



NEW HAMPSHIRE INTERNATIONAL TRADE RESOURCE CENTER

BRAZIL



COUNTRY PROFILE

Introduction

With its estimated 192 million inhabitants, Brazil has the largest population in Latin America and is the fifth most populous country in the world. The majority of people live in the south-central area, which includes the industrial cities of Sao Paulo, Rio de Janeiro, and Belo Horizonte. Urban growth has been rapid; by 2005, 81% of the total population was living in urban areas. This growth has aided economic development but also has created serious social, security, environmental, and political problems for major cities.

Six major groups make up the Brazilian population: the Portuguese, who colonized Brazil in the 16th century; Africans brought to Brazil as slaves; various other European, Middle Eastern, and Asian immigrant groups who have settled in Brazil since the mid-19th century; and indigenous peoples of Tupi and Guarani language stock. Intermarriage between the Portuguese and indigenous people or slaves was common. Although the major European ethnic stock of Brazil was originally Portuguese, subsequent waves of immigration have contributed to a diverse ethnic and cultural heritage.

From 1875 until 1960, about 5 million Europeans immigrated to Brazil, settling mainly in the four southern states of Sao Paulo, Parana, Santa Catarina, and Rio Grande do Sul. Immigrants have come mainly from Italy, Germany, Spain, Japan, Poland, and the Middle East. The largest Japanese community outside Japan is in Sao Paulo. Despite class distinctions, national identity is strong, and racial friction is a relatively new phenomenon. Indigenous full-blooded Indians, located mainly in the northern and western border regions and in the upper Amazon Basin, constitute less than 1% of the population. Their numbers are declining as contact with the outside world and commercial expansion into the interior increase. Brazilian Government programs to

establish reservations and to provide other forms of assistance have existed for years but are controversial and often ineffective.

Brazil is the only Portuguese-speaking nation in the Americas. About three-quarters of all Brazilians belong to the Roman Catholic Church; most others are Protestant, members of a growing evangelical movement, or follow practices derived from African religions.

Brazil covers almost half of the South American continent and is bordered by all South American countries with the exception of Chile and Ecuador. Characterized by large and well-developed agricultural, mining, manufacturing, and service sectors, Brazil's economy outweighs that of all other South American countries and is expanding its presence in world markets. Along with China, Russia, and India, Brazil is one of the world's most rapidly developing countries.

Brazil at a Glance:

Capital: Brasilia

Official Language: Portuguese

Population: 196 million

Form of Statehood: Federal Republic, since 1985 with the end of military rule

Literacy: 89%

Total Area: 8.5 million km sq. (slightly smaller than the U.S.)

Nominal GDP: US\$ 1.3 trillion (10th largest economy)

Currency: Real (R\$)

Natural Resources: bauxite, gold, iron ore, manganese, nickel, phosphates, platinum, tin, uranium, petroleum, hydropower, and timber.

Primary Industries: agriculture, textiles, chemicals, petroleum, cement, lumber, ore and mineral extraction, steel, aircraft, motor vehicles and parts, other machinery and equipment.

Main Export Partners: U.S. 14.1%, China 9.5%, Argentina 8.3%, Germany 4.4%, Netherlands 4.3%

Main Import Partners: U.S. 19.9%, China 9.2%, Argentina 8.1%, Germany 7.6%

Brazil's Regional Importance

As South America's largest and most influential country, Brazil is a natural entry point when considering the South American market. In relation to South America, it accounts for:

47.5% of the total land area

53% of the population

51% of purchasing power

29% of oil production

Brazil has a modern diversified economy in which services account for 53% of GDP, followed by industry and manufacturing at 37%, and agriculture at 9%. Agribusiness (commodity and processed goods) account for some 30% of GDP, explaining Brazil's emphasis on agricultural policies in trade negotiations. Brazil is the world's largest producer of sugar cane, oranges and coffee, and is the second largest of soybean, beef, poultry, and corn. It is also a major producer of steel, aircraft, automobiles, and auto parts. The United States is Brazil's largest single-country trading partner.

Brazil is a member of MERCOSUR, South America's free trade alliance, whose full members include Argentina, Brazil, Paraguay, and Uruguay. In addition to these four, Venezuela is currently in the process of becoming a full member and associate members include Bolivia, Chile, Colombia, Ecuador, and Peru. This close economic alliance, coupled with sheer size and financial capabilities gives Brazil considerable influence throughout the continent.

