Association of Sanitary Engineers (ABES)

Brazil's Environmental Ministry (MMA)

Brazilian Association of State-Owned water and wastewater utilities (AESBE)

Brazilian Association of Municipal water and wastewater utilities (ASSEMAE)

Services : Education, Fintech, Travel and Tourism

Service industries represent a growing sector of the Brazilian economy, with four leading subsectors leading the way: education, financial technology (fintech), travel & tourism and franchising.

Education

Despite the recent economic and political challenges, Brazil remains the fifth largest higher education market in the world and the biggest higher education market in Latin America. Industry specialists such as Hoper Education expect that, despite a challenging economic and political environment, the education sector in Brazil will continue to grow, particularly the distance-learning segment. The lower monthly tuition fees in distance learning are expected to increase the penetration of higher education in Brazil. Distance learning solutions are particularly attractive to the substantial number of Brazilian private for-profit universities.

Brazil ranks number 10 as a country of origin for foreign students studying in U.S. universities. In the 2017-18 academic year, 14,620 Brazilian students in the United States were broken into the following programs groups: 50percent undergraduate; 29 percent graduate students; 9 percent non-degree and 12 percent optional practical training.

Non-recognition of foreign university credits toward earning a degree in Brazil is a barrier to U.S. education exports. However the Ministry of Education is in the early stages of creating a system to recognize foreign university degrees. Despite the bureaucratic challenges of having U.S. degrees recognized in Brazil, the number of Brazilian students choosing U.S. education is significant. The economic impact of Brazilian students in U.S. colleges and universities contributed $477 million to the U.S. economy during the 2017-18 academic year.

Fintech

Brazil is the largest fintech market in Latin America, with approximately 370 startup companies. Investment in Brazilian Fintech companies totaled approximately $160 million in 2017, and as of December 2018, investment had reached $375 million, making Brazil eighth in investment globally. Though the overall Brazilian financial sector is heavily regulated, regulation in the fintech subsector is still largely undefined, although the Central Bank has issued a Resolution (4,656/18), which allows fintechs to grant credit without the intermediation of a bank. The regulation also provides that credit fintechs may be controlled by investment funds. In addition, the Brazilian Securities Exchange Commission (CVM) created an internal "Fintech Hub" to foster a better understanding of the market in order to guide future regulation.

As in most other industry sectors, to be successful in Brazil, foreign service providers must either establish themselves in the country or have a local representative. Additionally, since this sector is still in its early stages, there are only a couple of associations.

Travel & Tourism

Brazil is the eighth international source of tourists to the United States. According to the National Travel and Tourism Office, Brazil is the top arrivals market to the U.S. from South America and accounts for more than 30 percent of all arrivals in the United States from South America.

In 2018, Brazil had six local airlines and 37 foreign airlines operating in country. Brazil shows signs of overcoming its recent economic downturn, and 2017 statistics show that 1.9 million Brazilians visited the United States, representing an increase of 11 percent in comparison with 2016 numbers. Brazilians spent $11.5 billion in the United States in 2017, a 2 percent increase from previous year. 2018 numbers will approach a 15 percent growth rate, representing more than 2.2 million Brazilian visitors in the United States.

Franchising

Brazil is the fourth largest market in the world in terms of number of franchise chains.

In 2018, the Brazilian franchise sector grew by 7.1 percent and total sector revenue was about $45.9 billion, (R$174.9 billion). There are 2,877 franchising chains (an increase of 1.2 percent compared to 2017) and 153,704 franchising units in the country (a growth of 4.9 percent compared to 2017), making Brazil the 6th largest market in the world in number of units and the 5th largest in terms of franchise chains. There are only 79 American brands operating in country, which represents a huge opportunity for U.S. companies seeking to expand their presence internationally.

Opportunities

Education

In the coming decade, the fastest growing segment of the educational market in Brazil will likely be short-term vocational and English learning courses, given the Brazilian government's investments in technical schools and courses for high school students and adults. Although private English language schools are abundant, student exchange programs are a huge market in Brazil, especially short and part-time programs. Examples of exchange programs popular in Brazil include part-time study programs combined with tourism and outdoors sports; teen vacation (specifically for teenagers with a mix of classes and leisure activities) and English language programs designed for students who are 50 and over. U.S. schools interested in recruiting in Brazil should provide creative financing options, including options to pay in installments, since cost (along with proficiency in English language skills) will continue to be a challenge for Brazilian students studying abroad. Installment payments are also widely popular throughout Brazil for educational services.

Fintech

Brazil has the fifth largest population in the world, with a market of 200 million potential consumers. A large part of the population, though, is unbanked, which presents a huge opportunity that it is not limited to banks. Opportunities range from insurance (insurtech) and digital technologies to financial management. Startups are investing in areas such as field management, equipment and construction materials marketplaces, and applications in mobile and cloud technologies, robotics, and software for the construction industry. In Brazil, there are already over 250 construtech firms, and about $150 million were invested in 2018. Additionally, fintechs are deeply rooted in eCommerce. Digital financial services are progressing rapidly in the traditional retail sector, particularly in payments and remittances, digital banking, mobile payments and virtual currency.

Travel & Tourism

While leisure dominates the tourism segment of the Brazilian market: Meetings, Incentives, Conferences, and Exhibitions (MICE), luxury, and “bleisure” (Business+Leisure travel) are growing sub-sectors. Traditional destinations such as Florida and New York rank among the favorite places for Brazilians, but MICE destinations such as Las Vegas and California attract thousands of tourists from Brazil. Opportunities also exist for less explored destinations like Georgia, Boston, New Orleans, Chicago and Philadelphia.

In terms of forecasts, we expect a rise in travel and tourism numbers into Brazil, in large part, due to the U.S.-Brazil Open Skies Agreement, which formally entered into force in Q2 of 2018. Major airlines into the U.S. and hubs include: American Airlines (Dallas, Miami, New York, Los Angeles); Delta Air Lines (Atlanta, Detroit, New York); and United Airlines (Washington, D.C.; Chicago, Houston).

Franchising

According to the Brazilian Franchise Association, the franchising sub-sectors that saw the greatest growth in 2018 were: Education/Recreation (12.7 percent), Hotel & Tourism (12.3 percent), Services & Other business (8.7 percent), and Home/Contstruction (8.6 percent). Other areas with strong growth were Informatics/Electronics (7.5 percent), Food (7 percent) and Health & Beauty (6.3 percent). To succeed in the Brazilian market, U.S. companies should also consider working in developing areas outside of major cities, since these business entrepreneurs are focused in medium sized cities in Southern and Southeast Brazil. Some examples of these locations include Campinas and Guarulhos in the state of Sao Paulo, Niteroi in the state of Rio De Janeiro, and Uberlandia in Minas Gerais.

Web Resources

Education

Education: Brazil Top Markets Report

EducationUSA Brazil

www.inep.gov.br/censo-escolar

Institute of International Education: Open Doors

Brazilian Educational and Language Travel Association (BELTA)

Anima Educação

Top University Rankings

www.hoper.com.br

Fintech

Brazilian Association of Digital Credit (ABCD)

Travel & Tourism

DOC Office of Travel & Tourism Industry (OTTI)

DOC National Travel and Tourism Office, 2017 Market Profile

DOC International Trade Administration's 2017 Fast Facts: United States Travel and Tourism

Travel Agencies Outlook - Sebrae

Franchising

World Franchise Council

Brazilian Franchise Association

Customs, Regulations & Standards

Trade Barriers

Brazil ranked 109 out of 190 countries in the World Bank's 2019 Ease of Doing Business Report. Brazil can be a challenging market for doing business, partly due to a complicated regulatory environment. Brazil ranks 137 out of 138 economies for burden of regulation, ahead of only Venezuela. U.S. companies often mention duplicative, arbitrary, or sometimes discriminatory regulations as barriers to trade for U.S. products in Brazil.

U.S. companies also cite high tariffs, an uncertain customs system, high and unpredictable tax burdens, and an overburdened legal system as major hurdles to doing business in Brazil. U.S. exporters in highly regulated industries such as, medical devices, health, and safety products have a particularly challenging time navigating Brazilian rules and regulations. U.S. companies will increase their chances of success by working with strategic Brazilian partners and demonstrating their commitment to the Brazilian market. While U.S. companies have faced market access challenges in Brazil over the past several years, such as high tariffs, local content requirements, and a "Buy Brazil" policy from a previous administration, the U.S. Government is working with the GOB to reduce non-tariff barriers, especially in the areas of trade facilitation, good regulatory practices, technical standards, and conformity assessment through a number of bilateral and multilateral fora.

On March 16, 2018, Casa Civil (the Brazilian Executive Branch) published a Regulatory Impact Analysis (RIA) Guidelines and Elaboration Guide for Brazilian regulators to improve the implementation of regulations in Brazil. The guidelines' text is aligned with the Organization for Economic Co-operation and Development's (OECD) standards and has inputs from all of Brazil's federal regulatory agencies, including the Brazilian Ministry of Finance, the Ministry of Planning and INMETRO – Brazil's metrology and standardization agency. The governments of the United States and Brazil continue to collaborate to share information and experiences about good regulatory practices to promote a regulatory environment that is transparent, consistent, and predictable.

Import Tariffs

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

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

In 1995 Brazil implemented the Mercosul Common Nomenclature, known as the Nomenclatura Comum do Mercosul (NCM), consistent with the Harmonized System (HS) for tariff classification.

Import duty (II) is a federally-mandated product-specific tax levied on a CIF (Cost, Insurance, and Freight) basis. In most cases, Brazilian import duty rates range from 10 percent to 35 percent. Brazil's Ministry of Economy publishes a complete list of NCM products and their tariff rates on its website.

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

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

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

Effectively, the tax is paid only on the value-added; the tax is generally passed on to the buyer since it is included in the price charged for the merchandise. The ICMS tax due to the state government is based upon taxes collected on sales by a company, minus the taxes paid in purchasing raw materials and intermediate goods. The ICMS tax is levied on both intrastate and interstate transactions and is assessed on every transfer or movement of merchandise. The rate varies among states: in the State of São Paulo, the rate varies from 7-18 percent. On interstate movements, the tax will be assessed at the rate applicable to the destination state. Some sectors of the economy, such as mining, electricity, liquid fuels and natural gas can be exempt from the ICMS tax. Most Brazilian exports are exempted.

Brazil's customs regime allows for ex tariff imports of foreign and U.S. manufactured goods under some circumstances. When there is no similar equipment being manufactured locally, an importer can seek import duty waivers to reduce import costs. This tax reduction is called 'ex tariff' or 'ex tarifário.' The ex-tariff regulation consists of a temporary reduction on import duties of capital goods, information technology and telecommunications (BIT), as written in the CET, when there is no domestic equivalent production. The Ministry of Economy coordinates the ex-tariff program which can only be requested by local companies with import/export registration with Customs. Generally, if this status is granted, the import tariff can be temporarily lowered to 2 percent for up to two years. To qualify, U.S. exporters or their legal representatives must submit a technical application for review.

Import Requirements and Documentation

U.S. exporters and Brazilian importers must register with the Foreign Trade Secretariat (SECEX), a branch of the former MDIC – now a branch of the Ministry of Economy. Depending on the product, Brazilian authorities may require more documentation. For instance, the Ministry of Health controls all products that may affect the human body, including pharmaceuticals, vitamins, cosmetics and medical equipment/devices. Such products can only be imported and sold in Brazil if the foreign company establishes a local Brazilian manufacturing unit or local office, or the foreign company appoints a Brazilian distributor who is authorized by the Brazilian authorities to import and distribute medical products. Such products must be registered with ANVISA.

The entry of several imported products to Brazil is subject to permission issued by the respective Brazilian authorities that regulate the entry and commercialization of these goods. Goods that require an import license require approval from one or more of 16 authorities, composed mainly of ministries or regulatory agencies. Usually, these licenses must be requested by a branch of the Ministry of Economy before the shipment, but in certain cases they can be obtained after the shipment of goods, but prior to customs clearance.

Labeling/Marketing Requirements

The Brazilian Customer Protection Code requires that product labeling provide the consumer with precise and easily readable information about the product's quality and quantity, composition, price, guarantee, shelf life, origin and risks to the consumer's health and safety. Portuguese translation of this information is required for all imported products. Labels should also include metric units or include a metric equivalent.

U.S. Export Controls

The United States imposes export controls to protect national security interests and promote foreign policy objectives. The United States also participates in various multilateral export control regimes to prevent the proliferation of weapons of mass destruction and prevent destabilizing accumulations of conventional weapons and related material. The U.S. Department of Commerce's Bureau of Industry and Security (BIS) administers U.S. laws, regulations and policies governing the export and reexport of commodities, software, and technology (collectively "items") falling under the jurisdiction of the Export Administration Regulations (EAR). The primary goal of BIS is to advance national security, foreign policy, and economic objectives by ensuring an effective export control and treaty compliance system and promoting continued U.S. strategic technology leadership. BIS also enforces anti-boycott laws and coordinates with U.S. agencies and other countries on export control, nonproliferation and strategic trade issues.

BIS is responsible for implementing and enforcing the EAR, which regulate the export, reexport, and transfer (in-country) of items with commercial uses that can also be used in conventional arms, weapons of mass destruction, terrorist activities, or human rights abuses, and less sensitive military items.

BIS's Export Administration (EA) reviews license applications for exports, reexports, transfers and deemed exports (technology transfers to foreign nationals in the United States) subject to the EAR. Through its Office of Exporter Services, EA provides information on BIS programs, conducts seminars on complying with the EAR, and provides guidance on licensing requirements and procedures. EA's Office of Technology Evaluation (OTE) analyzes U.S. export data on items subject to the EAR, BIS license application data, and global trade information to assess data trends. OTE's data portal provides excerpts from statistical reports, along with data sets to enable the public to perform analyses of exports and licensing on its own.

U.S. exporters should consult the EAR for information on how export license requirements may apply to the sale of their items. If necessary, a commodity classification request may be submitted in order to obtain BIS assistance in determining how an item is controlled (*i.e.,* the item's classification) and the applicable licensing policy. Exporters may also request a written advisory opinion from BIS about application of the EAR to a specific situation. Information on commodity classifications, advisory opinions, and export licenses can be obtained through the BIS website at www.bis.doc.gov or by contacting the Office of Exporter Services at the following numbers:

Washington, D.C. Tel: (202) 482-4811 Fax: (202) 482-3322
Western Regional Office Tel: (949) 660-0144 Fax: (949) 660-9347
Further information on export controls is available at:
http://www.bis.doc.gov/licensing/exportingbasics.htm

BIS's Export Enforcement (EE) is responsible for the enforcement of the EAR. BIS works closely with U.S. embassies, foreign governments, industry, and trade associations to ensure that exports from the United States are secure. In accordance with the EAR, BIS officials conduct site visits, also known as End-Use Checks (EUCs), globally with end-users, consignees, and/or other parties to transactions involving items subject to the EAR, to verify compliance.

An EUC is an on-site verification of a party to a transaction to determine whether it is a reliable recipient of U.S. items. EUCs are conducted as part of BIS's licensing process, as well as its compliance program, to determine if items were exported in accordance with a valid BIS authorization or otherwise consistent with the EAR. Specifically, an EUC verifies the *bona fides* of recipient(s) of items subject to the EAR, to include: confirming their legitimacy and reliability relating to the end use and end user; monitoring their compliance with license conditions; and ensuring such items are used and/or re-exported or transferred (in-country) in accordance with the EAR.

BIS officials rely on EUCs to safeguard items subject to the EAR from diversion to unauthorized end uses/users. The verification of a foreign party's reliability facilitates future trade, including pursuant to BIS license reviews. If BIS is unable to verify the reliability of the company or is prevented from accomplishing an

EUC, the company may receive, for example, more regulatory scrutiny during license reviews or be designated on BIS's Unverified List or Entity List, as applicable.

BIS has developed a list of "red flags," or warning signs, intended to discover possible violations of the EAR.

Also, BIS has "Know Your Customer" guidance.

BIS provides a variety of training sessions to U.S. exporters throughout the year. These sessions range from one to two day seminars and focus on the basics of exporting as well as more advanced topics. Check a current seminar schedule for a list of upcoming seminars. BIS also provides online training.

The EAR does not regulate transactions involving all U.S. goods, services, and technologies. Other U.S. Government agencies regulate more specialized exports. For example, the U.S. Department of State's Directorate of Defense Trade Controls has authority over defense articles and services. A list of other agencies involved in export control can be found on the BIS website or in Supplement No. 3 to Part 730 of the EAR. The EAR is available on the BIS website and on the e-CFR (Electronic Code of Federal Regulations) website.

The Consolidated Screening List (CSL) is a list of parties for which the United States Government maintains restrictions on certain exports, reexports or transfers of items. The CSL consolidates a number of smaller lists of restricted parties that are maintained by a variety of U.S. Government agencies, including the Department of Commerce, as an aid to industry in conducting electronic screens of potential parties to regulated transactions. The CSL is available here: http://apps.export.gov/csl-search or https://developer.trade.gov/consolidated-screening-list.html.

Temporary Entry

In 2017, the GOB became the third country in Latin America to officially accept ATA Carnet. The Carnet is an international customs document and temporary export-import document, which allows the holder to avoid import duties for goods that will be re-exported within one year. Prior to Brazil's participation in the Carnet Program, U.S. exhibitors faced extreme difficulties and delays in clearing temporary imports and frequently wrote-off the imports as a complete loss. The Carnet can significantly ease customs clearance procedures for U.S. exhibitors in Brazilian trade shows.

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

Under Brazil's temporary import program, the Import Duty (II) and IPI are used to determine the temporary import tax. Products must be used in the manufacture of other goods and involve payment of rental or lease fee from the local importer to the international exporter.

There are very strict rules regarding the entry of used merchandise into Brazil. An example of products falling under this program would be the temporary importation of machine tools. The example in the table below shows that taxes due are proportional to the period the imported product will remain in Brazil. This also applies to temporary entry of personal belongings.

Permanent and Temporary Tax example - Brazil	
CIF price of machine tool	$200,000
II of 10 percent on CIF	$20,000
IIPI of 5 percent 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 with stay in Brazil	12 months
Tax for temporary importation	$6,200
Value =31000 X (I-(60-12)/60)	
(20 percent of tax is owed as tool will stay in Brazil 1/5 of it's useful life)	

Prohibited & Restricted Imports

The GOB has eliminated most import prohibitions with certain exceptions. In general, importation of any used consumer goods is prohibited. Used capital goods are only allowed when a similar, locally produced item is not available - such as used aviation parts. Remanufactured goods are still considered used goods.

The country prohibits the imports of fresh poultry meat and poultry products coming from the United States. There is also specific legislation that prohibits the importation of products that the Brazilian regulatory agencies consider harmful to health, sanitation, national security interest and the environment.

Customs Regulations

It is essential to have all customs documents filled out correctly and in complete order. You must also have a capable and proven customs broker for the Brazilian market. Products can and often do get delayed for various reasons, including minor errors or omissions in paperwork. Products held at Customs in Brazil can be assessed high fees and Brazilian Customs frequently seizes shipments that appear to have inaccurate documentation. Customs has the right to apply fines and penalties at its discretion. For specific information on customs regulations in Brazil, please contact the appropriate sector Specialist. The Customs website is here.

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

SISCOMEX has been improved by the new Foreign Trade Single Window (SW) Program, reengineering the process and the system for trade operation registration. A new tool for Brazilian imports was implemented in July 2018. The final goal of the program is to reduce the import time from 17 to 10 days. The GOB believes it will benefit more than 40,000 importers.

Standards for Trade

Brazil has a strong regulatory regime, strict rules regarding standards, and an active cohort of standards organizations. INMETRO is a government entity and is the operating arm of Brazil's standards regime, led by the CONMETRO. The council is formed by a group of eight ministries and five governmental agencies. The Council is the regulatory body of the SINMETRO. More information about the Council can be found at the website. The American National Standards Institute (ANSI) also has Brazil-related standards information via its Standards Portal.

Standards

INMETRO is the main national accreditation body and is in charge of implementing the national policies regarding quality and metrology established by CONMETRO, which oversees INMETRO's activities. INMETRO is responsible for certification of products, services, licensing, and testing labs, among other duties.

Created in 1940, the Brazilian Association of Technical Standards (ABNT) is the recognized standards organization which establishes and manages marks of conformity with standards applied in voluntary or compulsory product certification schemes. ABNT is an accredited registration body to certify quality systems, environmental management systems and several products. They develop standards, and reference ISO and IEC standards, and sometimes, U.S. developed international standards. Several U.S. Standards Development Organizations have MOU's with ABNT for cooperation.

When the need for standardization of a given topic arises, ABNT refers the matter to the responsible Technical Committee, where it will be considered by the various sectors involved. Once the Draft Standard has been prepared, it is then submitted for national consultation. In this process, the Draft Standard, prepared by a Study Committee representing the stakeholders and sectors involved, is submitted publicly for consideration. During this period, any interested party may express, without any burden, recommendations to the Study Group to authorize the approval of the text as presented; approve of the text with suggestions; or its non-approval, though the interested party must present the technical objections and justification.

Testing, Inspection and Certification

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.

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

INMETRO is a signatory to the Mutual Recognition Arrangement (MRA) of the International Laboratory Accreditation Cooperation (ILAC), which can facilitate acceptance of test results from U.S. laboratories that are accredited by U.S. organizations and are also signatories.

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

To facilitate U.S. product acceptance in Brazil by recognizing existing certifications, agreements between U.S. and local certifiers/testing houses are encouraged. There is no impediment for the establishment of U.S. certification organizations in Brazil. If your product has been certified in the U.S. or Europe, it may not need to be recertified (see ILAC MRA above). If your product is not certified, please refer to the mandatory product certification process.

A search engine of certified products (both mandatory and voluntary) in Brazil is available as well as information about the accreditation requirements and current accredited bodies. 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.

Publication of Technical Regulations

The regulations on Public Consultation are on INMETRO's website. INMETRO and CONMETRO use their websites to inform the public about updates to technical regulations.