Market Challenges

The Brazilian market is highly complex and varied, spread across a great number of large urban centers, and did not develop the culture of consuming imported products. Furthermore, its productive sector is quite sophisticated and diversified, with a relatively small number of goods for which there is no national production. Import operations in Brazil have a similar degree of complexity as those existing in other countries. In addition Brazil's complex and burdensome tax structure can impose barriers to those unfamiliar in its procedures.

Both unemployment and income distribution remain high throughout Brazil. As of 2007 unemployment was estimated at 9.3% and growing due to the current world financial situation. Income distribution is highly unequal with the richest 10% of the population consuming nearly 45% of output and the poorest 10% consuming less than 1%.

There are however significant opportunities available. President Lula has made economic growth and poverty alleviation top priorities. Export promotion is a main component in plans to generate growth and reduce what is seen as a vulnerability to international financial market gyrations. To increase exports, the government is seeking access to foreign markets through trade negotiations and increased export promotion as well as government financing for exports. To increase its international profile (both economically and politically), the Lula administration is seeking expanded trade ties with developing countries, as well as a strengthening of the Mercosur customs union with Uruguay, Paraguay, and Argentina.

U.S. – Brazil Relations

The United States was the first country to recognize Brazil's independence in 1822. The two countries have traditionally enjoyed friendly, active relations encompassing a broad

political and economic agenda. Deepening U.S.-Brazil engagement and cooperation are reflected in the continuing high-level contacts between the two governments, including reciprocal visits by Presidents Bush and Lula in March 2007.

Leading Market Sectors for U.S. Exporters

- Agricultural Equipment
- Aircraft Parts
- Airport: construction, equipment, and systems
- Computer Hardware and Software
- Energy
- Franchising
- Insurance
- Iron and Steel
- Medical Equipment
- Mining
- Oil and Gas
- Pharmaceuticals
- Pollution Control Equipment
- Port: security & control equipment, traffic control equipment, yard management equipment, software, and material handling equipment
- Rail Infrastructure
- Telecommunications Equipment
- Travel and Tourism

For detailed information regarding these leading market sectors, please visit:

http://www.buyusainfo.net/docs/x_3004529.pdf

Entering the Market

Key tasks include: surveying the market, getting to know about business practices in Brazil and the country's government procurement system, identifying the best distribution channels, dealing with trade promotion and even becoming aware of the business and cultural customs in the country.

There are regional differences in Brazil, with the south and southeast dominating the economy and the north and northeast being poor. Companies are encouraged to find a local Brazilian partner in order to properly understand the complex Brazilian market. The presence of a local partner will help to overcome problems, like Brazil's complex tax structure and the English-Portuguese language barrier.

Business Practices in Brazil

Brazilians do not consider themselves to be Hispanic, and they resent being spoken to in Spanish. Make sure that your documentation, including business cards, is printed in both

Portuguese and English. Be prepared to commit long term resources toward establishing strong relationships in Brazil. Brazilians generally conduct business through personal connections and expect long term commitment. It is therefore important to hire a Brazilian contact in your industry in order to meet the right people.

Doing business with Brazilian importers requires that the foreign exporter be firm about the sale and payment conditions that are intended to be set during the preliminary negotiations, be it by e-mail or personally. It is important to note that once the deal is formalized, the price and the form of payment must not be changed.

Business meetings must be arranged in advance, so that clients can work them into their schedules. Punctuality is an issue, as the visitor needs to take into account the existing difficult traffic conditions and formal dress is advised. Be prepared for light conversation to “break the ice” prior to accomplishing any business.

Invitations to lunch or diner are not mere social gatherings, but often the time during which business is negotiated. Hosting a meal is important towards establishing a relationship with a Brazilian prospect, so try to schedule a meeting from 10:00 A.M. and noon.

Upcoming Events and Business Opportunity

In addition to ongoing infrastructure development, and frequent government projects, Brazil is set to host many large international events in the near future. Brazil has been finalized to host the 2014 FIFA World Cup finals and is currently bidding to host the 2016 Olympics.