The Brazilian Foreign Trade Council (CAMEX) published Resolution 90 on December 7, 2018, establishing good practices for the preparation and review of regulatory measures affecting foreign trade. The resolution encourages the competent Brazilian regulatory bodies and entities to develop regulatory agendas, conduct regulatory impact analysis, evaluate regulatory alternatives, use international standards, conduct transparent public consultations of a minimum of 60 days for all regulations with international trade effects, ensure all regulations comply with Brazil's international trade commitments, notify regulations to the WTO via the inquiry point, use evidence-based decision making, coordinate with other relevant regulators to ensure coherence and compatibility with other regulations, and review and manage regulatory stock.

In addition, on October 30, 2018, the Brazilian Attorney General of the Union (AGU) published Ordinance 328, which establishes a working group with a series of ongoing actions within the scope of AGU and its related bodies that contribute to the regulatory coherence of federal bodies and agencies from the Executive branch. Ordinance 328 states that the working group will prepare a guide indicating good international and internal practices. The specific section on Good Regulatory Practices (GRPs) reflects training and guidance for legal departments and joint work among all Brazilian ministries and agencies. On November 30, 2018, AGU held a public hearing on GRPs as a tool to gather feedback from Brazilian entities and to create a more predictable and stable business environment for local and foreign investors.

Members of the WTO are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to notify the WTO of proposed technical regulations and conformity assessment procedures that could affect trade. Notify U.S. is a free, web-based e-mail registration service that captures and makes available for review and comment key information on draft regulations and conformity assessment procedures. Users receive customized e-mail alerts when new notifications are added by selected country(ies) and industry sector(s) of interest, and can also request full texts of regulations. This service and its associated web site are managed and operated by the USA WTO TBT Inquiry Point housed within the National Institute of Standards and Technology, part of DOC.

Trade Agreements

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

Licensing Requirements for Professional Services

Many professions in Brazil are regulated or inspected by councils. Councils are public authorities that regulate, supervise, direct, and discipline certain professional categories. Certain workers are obliged to be registered at corresponding councils in order to exercise their profession. Anyone that works without a registration is subject to penalties according to Brazilian law.

The basic requirement to be licensed by a professional council is to own a valid graduation certificate in the chosen area. Since there are several different professional councils, registration requirements may vary. The most common procedure is to visit a regional council or send the necessary documents. This registration has an expiration date, and needs to be renewed periodically, according to the council's rules.

The registration of a foreigner in a Brazilian professional council varies according to each profession. Some, like the Council of Psychology and the Council of Administration, allow foreigners to be registered. The main conditions for this are the revalidation of the foreign diploma and a proficiency test in the Portuguese language. Other councils have stricter rules, allowing foreigners to register only in exceptional cases, like a lack of registered professionals, or only providing temporary permits for the realization of a specific project in Brazil. This is the case in the Council of Engineering and Agronomy.

CS Brazil hosts a Standards Attaché in São Paulo who can answer an additional questions. Please contact: Sarah.Cook@trade.gov for more information.

Investment Climate Statement

Executive Summary

Brazil is the second largest economy in the Western Hemisphere behind the United States, and the ninth largest economy in the world. The United Nations Conference on Trade and Development (UNCTAD) named Brazil the seventh largest destination for global Foreign Direct Investment (FDI) flows in 2016. In recent years, Brazil received more than half of South America's total incoming FDI and the United States is a major foreign investor in Brazil. The Brazilian Central Bank (BCB) reported the United States had the largest single-country stock of FDI by final ownership representing 22 percent of all FDI in Brazil ($104 billion) in 2016, the latest year with available data. The GOB made attracting private investment in infrastructure a top priority for 2017 and 2018.

The current economic recovery, which started in the first quarter of 2017, ended the deepest and longest recession in Brazil's modern history. The country's Gross Domestic Product (GDP) expanded by 1 percent in 2017, and most market analysts' projections indicate it will grow approximately 3 percent in 2018. Per capita GDP increased 0.2 percent in 2017, after dropping a combined 9 percent over the last three years. While unemployment stood at just 6.5 percent in the fourth quarter of 2014 as the recession started, it ended 2017 at 12 percent. Brazil was the world's seventh largest destination for FDI in 2016, with inflows of $59 billion, according to UNCTAD. The nominal budget deficit stood at 7.8 percent of GDP ($175.9 billion) in 2017 and is projected to end 2018 at around 7 percent of GDP ($160 billion). Brazil's debt-to-GDP ratio reached 74 percent in 2017 with projections to reach 78 percent by the end of 2018. On top of slow economic growth, a sharp decrease in food prices due to extraordinarily productive harvests contributed to a decline in inflation to 2.9 percent by the end of 2017 - below the BCB target range of 4.5 percent +/-1.5 percentage points. This allowed the BCB to adjust its target for the benchmark Selic interest rate to 6.5 percent in March 2018 (from a high of 13.75 percent at the end of 2016).

President Temer, who took over as interim president in May 2016 and as president following the impeachment of former President Dilma Rousseff in August 2016, pursued corrective macroeconomic policies to stabilize the economy. Congress approved a landmark federal spending cap in December 2016, and a package of labor market reforms in 2017. The government has also prioritized reforms to rationalize Brazil's complex tax system and help control costs of Brazil's public pension system, but the legislature voted on neither of these reforms to date. Brazilian risk premiums began rising again in 2017 due to the high level of political uncertainty surrounding further passage of key elements of the Temer Administration's fiscal reform agenda and the October 2018 presidential and congressional elections. In addition to current economic difficulties, since 2014, Brazil's anti-corruption oversight bodies are investigating allegations of widespread corruption which has moved beyond state-owned energy firm Petrobras and a number of private construction companies, to include companies in other economic sectors.

Notwithstanding the current macroeconomic context, Brazil's large and consumption-heavy economy continues to make the country a destination for long-term investment. With a $2 trillion economy, a population of over 207 million, and a large consumer base, Brazil comes in sixth in an UNCTAD survey for planned investment 2017-2019. Brazil's official investment promotion strategy prioritizes the automobile, renewable energy, life sciences, oil and gas, and infrastructure sectors. Foreign investors in Brazil receive the same legal treatment as local investors in most economic sectors; however, there are restrictions in the health, mass media, telecommunications, aerospace, rural property, maritime, and air transport sectors. The Brazilian Congress is considering legislation to liberalize restrictions on foreign ownership of rural property and airline companies.

Analysts contend that high transportation and labor costs, low domestic productivity, and ongoing political uncertainties hamper investment in Brazil. Foreign investors also cite concerns over poor existing infrastructure, still relatively rigid labor laws, and complex tax, local content, and regulatory requirements; all part of the so-called "Custo Brasil," the extra costs of doing business in Brazil.

Table 1

Measure	Year	Index/Rank	Website Address
TI Corruption Perceptions Index	2017	96 of 180	http://www.transparency.org/research/cpi/overview
World Bank's Doing Business Report "Ease of Doing Business"	2018	125 of 190	www.doingbusiness.org/rankings
Global Innovation Index	2017	69 of 127	https://www.globalinnovationindex.org/analysis-indicator
U.S. FDI in Partner Country ($M USD, stock positions)	2016	$64,438	http://www.bea.gov/international/factsheet/
World Bank GNI Per Capita	2016	$14,810	https://data.worldbank.org/indicator/NY.GNP.PCAP.PP.CD

Openness to and Restrictions upon Foreign Investment

Policies Towards Foreign Direct Investment

Brazil was the world's seventh largest destination for FDI in 2016, with inflows of $58.7 billion, according to UNCTAD. The GOB actively encourages FDI, particularly in the automobile, renewable energy, life sciences, oil and gas and transportation infrastructure sectors; to introduce greater innovation into Brazil's economy and to generate economic growth. GOB investment incentives include tax exemptions and low-cost financing with no distinction made between domestic and foreign investors. Foreign investment is restricted in the health, mass media, telecommunications, aerospace, rural property, maritime, insurance and air transport sectors.

Limits on Foreign Control and Right to Private Ownership and Establishment

A 1995 constitutional amendment (EC 6/1995) eliminated distinctions between foreign and local capital, ending favorable treatment (e.g. tax incentives, preference for winning bids) for companies using only local capital. However, constitutional law restricts foreign investment in the health (Law 13097/2015), mass media

(Law 10610/2002), telecommunications (Law 12485/2011), aerospace (Law 7565/1986 and Decree 6834/2009, updated by Law 12970/2014, Law 13133/2015, and Law 13319/2016), rural property (Law 5709/1971), maritime (Law 9432/1997 and Decree 2256/1997), insurance (Law 11371/2006), and air transport sectors (Law 13319/2016).

Screening of FDI

Foreigners investing in Brazil must electronically register their investment with the BCB within 30 days of the inflow of resources to Brazil. In cases of investments involving royalties and technology transfer, investors must register with Brazil's patent office INPI. Investors must also have a local representative in Brazil. Portfolio investors must have a Brazilian financial administrator and register with the CVM.

To enter Brazil's insurance and reinsurance market, U.S. companies must establish a subsidiary, enter into a joint venture, acquire a local firm, or enter into a partnership with a local company. The BCB reviews banking license applications on a case-by-case basis. Foreign interests own or control 20 of the top 50 banks in Brazil. Santander is the only major wholly foreign-owned retail bank remaining in Brazil. Citibank sold its Brazilian retail banking assets to Brazilian bank Itau in October 2016. In June 2016, Brazil's anti-trust authorities approved Bradesco bank's purchase of HSBC's Brazilian retail banking operation.

In June 2019, President Jair Bolsonaro signed the bill to allow 100% foreign-controlled airlines to operate domestic flights in Brazil. The GOB presented a bill in the Brazilian Congress in April of 2017 to allow for 100 percent foreign ownership of Brazilian airlines (PL 7425/2017). There has been no vote on this bill.

In July 2015, under National Council on Private Insurance (CNSP) Resolution 325, the GOB announced a significant relaxation of some restrictions on foreign insurers' participation in the Brazilian market, and in December 2017, the government eliminated restrictions on risk transfer operations involving companies under the same financial group. The new rules revoked the mandatory cession requirement to purchase a minimum percentage of reinsurance and eliminated a limitation or threshold for intra-group cession of reinsurance to companies headquartered abroad that are part of the same economic group. Rules on preferential offers to local reinsurers, which are set to decrease in increments from 40 percent in 2016 to 15 percent in 2020, remain unchanged. Foreign reinsurance firms must have a representation office in Brazil to qualify as an admitted reinsurer. Insurance and reinsurance companies must maintain an active registration with Brazil's insurance regulator, the Superintendence of Private Insurance (SUSEP) and maintaining a minimum solvency classification issued by a risk classification agency equal to Standard & Poor's or Fitch ratings of at least BBB.

In September 2011, Law 12485/2011 removed a 49 percent limit on foreign ownership of cable TV companies, and allowed telecom companies to offer television packages with their service. Content quotas require every channel to air at least three and a half hours per week of Brazilian programming during primetime. Additionally, one-third of all channels included in any TV package have to be Brazilian.

The National Land Reform and Settlement Institute (INCRA) administers the purchase and lease of Brazilian agricultural land by foreigners. According to guidelines published in 2013, the foreign interests cannot buy or lease more than 25 percent of the overall land area in a given municipal district. Additionally, foreign investors from a single country may not own or lease more than 10 percent of agricultural land in any given municipal district. The rules also require Congressional approval before foreign nationals, foreign companies, or Brazilian companies with majority foreign shareholding can purchase large plots of agricultural land. Draft Law 2289/2017, which would lift the limits on foreign ownership of agricultural land, except near national borders, will be up for a vote in the Brazilian Congress in 2018.

Brazil is not a signatory to the WTO GPA, but became an observer in October 2017. By statute, a Brazilian state enterprise may subcontract services to a foreign firm only if domestic expertise is unavailable. Additionally, the United States and other foreign firms may only bid to provide technical services where there are no qualified Brazilian firms. U.S. companies need to enter into partnerships with local firms or have operations in Brazil in order to be eligible for "margins of preference" offered to domestic firms to participate in Brazil's public sector procurement to help these firms win government tenders. Foreign companies are often successful in obtaining subcontracting opportunities with large Brazilian firms that win government contracts. Under Mercosul's Government Procurement Protocol, member nations Brazil, Argentina, Paraguay and Uruguay are entitled to non-discriminatory treatment of government-procured goods, services, and public works originating from each other's suppliers and providers. Only Argentina has ratified the protocol so it has not yet entered into force.

Other Investment Policy Reviews

The OECD 2018 Brazil Economic Survey of Brazil highlights Brazil as a leading economy. However, it notes that high commodity prices and labor force growth will no longer be able to sustain Brazil's economic growth without deep structural reforms. While praising the Temer government for its reform plans, the OECD stated that Brazil must pass all needed reforms to realize their full benefit. The OECD cautions about low investment rates in Brazil, and cites a World Economic Forum survey that ranks Brazil 116 out of 138 countries on infrastructure as an area where Brazil must improve to maintain competitiveness. The IMF's 2017 Country Report No. 17/216 on Brazil highlights that a deterioration in Brazil's medium-term growth rates, rising policy uncertainty, rising real interest rates and other varied factors have contributed to a 30 percent decline in investment from the beginning of 2014 to 2017 that hampers Brazil's prospects for more robust economic growth. In order to boost competitiveness and productivity, the IMF suggests better allocation of factors of production such as labor and capital equipment, as well as greater efficiency of tax policy. The IMF recognizes that these are structural but necessary reforms, if Brazil seeks to correct the current misallocation of resources. The WTO's 2017 Trade Policy Review of Brazil notes the country's open stance towards foreign investment, but also points to the many sector-specific limitations (see above). All three reports highlight the upcoming October 2018 presidential elections and uncertainty regarding reform plans as the most significant political risk to the economy.

Business Facilitation

A company must register with the Receita Federal to obtain a business license and be placed on the National Registry of Legal Entities (CNPJ). Apex-Brasil has a mandate to facilitate foreign investment. The agency's services are available to all investors, foreign and domestic. Foreign companies interested in investing in Brazil have access to many benefits and tax incentives granted by the GOB at the municipal, state, and federal levels. Most incentives target specific sectors, amounts invested, and job generation.

Outward Investment

Brazil does not restrict domestic investors from investing abroad and Apex-Brasil supports Brazilian companies' efforts to invest abroad under its "internationalization program." Apex-Brasil frequently highlights the United States as an excellent destination for outbound investment. Apex-Brasil and SelectUSA, the USG's investment promotion office at the DOC, signed a memorandum of cooperation to promote bilateral investment in February 2014.

Bilateral Investment Agreements (BIT) and Taxation Treaties

Brazil does not have a BIT with the United States. In the 1990s Brazil signed BITs with Belgium and Luxembourg, Chile, Cuba, Denmark, Finland, France, Germany, Italy, the Republic of Korea, the Netherlands, Portugal, Switzerland, the United Kingdom and Venezuela. The Brazilian Congress has not ratified any of these agreements. In 2002, the Executive branch withdrew the agreements from Congress after determining that treaty provisions on international Investor-State Dispute Settlement (ISDS) were unconstitutional.

In 2016 Brazil developed a state-to-state Cooperation and Facilitation Investment Agreement (CFIA) which, unlike traditional BITs, does not provide for an ISDS mechanism. CFIAs instead outlines progressive steps for the settlement of "issue[s] of interest to an investor" including: 1) an ombudsmen and a Joint Committee appointed by the two governments will act as mediators to amicably settle any dispute; 2) if amicable settlement fails, any of the two governments may bring the dispute to the attention of the Joint Committee; 3) if the dispute is not settled within the Joint Committee, the two governments may resort to interstate arbitration mechanisms." The GOB has signed several CFIAs since 2015: Iran (November 2016), Azerbaijan (December 2016), Armenia (November 2017), Ethiopia (April 2018), Mozambique (April 2015), Angola (May 2015), Mexico (June 2015) Malawi (October 2015), Colombia (October 2015), Peru (October 2015), and Chile (November 2015). Only three have received Congressional ratification and are in force: Armenia, Azerbaijan, and Peru. Brazil has also negotiated an intra-Mercosul protocol similar to the CFIA in December 2017. It has not been ratified or entered into force. (See sections on responsible business conduct and dispute settlement.)

Brazil does not have a double taxation treaty with the United States, but it does have such treaties with 36 other countries, including, Japan, France, Italy, the Netherlands, Canada, Spain, Portugal, and Argentina. Brazil signed a Tax Information Exchange Agreement (TIEA) with the United States in March 2007, which entered into force on May 15, 2013. In September 2014, Brazil and the United States signed an intergovernmental agreement to improve international tax compliance and to implement the Foreign Account Tax Compliance Act (FATCA). This agreement went into effect in September 2015.

Legal Regime

Transparency of the Regulatory System

In the 2018 World Bank Doing Business report, Brazil ranked 125th out of 190 countries in terms of overall ease of doing business in 2017, a decline of two positions compared to the 2017 report. According to the World Bank, it takes approximately 101.5 days to start a business in Sao Paulo, Brazil's largest economic center. Brazil is seeking to streamline the process and decrease the amount to time it takes to open a small or medium enterprise (SME) to five days through its SIMPLES program. Similarly, the government attempted to reduce regulatory compliance burdens for SMEs through the implementation of the SIMPLES program, designed to simplify the collection of up to eight federal, state, and municipal-level taxes into one single payment.

The 2018 World Bank study noted that the annual administrative burden for a medium-size business to comply with Brazilian tax codes is an average of 1,958 hours versus 160.7 hours in OECD high-income economies. The total tax rate for a medium-sized business in RIO is 69 percent of profits, compared to the average of 40.1 percent in the OECD high-income economies. Business managers often complain of not being able to understand complex and sometimes contradictory tax regulations, despite their housing large local tax and accounting departments in their companies.

Tax regulations, while burdensome and numerous, do not generally differentiate between foreign and domestic firms. However, some investors complain that in certain instances the value-added tax collected by ICMS favors locally based companies who export their goods. Exporters in many states report difficulty receiving their ICMS rebates when their goods are exported. Taxes on commercial and financial transactions are particularly burdensome, and businesses complain that these taxes hinder the international competitiveness of Brazilian-made products.

Of Brazil's ten federal regulatory agencies, the most prominent include:

- ANVISA
- ANATEL, the country's telecommunications agency, which handles telecommunications, and licensing and assigning of radio spectrum bandwidth;
- The National Petroleum Agency, which regulates oil and gas contracts and oversees auctions for oil and natural gas exploration and production, including for offshore *pre-salt* oil and natural gas;
- ANAC
- IBAMA, Brazil's environmental licensing and enforcement agency; and
- ANEEL, Brazil's electric energy regulator that regulates Brazil's power electricity sector and oversees auctions for electricity transmission, generation, and distribution contracts.

In addition to these federal regulatory agencies, Brazil has at least 27 state-level regulatory agencies and 17 municipal-level regulatory agencies.

The Office of the Presidency's Program for the Strengthening of Institutional Capacity for Management in Regulation (PRO-REG) has introduced a broad program for improving Brazil's regulatory framework. PRO-REG and the U.S. White House Office of Information and Regulatory Affairs (OIRA) are collaborating to exchange best practices in developing high quality regulations that mandate the least burdensome approach to address policy implementation.

Regulatory agencies complete Regulatory Impact Analyses (RIAs) on a voluntary basis. The Senate has approved a bill on Governance and Accountability for Federal Regulatory Agencies (PLS 52/2013 in the Senate, and PL 6621/2016 in the Chamber) that is pending lower House approval. Among other provisions, the bill would make RIAs mandatory for regulations that affect "the general interest." PRO-REG is drafting enabling legislation for implementing this provision. While the Legislation is pending PRO-REG has been working with regulators to voluntarily make RIAs part of their internal procedures, with some success.

The Chamber of Deputies, Federal Senate, and the Office of the Presidency maintain websites providing public access to both approved and proposed federal legislation. Brazil is seeking to improve its public comment and stakeholder input process. In 2004, the GOB instituted a Transparency Portal, a website with data on funds transferred to and from the federal, state and city governments, as well as to and from foreign countries. It also includes information on civil servant salaries.

International Regulatory Considerations

Brazil is a member of Mercosul, a South American trade bloc whose full members include Argentina, Paraguay and Uruguay, and routinely implements Mercosul common regulations.

Brazil is a member of the WTO and the government regularly notifies draft technical regulations, such as agricultural potential barriers, to the WTO TBT committee.

Legal System and Judicial Independence

Brazil has a civil legal system structured around courts at the state and federal level. Investors can seek to enforce contracts through the court system or via mediation, although both processes can be lengthy. The Brazilian Superior Court of Justice (STJ) must accept foreign contract enforcement judgments for the judgments to be considered valid in Brazil. Among other considerations, the foreign judgement must not contradict any prior decisions by a Brazilian court in the same dispute. The Brazilian Civil Code, enacted in 2002, regulates commercial disputes, although commercial cases involving maritime law follow an older, largely superseded Commercial Code. Federal judges hear most disputes in which one of the parties is the Brazilian State, and also rule on lawsuits between a foreign state or international organization and a municipality or a person residing in Brazil.

The judicial system is generally independent. The Supreme Federal Court (STF), charged with constitutional cases, frequently rules on politically sensitive issues. State court judges and federal level judges below the STF are career officials selected through a meritocratic examination process. The judicial system is backlogged, however, and disputes or trials of any sort frequently require years to arrive at a final resolution, including all available appeals. Regulations and enforcement actions can be litigated in the court system, which contains mechanisms for appeal depending upon the level at which the case is filed. The STF is the ultimate court of appeal on constitutional grounds; the STJ is the ultimate court of appeal for cases not involving constitutional issues.

Laws and Regulations on Foreign Direct Investment

Foreigners investing in Brazil must electronically register their investment with the BCB within 30 days of the inflow of resources to Brazil. Investors must register investments involving royalties and technology transfer with Brazil's patent office INPI. Investors must also have a local representative in Brazil. Portfolio investors must have a Brazilian financial administrator and register with the CVM.

Competition and Anti-Trust Laws

The Administrative Council for Economic Defense (CADE) is responsible for enforcing competition laws, consumer protection, and carrying out regulatory reviews of mergers and acquisitions. Law 12529 from 2011 established CADE in an effort to modernize Brazil's antitrust review process and to combine the antitrust functions of the Ministry of Justice and the Ministry of Finance into CADE. The law brought Brazil in line with U.S. and European merger review practices and allows CADE to perform pre-merger reviews, in contrast to the prior legal regime that had the government review mergers after the fact. In October 2012, CADE performed Brazil's first pre-merger review.

Expropriation and Compensation

Article 5 of the Brazilian Constitution assures property rights of both Brazilians and foreigners that live in Brazil. The Constitution does not address nationalization or expropriation. Decree-Law 3365 allows the government to exercise eminent domain under certain criteria that include, but are not limited to, national security, public transportation, safety, health, and urbanization projects. In cases of eminent domain, the government compensates owners in cash.

There are no signs that the current federal government is contemplating expropriation actions in Brazil against foreign interests such actions. Brazilian courts have decided some claims regarding state-level land expropriations in U.S. citizens' favor. However, as states have filed appeals to these decisions, the compensation process can be lengthy and have uncertain outcomes.

Dispute Settlement

ICSID Convention and New York Convention

Brazil ratified the 1958 Convention on the Recognition and Enforcement of Foreign Arbitration Awards. Brazil is not a member of the World Bank's International Center for the Settlement of Investment Disputes (ICSID). Brazil joined the United Nations Commission on International Trade Law (UNCITRAL) in 2010, and its membership will expire in 2022.

Investor-State Dispute Settlement

Article 34 of the 1996 Brazilian Arbitration Act (Law 9307) defines a foreign arbitration judgment as any judgment rendered outside the national territory. The law established that the Superior Court of Justice (STJ) must ratify foreign arbitration awards. Law 9307, updated by Law 13129/2015, also stipulates that a foreign arbitration award is to be recognized or executed in Brazil in conformity with the international agreements ratified by the country and, in their absence, with domestic law. A 2001 Brazilian Federal Supreme Court (STF) ruling established that the 1996 Brazilian Arbitration Act, permitting international arbitration subject to STJ Court ratification of arbitration decisions, does not violate the Federal Constitution's provision that "the law shall not exclude any injury or threat to a right from the consideration of the Judicial Power."

Contract disputes in Brazil can be lengthy and complex. Brazil has both a federal and a state court system, and jurisprudence is based on civil code and contract law. Federal judges hear most disputes in which one of the parties is the State, and rule on lawsuits between a foreign State or international organization and a municipality or a person residing in Brazil. Five regional federal courts hear appeals of federal judges' decisions. The 2018 World Bank Doing Business report found that on average it takes 11 procedures and 731 days to litigate a breach of contract.

International Commercial Arbitration and Foreign Courts

Brazil ratified the 1975 Inter-American Convention on International Commercial Arbitration (Panama Convention) and the 1979 Inter-American Convention on Extraterritorial Validity of Foreign Judgments and Arbitration Awards (Montevideo Convention). Law 9307/1996 provides advanced legislation on arbitration, and provides guidance on governing principles and rights of participating parties. Brazil developed a new Cooperation and Facilitation Investment Agreement (CFIA) model in 2016, but it does not include ISDS mechanisms. See: Sections on bilateral investment agreements and responsible business conduct.

Bankruptcy Regulations

Brazil's commercial code governs most aspects of commercial association, while the civil code governs professional services corporations. In 2005, bankruptcy legislation (Law 11101) went into effect creating a system modeled on Chapter 11 of the U.S. bankruptcy code. Critics of Law 11101 argue it grants equity holders too much power in the restructuring process to detriment of debtholders. Brazil is drafting an update to the bankruptcy law aimed at increasing creditor rights, but it has not been presented in Congress yet. The World Bank's 2018 Doing Business Report ranks Brazil 80th out of 190 countries for ease of "resolving insolvency."

Industrial Policies

Investment Incentives

The GOB extends tax benefits for investments in less developed parts of the country, including the Northeast and the Amazon regions, with equal application to foreign and domestic investors. These incentives were successful in attracting major foreign plants to areas like the Manaus Free Trade Zone in Amazonas State, but most foreign investment remains concentrated in the more industrialized southern states in Brazil.

Individual states seek to attract private investment by offering tax benefits and infrastructure support to companies, negotiated on a case-by-case basis. Competition among states to attract employment-generating investment leads some states to challenge such tax benefits as beggar-thy-neighbor fiscal competition.

While local private sector banks are beginning to offer longer credit terms, the state-owned BNDES is the traditional Brazilian source of long-term credit as well as export credits. BNDES provides foreign-and domestically-owned companies operating in Brazil financing for the manufacturing and marketing of capital goods and primary infrastructure projects. BNDES provides much of its financing at subsidized interest rates. As part of its package of fiscal tightening, in December 2014, the GOB announced its intention to scale back the expansionary activities of BNDES and ended direct Treasury support to the bank. Law 13483, from September 2017, created a new Long-Term Lending Rate (TLP) for BNDES, which will be phased-in to replace the prior subsidized loans starting on January 1, 2018. After a five-year phase in period, the TLP will float with the market and reflect a premium over Brazil's five-year bond yield (a rate that incorporates inflation). The GOB plans to reduce BNDES's role further as it continues to promote the development of long-term private capital markets.

In January 2015, the GOB eliminated the IPI exemptions on vehicles, while keeping all other tax incentives provided by the October 2012 Inovar-Auto program. Through Inovar-Auto, auto manufacturers were able to apply for tax credits based on their ability to meet certain criteria promoting research and development and local content. Following successful WTO challenges against the trade-restrictive impacts of some of its tax benefits, the government allowed Inovar-Auto program to expire on December 31, 2017. Although the government has announced a new package of investment incentives for the auto sector, Rota 2030, it remains at the proposal stage, with no scheduled date for a vote or implementation.

On February 27, 2015, Decree 8415 reduced tax incentives for exports, known as the Special Regime for the Reinstatement of Taxes for Exporters or Reintegra Program. Decree 8415 reduced the previous three percent subsidy on the value of the exports to one percent for 2015, to 0.1 percent for 2016, and two percent for 2017 and 2018.

Brazil provides tax reductions and exemptions on many domestically-produced ICT and digital goods that qualify for status under the Basic Production Process (Processo Produtivo Básico - PPB). The PPB is product-specific and stipulates which stages of the manufacturing process must be carried out in Brazil in order for an ICT product to be considered produced in Brazil. The major fiscal benefits of the National Broadband Plan

(PNBL) and supporting implementation plan (Regime Especial de Tributacao do Programa de Banda Larga para Implantacao de Redes de Telecomunicacoes, or REPNBL-Redes) have either expired or been revoked. In 2017, Brazil held a public consultation on a National Connectivity Plan to replace the PNBL, but has not yet published a final version.

Under Law 12598/2013, Brazil offers tax incentives ranging from 13 percent to 18 percent to officially classified “Strategic Defense Firms” (which must have Brazilian control of voting shares) as well as to “Defense Firms” (which can be foreign-owned) that produce identified strategic defense goods. The tax incentives for strategic firms can apply to their entire supply chain, including foreign suppliers. The law is currently undergoing a revision, expected to be complete in 2018.

Industrial Promotion

The InovAtiva Brasil and Startup Brasil programs support startups in the country. The GOB also uses free trade zones to incentivize industrial production. A complete description of the scope and scale of Brazil’s investment promotion programs and regimes can be found at.

Protection of Property Rights

Real Property

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

Intellectual Property Rights

Rights holders in Brazil continue to face intellectual property rights (IPR) challenges. Brazil has remained on the “Watch List” of the USTR Special 301 report since 2007.

Brazil has no physical markets listed on USTR’s 2017 Review of Notorious Markets, though the report does acknowledge a file sharing site popular among Brazilians that is known for pirated digital media.

For additional information about treaty obligations and points of contact at local IP offices, please see the World Intellectual Property Organization (WIPO)’s country profiles.

Resources for Rights Holders

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Financial Sector

Capital Markets and Portfolio Investment

The Central Bank of Brazil (BCB) embarked in October 2016 on a sustained monetary easing cycle, lowering the Special Settlement and Custody System (Selic) baseline reference rate from a high of 14 percent in October 2016 to 6.5 percent in March 2018. Inflation fell to 2.9 percent by year-end 2017 – lower than 3 percent floor of inflation central target set for 2017-2018, allowing for further possible monetary policy easing. In June 2017, the National Monetary Council reduced the BCB's inflation target to 4.25 percent in 2019 and 4 percent in 2020. Because of a heavy public debt burden and other structural factors, most analysts expect the "neutral" policy rate will remain higher than target rates in Brazil's emerging-market peers (around five percent) over the forecast period.

After a boom in 2004-2012 that more than doubled the lending/GDP ratio (to 55 percent of GDP), the recession and higher interest rates significantly decreased lending. In fact, the lending/GDP ratio remained below 55 percent at year-end 2017. Financial analysts contend that credit will pick up again in the medium term, owing to interest rate easing and economic recovery.

The role of the state in credit markets grew steadily beginning in 2008, with public banks now accounting for over 55 percent of total loans to the private sector (up from 35 percent). Directed lending (that is, to meet mandated sectoral targets) also rose and accounts for almost half of total lending. Brazil is paring back public bank lending and trying to expand a market for long-term private capital.

While local private sector banks are beginning to offer longer credit terms, state-owned development bank BNDES is a traditional Brazilian source of long-term credit. BNDES also offers export financing. BNDES lending in 2017 reached its lowest level in 18 years. Although some of this reflected a reduction in disbursements due to complications stemming from the Operacao Lavo Jato (Operation Car Wash) investigation and corruption scandal, at least half of the decline reflects a new more limited focus in BNDES lending. (For more information on BNDES' lending programs, please see the investment incentives section.)

The Sao Paulo Stock Exchange (BOVESPA) is the sole stock market in Brazil, while trading of public securities takes place at the RIO market. In 2008, the Brazilian Mercantile & Futures Exchange (BM&F) merged with the BOVESPA to form what is now the fourth largest exchange in the Western Hemisphere, after the NYSE, NASDAQ, and Canadian TSX Group exchanges. At year-end, there were 344 companies traded on the BM&F/BOVESPA. Total daily trading average volume increased from R$7.3 billion ($2.3 billion) in 2015 to R$7.4 billion ($2.3 billion) in 2016. In 2000, BOVESPA launched Novo Mercado (New Market), an equities trading segment in which listed companies must comply with stricter corporate governance requirements. A majority of initial public offerings (IPOs) list on the Novo Mercado. At year-end 2017, there were 140 companies listed under the Novo Mercado program with a combined market value of $779 billion in 2017.

Foreign investors, both institutions and individuals, can directly invest in equities, securities, and derivatives. Foreign investors are limited to trading derivatives and stocks of publicly held companies on established markets. At year-end 2017, foreign investors accounted for 49 percent of the total turnover on the BOVESPA. Domestic institutional investors were the second most active market participants, accounting for 28 percent of activity. Individual investors comprised 17 percent of activity, followed by financial institutions (five percent), and public and private companies (one percent).

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

Money and Banking System

The Brazilian financial sector is large and sophisticated. Banks lend at market rates which remain relatively high compared to other emerging economies. Reasons cited by industry observers include high taxation, repayment risk, and concern over inconsistent judicial enforcement of contracts, high mandatory reserve requirements, and administrative overhead, as well as persistently high real (net of inflation) interest rates.

The financial sector is concentrated, with Banco do Brasil (BCB) data indicating that the four largest commercial banks (excluding brokerages) account for approximately 72 percent of the commercial banking sector assets. Three of the five largest banks (by assets) in the country (BSB, Caixa Economica Federal and BNDES) are partially or completely federally owned. Large private banking institutions focus their lending on Brazil's largest firms, while small- and medium-sized banks primarily serve small-and medium-sized companies.

In recent years, the BCB has strengthened bank audits, implemented more stringent internal control requirements, and tightened capital adequacy rules to reflect risk more accurately. It also established loan classification and provisioning requirements. These measures apply to private and publicly owned banks alike. The CVM independently regulates the stock exchanges, brokers, distributors, pension funds, mutual funds, and leasing companies with penalties against insider trading.

Foreign Exchange and Remittances

Foreign Exchange

Brazil's foreign exchange market remains small, despite recent growth. The latest Triennial Survey by the Bank for International Settlements, conducted in December 2016, showed that the net daily turnover on Brazil's market for OTC foreign exchange transactions (spot transactions, outright forwards, foreign-exchange swaps, currency swaps and currency options) was $19.7 billion - up from $17.2 billion in 2013. This was equivalent to around 0.3 percent of the global market in both years.

Brazil's banking system has adequate capitalization and has traditionally been highly profitable, reflecting high interest rates and fees. Per an April 2018 Central Bank Financial Stability Report, all banks exceeded required solvency ratios, and stress testing demonstrated the banking system has adequate loss absorption capacity in all simulated scenarios. Furthermore, the report noted 99.9 percent of banks already met Basel III requirements, scheduled to enter into force in 2019.

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

The BCB must approve all incoming foreign loans. In most cases, loans are automatically approved unless loan costs are determined to be "incompatible with normal market conditions and practices." In such cases, the BCB may request additional information regarding the transaction. Loans obtained abroad do not require advance approval by the BCB, provided the Brazilian recipient is not a government entity. Loans to government entities require prior approval from the Brazilian Senate as well as from the Finance Ministry's Treasury Secretariat, and must be registered with the BCB.

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

In March 2014, Brazil's Federal Revenue Service consolidated the regulations on withholding taxes (IRRF) applicable to earnings and capital gains realized by individuals and legal entities resident or domiciled outside Brazil. The regulation states that the cost of acquisition must be calculated in Reais. Also, the definition of "technical services" was broadened to include administrative support and consulting services rendered by individuals (employees or not) or resulting from automated structures having clear technological content.

Upon registering investments with the BCB, foreign investors are able to remit dividends, capital (including capital gains), and, if applicable, royalties. Investors must register remittances with the BCB. Dividends cannot exceed corporate profits. Investors may carry out remittance transactions at any bank by documenting the source of the transaction (evidence of profit or sale of assets) and showing payment of applicable taxes.

Remittance Policies

Under Law 13259/2016 passed in March 2016, capital gain remittances are subject to a 15 to 22.5 percent income withholding tax, with the exception of capital gains and interest payments on tax-exempt domestically issued Brazilian bonds. The capital gains marginal tax rates are: 15 percent up to $1.5 million in gains; 17.5

percent for \$1.5 million to \$2.9 million in gains; 20 percent for \$2.9 million to \$8.9 million in gains; and 22.5 percent for more than \$8.9 million in gains.

Repatriation of a foreign investor's initial investment is also exempt from income tax under Law 4131/1962. Lease payments are assessed a 15 percent withholding tax. Remittances related to technology transfers are not subject to the tax on credit, foreign exchange, and insurance, although they are subject to a 15 percent withholding tax and an extra 10 percent contribution for Intervening in Economic Domain tax.

Sovereign Wealth Funds

Law 11887 established the Sovereign Fund of Brazil (FSB) in 2008. It is a non-commodity fund with a mandate to support national companies in their export activities and to offset counter-cyclical development, promoting investment in projects of strategic interest to Brazil both domestically and abroad. The GOB also has the authority to use money from this fund to help meet its fiscal targets when annual revenues are lower than expected, and to invest in state-owned companies. The FSB was worth \$4.1 billion in 2017. The GOB is seeking to extinguish the FSB in order to improve its fiscal accounts.

State-Owned Enterprises

The GOB maintains ownership interests in a variety of enterprises at both the federal and state levels. Typically, boards responsible for state-owned enterprise (SOE) corporate governance are comprised of directors elected by the state or federal government with additional directors elected by any non-government shareholders. Although Brazil, a non-OECD member, has participated in many OECD working groups, it does not follow the OECD Guidelines on Corporate Governance of SOEs. Brazilian SOEs are concentrated in the oil and gas, electricity generation and distribution, transportation, and banking sectors. A number of these firms also see a portion of their shares publically traded on the Brazilian and other stock exchanges.

In the 1990s and early 2000s, the GOB privatized many state-owned enterprises across a broad spectrum of industries, including mining, steel, aeronautics, banking, and electricity generation and distribution. While the GOB divested itself from many of its SOEs, it maintained partial control (at both the federal and state level) of some previously wholly state-owned enterprises. This control can include a "golden share" whereby the government can exercise veto power over proposed mergers or acquisitions.

Notable examples of majority government owned and controlled firms include national oil and gas giant Petrobras and power conglomerate Eletrobras. Both Petrobras and Eletrobras include non-government shareholders, are listed on both the Brazilian and NYSE stock exchanges, and are subject to the same accounting and audit regulations as all publicly-traded Brazilian companies. Brazil previously restricted foreign investment in offshore oil and gas development through 2010 legislation that obligated Petrobras to serve as the sole operator and minimum 30 percent investor in any oil and gas exploration and production in Brazil's prolific offshore *pre-salt*fields. As a result of the GOB's desire to increase foreign investment in Brazil's hydrocarbon sector, in October 2016 the Brazilian Congress granted foreign companies the right to serve as sole operators in *pre-salt* exploration and production activities and eliminated Petrobras' obligation to serve as a minority equity holder in *pre-salt* oil and gas operations. Nevertheless, the 2016 law still gives Petrobras right-of-first refusal in developing *pre-salt* offshore fields before those areas are available for public auction.

Privatization Program

Given limited public investment funding, the GOB has focused on privatizing state–owned energy, airport, road, railway, and port assets through long-term (up to 30 years) infrastructure concession agreements. SOEs, including Petrobras and Eletrobras, are also divesting primary oil and gas and electricity assets through ongoing divestment and corporate restructuring campaigns. The government carries out privatizations through public tenders. Both domestic and foreign private companies may participate in the privatization auctions.

In 2016, Brazil launched its newest version of these efforts to promote privatization of primary infrastructure. The Crescer PPI, based on the Presidency, brings together the broad Brazilian inter-agency to ensure consistency in the request for tenders and the contract awards. PPI covers federal concessions in road, rail, ports, airports, municipal water treatment, electricity transmission and distribution, and oil and gas exploration and production contracts. The estimated value of proposed PPI concessions is $44.2 billion (using minimal tender values). In 2017, Brazil launched the Agora e Avancar initiative for promoting investments in primary infrastructure, and this has supported several projects.

While some subsidized financing through BNDES will be available, PPI emphasizes the use of private financing and debentures for projects. All federal and state-level infrastructure concessions are open to foreign companies with no requirement to work with Brazilian partners.

In 2008, the Ministry of Health initiated the use of Production Development Partnerships (PDPs) due to increasing dependence of the healthcare sector on international production and the need to control costs in the public healthcare system, where services are an entitlement enumerated in the constitution. The healthcare sector accounts for 9 percent of GDP, 10 percent of skilled jobs, and more than 25 percent of research and development nationally. These agreements provide a framework for technology transfer and development of local production by leveraging the volume purchasing power of the Ministry of Health. In the current administration, there is increasing interest in PDPs as a cost saving measure. U.S. companies have both competed for these procurements and at times raised concerns about the potential for PDPs to be used to subvert intellectual property protections under the WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).

Responsible Business Conduct

Most state-owned and private sector corporations of any significant size in Brazil pursue corporate social responsibility (CSR) activities. Brazil's new CFIAs (see sections on bilateral investment agreements and dispute settlement) contain CSR provisions. Some corporations use CSR programs to meet local content requirements, particularly in IT technology manufacturing. Many corporations support local education, health and other programs in the communities where they have a presence. Brazilian consumers, especially the local residents where a corporation has or is planning a local presence, expect CSR activity. Corporate officials frequently meet with community members prior to building a new facility to review the types of local services the corporation will commit to providing. Foreign and local enterprises in Brazil often advance United Nations Development Program Millennium Development Goals (MDG) as part of their CSR activity, and will cite their local contributions to MDGs, such as universal primary education and environmental sustainability. Brazilian prosecutors and civil society can be very proactive in bringing cases against companies for failure to implement the requirements of the environmental licenses for their investments and operations. National and international nongovernmental organizations monitor corporate activities for perceived threats to Brazil's biodiversity and tropical forests and can mount strong campaigns against alleged misdeeds.

The U.S. diplomatic mission in Brazil supports U.S. business CSR activities through the +Unidos Group (Mais Unidos), a group of more than 100 U.S. companies established in Brazil. Additional information on how the partnership supports public and private alliances is available.

Corruption

Brazil has laws, regulations, and penalties to combat corruption, but their effectiveness is inconsistent. Several bills to revise the country's regulation of the lobbying/government relations industry have been pending before Congress for years. Bribery is illegal, and a bribe by a local company to a foreign official can result in criminal penalties for individuals and administrative penalties, including fines and potential disqualification from government contracts, for companies. A company cannot deduct a bribe to a foreign official from its taxes. While federal government authorities generally investigate allegations of corruption, there are inconsistencies in the level of enforcement among individual states. Corruption is problematic in business dealings with some authorities, particularly at the municipal level. U.S. companies operating in Brazil are subject to the FCPA.

In 2017, Brazil ranked 96th out of 180 countries in Transparency International's Corruption Perceptions Index.

Since 2014, the federal criminal investigation known as Operacao Lava Jato (Operation Car Wash) has uncovered a complex web of public sector corruption, contract fraud, money laundering, and tax evasion stemming from systematic overcharging for government contracts, particularly at parastatal oil company Petrobras. The ongoing investigation led to the arrests of Petrobras executives, oil industry suppliers including executives from Brazil's largest construction companies, money launderers, former politicians, and political party operatives. Many sitting Brazilian politicians are currently under investigation.

In December 2016, Brazilian construction conglomerate Odebrecht and its chemical manufacturing arm Braskem agreed to pay the largest FCPA penalty in U.S. history and plead guilty to charges filed in the United States, Brazil and Switzerland that alleged the companies paid hundreds of millions of dollars in bribes to government officials around the world. The U.S. Department of Justice case stemmed directly from the *Lava Jato* investigation and focused on violations of the anti-bribery provisions of the FCPA.

In January 2018, Petrobras settled a class-action lawsuit with investors in U.S. federal court for $3 billion, which was one of the largest securities class action settlements in U.S. history. The investors alleged that Petrobras officials accepted bribes and made decisions that had a negative impact on Petrobras' share value.

In 2015, GOB prosecutors announced Operation Zealots (Operacao Zelotes), in which both domestic and foreign firms are alleged to have bribed tax officials to reduce their assessments.

UN Anticorruption Convention, The Organization for Economic Co-operation and Development's Convention on Combatting Bribery

Brazil signed the UN Convention against Corruption in 2003, and ratified it in 2005. Brazil is a signatory to the OECD Anti-Bribery Convention and a participating member of the OECD Working Group on bribery. It was one of the founders, along with the United States, of the intergovernmental Open Government Partnership, which seeks to help governments increase transparency.

Resources to Report Corruption

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Political and Security Environment

Strikes and demonstrations occasionally occur in urban areas and may cause temporary disruption to public transportation. Occasional port strikes continue to have an impact on commerce. Brazil has approximately 60,000 murders annually, with low rates of success in murder investigations and even lower conviction rates. Brazil announced emergency measures in 2017 to counter a rise in violence in Rio de Janeiro state and approximately 8,500 military personnel deployed to the state to assist state law enforcement. On February 16, 2018, President Temer signed a decree giving the federal government control of the state's entire public security apparatus and placing an army general in charge of that intervention. Shorter-term and less expansive deployments of the military in support of police forces also occurred in other states in 2017, including Rio Grande do Norte and Espirito Santo.

In 2016, millions peacefully demonstrated to call for and against President Dilma Rousseff's impeachment and protest against corruption, among the largest public protests in Brazil's history. Non-violent pro- and anti-government demonstrations have occurred regularly in recent years.

Although U.S. citizens are not usually targeted during such events, U.S. citizens traveling or residing in Brazil are advised to take common-sense precautions and avoid any large gatherings or any other event where crowds have congregated to demonstrate or protest.

Labor Policies and Practices

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

Under Brazil's labor code, formal sector workers are guaranteed 30 days of annual leave and severance pay in the case of dismissal without cause. Brazilian employers are required to pay a "13 month" salary to employees at the end of the year. Brazil also has a system of labor courts that are charged with resolving routine cases involving unfair dismissal, working conditions, salary disputes, and other grievances. Labor courts have the power to impose an agreement on employers and unions if negotiations break down and either side appeals to the court system. As a result, labor courts are routinely called upon to determine wages and working conditions in industries across the country. The labor courts system has millions of legal actions pending.

For the past six years (2010-2016), the U.S. Department of Labor, in its annual publication Findings on the Worst forms of Child Labor, has recognized Brazil for its significant advancement in efforts to eliminate the worst forms of child labor. Although forced labor and child labor are widespread, the Ministry of Labor (MTE) actively inspects businesses for violations. In 2017, MTE inspected 184 properties, resulting in the rescue of 407 victims of forced labor. Additionally, MTE rescued 1,085 children working in violation of child labor laws.

The MTE estimates there are nearly 11,000 labor unions in Brazil, but officials note these figures are inexact. Labor unions, especially in sectors such as metalworking and banking, tend to be well-organized and aggressive in advocating for wages and working conditions, and account for approximately 19 percent of the official workforce according to a recent Brazilian Institute of Applied Economic Research (IBGE) release. Strikes occur periodically, particularly among public sector unions. Unions in various sectors engage in collective bargaining negotiations, often across an entire industry when mandated by federal regulation. While some labor organizations and their leadership operate independently of the government and of political parties, others are closely associated with political parties. The 2017 Labor Law, which went into effect November 11, ended mandatory union contributions, which may lead to a decrease in the size and influence of unions. There are many legal challenges to the new law that have resulted in considerable legal uncertainty for both employers and employees.

Employer federations, supported by mandatory fees based on payroll, play a significant role in both public policy and labor relations. Each state has its own federation, which reports to the CNI headquartered in Brasilia, and the National Confederation of Commerce (CNC), headquartered in Rio de Janeiro.

Overseas Private Investment Corporation and Other Investment Insurance Programs

Programs of the Overseas Private Investment Corporation (OPIC) are fully available. Brazil has been a member of the Multilateral Investment Guarantee Agency (MIGA) since 1992.

Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical Source		**USG or International Statistical Source**		**USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other**
Economic Data	**Year**	**Amount**	**Year**	**Amount**	
Host Country Gross Domestic Product (GDP) ($M USD)	2017	$2,055,184	2016	$1,796,168	http://wdi.worldbank.org/table/4.2# http://www.bcb.gov.br/pec/Indeco/Port/indeco.asp
Foreign Direct Investment	**Host Country Statistical Source**		**USG or International Statistical Source**		**USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other**
U.S. FDI in partner country ($M USD, stock positions)	2016	$103,624*	2016	$ 64,438**	BEA data available at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm U.S. is Historical-Cost Basis Brazilian Central Bank Report at: http://www.bcb.gov.br/Rex/CensoCE/port/RelatorioIDP2016.pdf
Host country's FDI in the United States ($M USD, stock positions)	2016	$ 10,010*	2016	$ -1,831**	BEA data available at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm Brazilian Central Bank tables at: http://www4.bcb.gov.br/rex/CBE/ftp/BrazilianAssetsAbroad2016.xls
Total inbound stock of FDI as % host GDP	2016	27%	N/A	N/A	IMF CDIS 2016 total inbound investment

*In this year's report, we are using latest BCB "Historical-Cost Basis" statistics for this chart. **There is a discrepancy between BCB and IMF calculations for U.S. FDI distribution in Brazil, as well as Brazilian FDI distribution in the United States. According to the BCB, the United States had the highest stock of FDI in Brazil as of 2016, by both final and intermediate ownership.

Table 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data (IMF Coordinated Direct Investment Survey, 2016)					
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)					
Inward Direct Investment			**Outward Direct Investment**		
Total Inward	563,291	100 %	Total Outward	201,765	100 %
Netherlands	133,822	24 %	Cayman Islands	61,012	30 %
United States*	101,267	18 %	Brit Virgin Islands	38,786	19 %
Spain	56,109	10 %	The Bahamas	31,709	16 %
Luxembourg	48,541	9 %	Austria	30,112	15 %
France	27,889	5 %	Luxembourg	11,444	6 %
"0" reflects amounts rounded to +/- USD 500,000.					

There is a discrepancy between BCB and IMF calculations for U.S. FDI distribution in Brazil, as well as Brazilian FDI distribution in the United States. According to the BCB, the United States had the highest stock of FDI in Brazil as of 2016, by both final and intermediate ownership. The BCB calculates FDI distribution by ultimate investing country (for which the United States ranks number one), whereas the IMF calculates FDI distribution by immediate investing country (for which the Netherlands ranks number one). The differences between “immediate” and “ultimate investing country” measures of FDI likely reflect the use by both U.S. and Brazilian multinational corporations of 3rd country affiliates as investment vehicles in order to minimize their consolidated tax liabilities.

Table 4: Sources of Portfolio Investment

Portfolio Investment Assets (IMF Coordinated Portfolio Investment Survey, June 2017)								
Top Five Partners (Millions, US Dollars)								
Total			Equity Securities			Total Debt Securities		
All Countries	31,339	100%	All Countries	22,652	100%	All Countries	8,687	100%
United States	12,282	39%	United States	8,783	39 %	United States	3,499	40 %
Cayman Islands	4,176	13 %	Cayman Islands	3,561	16 %	Spain	1,874	22 %
Spain	2,865	9 %	Switzerland	1,632	7 %	Republic of Korea	694	8 %
Switzerland	2,238	7 %	Bermuda	1,584	7 %	Cayman Islands	614	7 %
Bermuda	1,587	5 %	Luxembourg	1,201	5 %	Switzerland	606	7 %

Contact for More Information on the Investment Climate Statement

Economic Section

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Trade & Project Financing

Methods of Payment

Imports in Brazil are primarily handled using traditional letters of credit (L/C) or collections through established banks with correspondent banking agreements overseas. To a lesser extent, U.S. exporters may choose to operate on an open account or cash in advance basis once they have established a trustworthy relationship with their Brazilian buyers. Note: given high interest rates and intermediary spreads, Brazilian buyers are likely to push for an open account or cash up front. CS Brazil highly recommends that U.S. companies work with the U.S. Export-Import Bank (EXIM) insurance or guarantees to ensure payment).

Banking Systems

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

Foreign Exchange Controls

Brazilian Reais can be obtained at banks or approved foreign exchanges. The exchange rate between the $ and the R$ varies on a daily basis.

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

Though there is no limit to the amount foreign visitors can bring into the country or from the country, amounts over R$10,000.00 require documentation, and an electronic Currency Carry-On declaration must be filed in such cases.

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

US Banks & Local Correspondent Banks:

Country	# of Banks	Banks (ranking)

U.S.A.	7	Citibank (12th); JP Morgan (15th); BofA Merrill Lynch (23rd); Morgan Stanley (32nd); GMAC (33rd); Goldman Sachs (39th) and John Deere Bank (46th)
Germany	3	Volkswagen, Deutsche Bank, Mercedes Benz
Netherlands	3	RaboBank Int'l, ING, CNH Capital
France	6	BNP Paribas, Societé Générale, RCI, Crédit Agricole, Cetelem, Carrefour
Spain	1	Santander
Switzerland	1	Credit Suisse
Bahrain	1	ABC Brasil
Japan	3	MUFG, Tokyo-Mitsubishi, Sumitomo-Mitsui

According to the BCB, of the top 15 banks in Brazil ranked in December 2017 (latest figure available) by net equity, two are state owned banks (Banco do Brasil and Caixa Economica Federal); five are Brazilian (Itaú-Unibanco, Bradesco, Safra, BTG Pactual and Votorantim); and three are foreign (Banco Santander from Spain, Citibank and J.P. Morgan from the U.S.).

Citibank sold its retail operations in Brazil to Banco Itaú. The sale, approved in August 2017 by the Central Bank, was effective as of May 2018.

Also, on May 7, 2019, the second largest Brazilian private bank, BRADESCO, announced its first international acquisition, the Florida-based BAC Florida Bank, paying approximately $500 million.

Project Financing

EXIM provides both export insurance and working capital for U.S. exporters and guaranteed loans for Brazilian importers. Contact the international department of your bank for information regarding correspondent banks in Brazil and to see if they work with EXIM. You will also find contact information for EXIM insurance brokers and guaranteed lenders at Exim.gov website.

OPIC provides financial products, such as loans and guaranties; political risk insurance; and support for investment funds to help American businesses expand into emerging markets. Under the Better Utilization of Investments Leading to Development Act (BUILD Act) of October 2018, the USG's existing development finance functions, currently conducted by OPIC and the U.S. Agency for International Development, will be consolidated in one agency, the U.S. International Development Finance Corporation, which will is scheduled to begin operating in October 2019. As a higher-income developing (second world) country Brazil will likely need a waiver to qualify for USIDFC financing.

Multilateral Development Banks

The US Commercial Service maintains Commercial Liaison Offices (CLO) in each of the main Multilateral Development Banks, including the Inter-American Development Bank and the World Bank. These institutions lend billions of dollars in developing countries on projects aimed at accelerating economic growth and social development by reducing poverty and inequality, improving health and education, and advancing infrastructure development. These Commercial officers help American businesses learn how to get involved in bank-funded projects, and advocate on behalf of American bidders.

Business Travel

Business Customs

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

Persistent traffic issues in most major Brazilian business centers mean that sufficient time should be scheduled for transportation, as well as other posible delays. It is advisable to be punctual but to avoid showing signs of frustration or impatience with delays, some of which may be attributed to a less formal approach to time

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

Travel Advisory

Find more Brazil travel information at the U.S. Department of State.

Visa Requirements

As of June 17, 2019, U.S. citizens traveling to Brazil for tourism or business purposes will be exempt from visas by the government of Brazil. For current entry and customs requirements for Brazil, travelers may contact the Brazilian Embassy. Travelers can also find out more about Brazilian consulates in the United States.

If you are entering the country with a U.S. diplomatic or official passport you must apply for a Brazilian visa before entering Brazil. Your parent agency should have a designated person to help facilitate this process. Travelers must also apply for a Brazilian visa if they are traveling on a regular (tourist) passport for reasons other than tourism. Questions should be directed to the nearest Brazilian Consulate or Embassy outside of Brazil, or in Brazil, the consular division of the Brazilian Foreign Ministry.

U.S. companies that require travel of foreign businesspersons to the United States should be advised that visa adjudications are handled via an interagency process. Visa applicants should visit the U.S. Department of State Visa website or the U.S. Embassy in Brazil.

Currency

Since 1994, the Brazilian currency is the Real, with six banknotes (R$2, 5, 10, 20, 50 and 100, and six coins including a $1 coin). Though most shops only accept the local currency, at some touristic venues, hotels and some shops, other currencies, mostly U.S. dollars or Euros can be accepted. In any case, most of the foreign currencies can be exchanged or obtained at banks or approved foreign exchange shops.

Most local credit and debit cards such as Mastercard, Visa, Cirrus and Maestro are widely accepted in most large cities, and at smaller touristic spots. American Express may not be so widely accepted. However, international visitors may have issues making purchases, so it is best to advise your bank of any upcoming travel to Brazil and to carry some local currency in case of emergency.

ATMs are extremely common in Brazil, even in small cities. It might be hard, though, to find an ATM that take specific cards. Cirrus and PLUS networks tend to be easier to find. Most bank agencies in Brazil have ATMs, some inside and some outside. It's more recommendable to use the indoor ATMs and to avoid using it in the evening. It is also advisable to monitor bank and credit card statements since PINs may be stolen at ATMs.

To check about the nearest ATMs, the main brands have locators, found at: Visa, Mastercard (includes Cirrus and Maestro) and American Express. Traveler's checks are less commonly accepted (pretty much not accepted) as a form of direct payment in Brazil. It can be cashed in exchange offices, some bank agencies, some travel agencies and hotels, but there may be heavy fees. It is not the most recommendable way to exchange currencies in Brazil.

An alternative to credit cards and traveler's checks, is to use prepaid travel cards, which are accepted as debit cards and can be used at ATMs for withdrawals. Note: Some small stores, markets in some smaller cities may not accept card payments, so it is important to carry some cash.

Telecommunications/Electronics

Within metropolitan areas, the telecommunications system is robust and reliable. The major cell phone service providers in Brazil are Vivo (Telefónica from Spain), TIM (Telecom Italia from Italy), Claro (América Móvil from Mexico), and Oi (Brazil). Cell phone penetration in Brazil is about 140 percent. Wifi can be easily accessed in most hotels and restaurants in the major metropolitan areas. Internet penetration is just over 61 percent.

In Brazil, the type N socket and plug are the official standard, along with the tpe C plug but not socket. Most of the Brazilian states use 110 volt electricity, but some other – mainly in the Northeast – states use 220 volt. However, there is no standard voltage and within some states it may differ. Consult the electrical current information for Brazil.

Transportation

Brazil has numerous international and domestic airports, and American Airlines, Azul, Delta, Gol, Tam and United Airlines offer direct flights between Brazil and the United States. The country's taxi services run very well, though U.S. citizens are recommended, for safety reasons, to meet one at a taxi stand, to call a radio-dispatched taxi, or to request on an app instead of hailing a taxi on the street. Public transportation, such as busses and subways, are also available in metro areas but can often be unsafe.

The country is the largest market for Uber outside of the United States, but there are also several other mobile apps available to hire taxis and personal drivers for transportation inside metropolitan areas, using credit cards (including international), cash or PayPal as methods of payment.

It is important to note that foreign visitors may face difficulties when using their international credit cards to pay for taxi and transportation services (Uber, 99Taxi, Easy Taxi, Cabify) in mobile apps. It is recommended to have cash as an alternative in case any issue is encountered.

Language

While the proficiency of English varies among people across the country, business meetings are often held in Portuguese, the national language. CS Brazil recommends an interpreter for a business visit, and we are happy to facilitate contracting one. Please find a list of professional service providers can be found at our Business Service Providers (BSP) directory, if you need to identify other professional service providers.

Personal space standards in Brazil are different than those in the United States. You may find the environment more intimate space for speaking, touching and greetings and salutations.

In spite of the difference in personal space, it is better to act more formal rather than less during an initial meeting. Conversations may occur simultaneously with frequent interruptions, a sign of interest in the subject rather than of disrespect.

Brazilians are very proud of their country and their unique culture. To that end, it is better to refrain from making cultural references to other countries and cultures in Latin America.

Health

The USG does not pay medical bills, and U.S. Medicare does not apply overseas. Make sure your health insurance plan provides coverage overseas. Most care providers overseas only accept cash payments. Supplemental insurance to cover medical evacuation is strongly recommended. If traveling with prescription medication, check with the GOB to ensure the medication is legal in Brazil. Carry your prescription medication in original packaging with your doctor's prescription.

The following diseases are prevalent:

- The most common mosquito and other animal-and insect-borne diseases, include: Chagas, Chikungunya, Dengue, Zika, visceral leishmaniasis and Rabies.
- Traveler's diarrhea
- Tuberculosis
- Schistosomiasis

In recent years, outbreaks of these diseases have also been detected in certain areas of Brazil:

- Yellow fever
- Zika
- Dengue

- Measles
- Polio

The U.S. Centers for Disease Control and Prevention (CDC) recently updated its information on yellow fever and measles in Brazil. Although Brazil has many elective/cosmetic surgery facilities that are on par with those found in the United States, the quality of care varies widely. If you plan to undergo surgery in Brazil, make sure that emergency medical facilities are available. Some “boutique” plastic surgery operations offer luxurious facilities but are not hospitals and are unable to handle emergencies. Several U.S. citizens have died while seeking medical care from non-traditional “healers” and practitioners. Ensure you have access to proper medical care if seeking such services. Be up-to-date on all vaccinations recommended by the CDC and the World Health Organization.

Though not required to enter Brazil, travelers wishing to be vaccinated should consider receiving yellow fever vaccine prior to travel to Brazil, as local supplies are limited. Please note: The yellow fever vaccine should be administered 10 days prior to travel in order for it to be effective. Also note: While yellow fever vaccine is not required to enter Brazil, some neighboring countries do require travelers with recent entries in Brazil to show proof of yellow fever vaccination. All travelers to the country are advised to carry documentation, such as a vaccination card, that they have been appropriately vaccinated for Yellow Fever.

Local Time, Business Hours and Holidays

Time in the country is noted using the 24-hour clock convention, i.e. 21:00 instead of 9:00 p.m. Brazil has four standard time zones: Brasilia (BRT), Amazon (AMT), Fernando de Noronha Archipelago (FNT), and Acre (ACT). Most visited cities by foreign tourists in the country are located in the Brasilia time zone, which is three hours behind Greenwich Mean Time (GMT-3). The country used to observe daylight savings time, but in April 25, 2019, President Bolsonaro signed a decree extinguishing the regime.

While office hours in Brazil are generally 9:00 a.m. to 6:00 p.m., decision-makers begin work later in the morning and stay later in the evening. The best times for calls with a Brazilian executive are between 10:00 a.m. - 12:00 p.m. as well as 3:00 p.m. - 5:00 p.m., except for the city of Sao Paulo where appointments are common throughout most of the day. Business lunches often lasts from one to two hours.

January, February and July are difficult months to schedule business meetings with high-level decision-makers. Schoolchildren are on vacation; hence many families choose this time to take their long vacations. Brazilians tend to go back to work after the Carnaval holiday, which usually takes place in late February or early March.

See a list of all national holidays in Brazil for the calendar year of 2019 (regional and local holidays not included) below:

Date	*Weekday*	*Holiday Name*	*Holiday Type*

1-Jan	Tuesday	New Year's Day	National Holiday
1-Mar	Friday	Carnival Friday	Observance
2-Mar	Saturday	Carnival Saturday	Observance
3-Mar	Sunday	Carnival Sunday	Observance
4-Mar	Monday	Carnival Monday	Optional Holiday
5-Mar	Tuesday	Carnival Tuesday	Optional Holiday
6-Mar	Wednesday	Carnival Ends (2pm)	Optional Holiday
19-Apr	Friday	Good Friday	National Holiday
21-Apr	Sunday	Tiradentes Day	National Holiday
21-Apr	Sunday	Easter Sunday	Observance
1-May	Wednesday	Labor/May Day	National Holiday
12-May	Sunday	Mother's Day	Observance
12-Jun	Wednesday	Valentine's Day	Observance
20-Jun	Thursday	Corpus Christi	Optional Holiday
11-Aug	Sunday	Father's Day	Observance
7-Sep	Saturday	Independence Day	National Holiday
12-Oct	Saturday	Our Lady of Aparecida/ Children's Day	National Holiday
15-Oct	Tuesday	Teacher's Day	Observance
28-Oct	Monday	Public Service Holiday	Optional Holiday
2-Nov	Saturday	All Souls' Day	National Holiday

15-Nov	Friday	Republic Proclamation Day	National Holiday
20-Nov	Wednesday	Black Consciousness Day	Observance
24-Dec	Tuesday	Christmas Eve (from 2pm)	Optional Holiday
25-Dec	Wednesday	Christmas Day	National Holiday
31-Dec	Tuesday	New Year's Eve (from 2pm)	Optional Holiday

For more information on the temporary admission of goods into Brazil, please access the Brazilian Department of Federal Revenue website.

Travel Related Web Resources

CIA World Factbook

DOS Travel Advisory on Brazil

Brazilian Embassy in the United States

Brazil's Ministry of Foreign Affairs